

PRESIDENT CHAIN STORE CORPORATION



2018 ANNUAL REPORT

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7-ELEVEN Bo Yuan Store, Taipei



7-ELEVEN Tong Jia Store, Taipei

Lifestyle Stores

Unique Experiences



7-ELEVEN Kan Cheng Store, Kaohsiung



7-ELEVEN Ban Zhan Store, New Taipei City



7-ELEVEN Bo Yuan Store, Taipei



7-ELEVEN Kan Cheng Store, Kaohsiung



7 Premium



OPEN Wallet





!+? CAFE RESERVE

Bakery

Selective Products

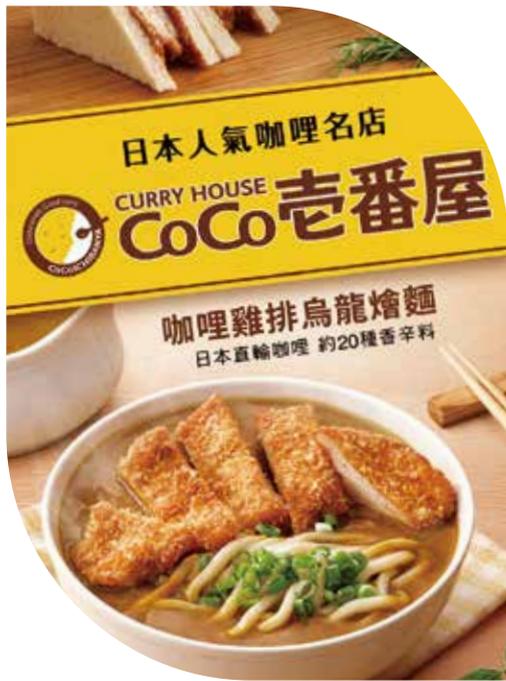
Diversified Services



Delivery Service



ibon



Cooperation with well-known restaurant and chef_7-ELEVEN X COCO Curry House



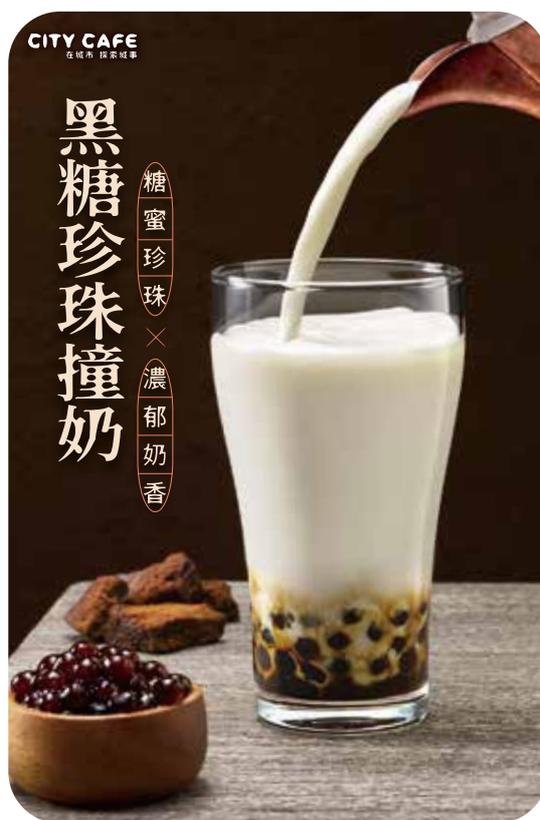
Cooperation with well-known restaurant and chef_7-ELEVEN X Taihodien restaurant



Steamed sweet potato



Nitro Coffee



Innovative and Tasty

Safe and Healthy Fresh Food



Overall Performance (alone)

Item / Year (NT\$1,000)	2018	2017	YoY
Revenue	154,074,731	144,479,880	6.64%
Gross Profit	53,012,367	50,639,297	4.69%
Operating Profit	7,654,581	6,246,725	22.54%
Pre-tax Profit	12,433,790	36,501,051	-65.94%
Net Profit	10,206,388	31,017,094	-67.09%
EPS(NT\$)	9.82	29.83	—
Weighted Average Outstanding Shares	1,039,622,255	1,039,622,255	—

Financial Ratios	2018	2017
Gross Margin	34.41%	35.05%
Operating Expense Ratio	29.44%	30.73%
Operating Margin	4.97%	4.32%
Net Margin	6.62%	21.47%
ROA	10.78%	36.97%
ROE	23.77%	78.30%
Inventory Turnover	13.28 times	14.22 times
Fixed Asset Turnover	17.06 times	16.46 times

Total No. of Stores & Revenue



Note: Net income in 2017 includes one-off gain from Starbucks transaction.

Gross Profit & Operating Profit



Net Income & EPS



Cash Dividend Yield



Note: Net income in 2017 includes one-off gain from Starbucks transaction.

1 Letter to Shareholders



Chairman:
Lo, Chih-Hsien



President:
Huang, Jui-Tien

Dear Shareholders,

In 2018, the global economy was turbulent, the minimum wage in Taiwan continued to increase, and businesses continued to face significant challenges. Despite an unstable external operating environment, President Chain Store Corporation (PCSC) continued to serve as a creative, convenient, safe, welcoming community center, offering consumers innovative and convenient products and services. Together with the great effort of our domestic and overseas subsidiaries, PCSC achieved consolidated revenue of NT\$244.89 billion and net profits of NT\$11.74 billion in 2018, was again listed in the Forbes Global 2000, and was selected as one of the top 250 global retailers by Deloitte for years in a row.

Operating Performance

7-ELEVEN Taiwan aims to provide customers with an even more comfortable and friendly place to shop. In addition to providing larger, more featured stores, PCSC integrated resources, including beauty, fitness, bakery, fast foods, etc., further launched lifestyle stores to satisfy the needs of the business area and provide customers with a diversified shopping experience. PCSC also introduced a new consumer model and unveiled the future of convenience stores when it opened the doors to "X-Store", the first unmanned store in Taiwan employing state-of-the-art technology to serve customers. To ensure food safety, PCSC formed a product safety committee, set up an internal monitoring mechanism and upgraded the testing capabilities of our product quality testing lab. Together, these initiatives enable PCSC to control the supply chain and create a rigorous food safety net to protect customers. PCSC has worked together in strategic partnerships with well-known restaurant and chef to launch a diverse selection of delicious food products and specialty restaurant cuisine to meet customer needs. PCSC has continued to improve CITY CAFE coffee quality and flavor and introduced premium coffee products to satisfy different target customers. Bubble tea was introduced in stores nationwide, continuing to drive turnover growth. PCSC selects the best products from nations around the world, including Japan and Korea, and is a member of strategic partnerships with notable domestic and overseas brands. By offering these premium and differentiated exclusive products, we attract customers seeking products that reflect their personal style. In addition to physical products, PCSC has leveraged the intensive store network and comprehensive logistics system and equipment to strengthen digital platform applications services. In 2018, we handled pickup and delivery of more than 200 million packages, providing customers with reliable, convenient delivery services. In response to recent trends, PCSC offers a variety of payment options, including OPEN Wallet, a point-accumulation payment system in which points can be collected and redeemed in a variety of channels, PCSC continued to build a convenient digital lifestyle platform for customers.

In addition to 7-ELEVEN Taiwan, PCSC has also expanded into other retail businesses both locally and overseas. As of the end of 2018, PCSC operates a total of 9,300 stores. Overseas, the store number of 7-ELEVEN Philippines has reached 2,500 stores. In addition to enhancing in-store product offerings, it is actively strengthening digital services. In Taiwan, Uni-Wonder Corp.(Starbucks Taiwan) continues to infuse new life into the coffee market with innovative services, diversified stores, and brand experiences. Taking advantage of the business opportunity of mobile reading, Books.com offers e-book services, a diversified, quality book-purchasing experience. To meet rapidly growing e-commerce distribution and warehousing needs,

Wisdom Distribution Service Corp. continued to improve efficiency through warehouse integration and concurrent software and hardware upgrades. PCSC and our subsidiaries strive to continue improvement and providing innovative and outstanding services to meet customers' needs. In 2018, Next Magazine gave PCSC and Uni-Wonder Corp. the top Next Top Service Awards in the "Drug and Cosmetics Store and Convenience Store" and "Coffee Shop Chain Store" categories, respectively. X-Store was awarded "Best Experience Innovation" and "Jury Grand Prize" in the 2018 Future Commerce Award sponsored by BusinessNext.

Social Responsibilities

For many years, PCSC has worked tirelessly to achieve sustainable operations and fulfill our responsibilities in the areas of corporate governance, social engagement, and environmental protection. For the fourth year running, PCSC ranked among the top 5% of all TWSE-/TPEX-listed companies in the annual Corporate Governance Evaluation. PCSC was also selected as a constituent stock of the MSCI Global Sustainability Indices, FTSE4Good Emerging Index, and Taiwan Sustainability Index. In the area of social participation, the Good Neighbor Foundation helped almost 3,000 children from disadvantaged homes by supporting the "1919 Reading Companion Project". Using our stores as bases of operations from which to inject life into the development of remote communities, it also launched the "Deep Roots Project for Young People" to encourage young people to return to the countryside to assist in promoting local industries and create employment opportunities. In 2018, it worked with the YongLin Healthcare Foundation to build up good neighbor stations in communities and to offer a larger variety of tests. In the area of environmental protection, we introduced the ISO 50001 Energy Management System and was the first convenience store in Taiwan to receive ISO 14064-1 GHG Certification. In 2018, PCSC was given the CSR Corporate Citizen Award for Large Corporation Group by CommonWealth Magazine and was the only convenience store on the list.

Business Prospects

Economic uncertainty, at home and abroad, will continue in 2019. Nevertheless, PCSC will maintain integrity and honesty in our business operations, while continuing to advance the seven key building elements of our company: people, store, product, system, logistics, policy, and culture. PCSC has evolved from a "convenience store that provides basic necessities" to "a store that consumers depend on and that surpasses their expectations" and which offers customers an environment characterized by experience, entertainment, and education.

By focusing on operations and consolidating company resources, PCSC's affiliates will also continue to achieve outstanding performance. The total number of 7-ELEVEN Philippines stores is expected to exceed 2,800 this year. They will continue to offer a variety of fresh food products and services that meet customer needs. Uni-Wonder Corp.(Starbucks Taiwan) will continue to upgrade its product structure, enhance the customer experience, and optimize VIP members management. President Transnet Corp. will upgrade cold-chain delivery operations and cross-border business to provide even better logistics and delivery services. COSMED will introduce an even wider variety of innovative products and high quality services to ensure a rich and novel shopping experience. With exceptional products and services, 7-ELEVEN Shanghai and 7-ELEVEN Zhejiang will provide customers with a convenient shopping experience.

PCSC is "determined to become the most outstanding retailer by offering convenient services and being a good corporate citizen". To achieve this vision, PCSC focuses on three core goals, creating a happy company, positively impacting society, and achieving environmental sustainability. We strive to make life more convenient for our customers, ensure steady profitability for our franchisees, create a fair and friendly working environment for our employees, and increase shareholder value for our shareholders.

2 Corporate Overview

1.Date of Incorporation: June 10, 1987

2.Company History

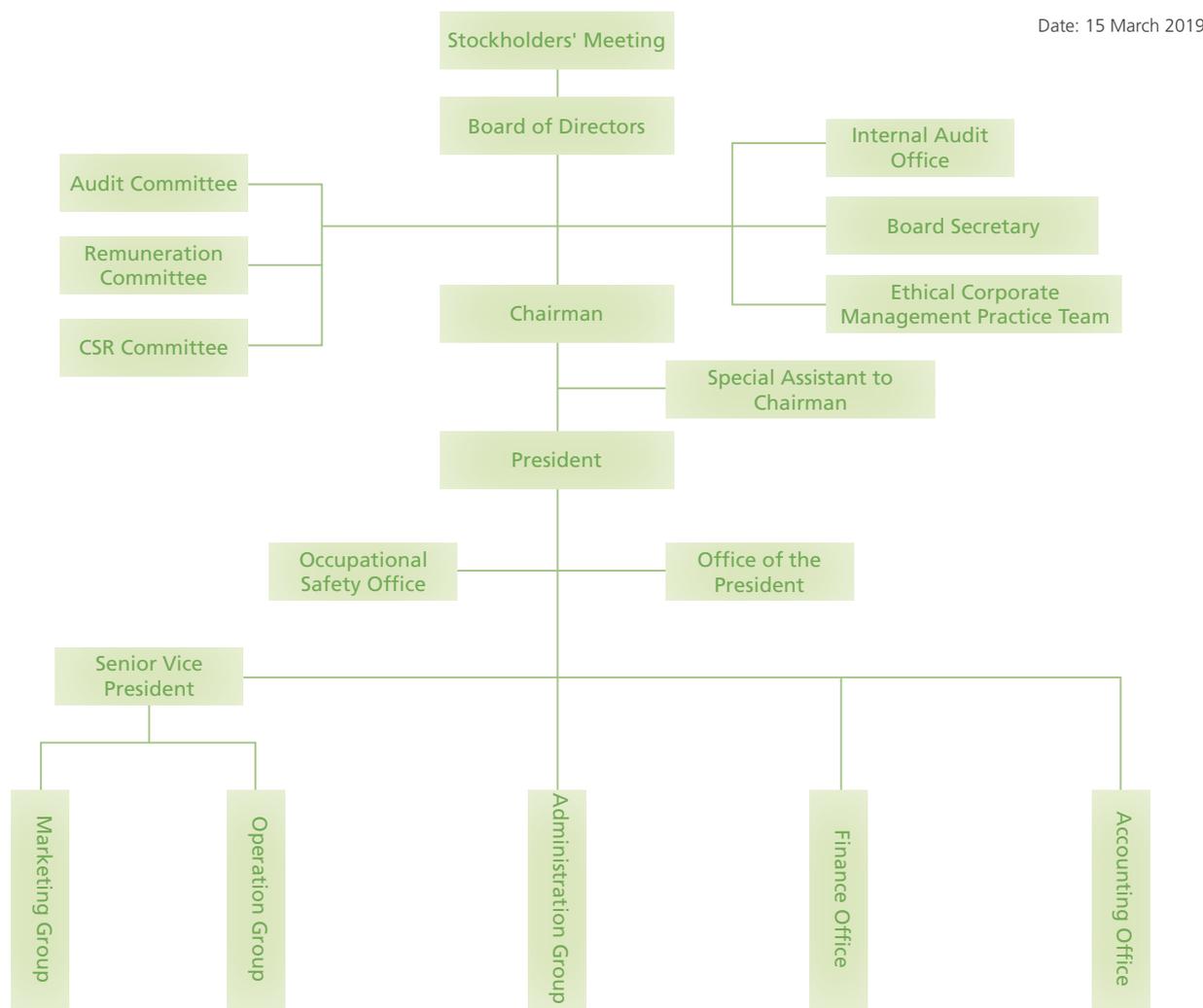
- 1987** • Formerly part of Uni-President Enterprises, President Chain Store Corporation (PCSC) was established as an independent entity.
- 1988** • The Electronic Order System (EOS) gradually rolled out to enhance distribution efficiency and increase sales opportunities.
- 1989** • PCSC became the third largest 7-ELEVEN chain in the world with the opening of our 300th store.
- 1990** • Established Retail Support International Corp.
• Held the first franchisee seminar, thereby launching the 7-ELEVEN franchise system in Taiwan.
- 1991** • 100th franchise store opened.
- 1994** • Established the joint venture Duskin Serve Taiwan Co.
- 1995** • 1000th store opened.
• Established President Drugstore Business Corp
- 1996** • First generation of POS (Point-of-Sales) implemented to fully understand customers' demands and gather market intelligence.
- 1997** • PCSC listed on the Taiwan Stock Exchange
• Established the joint venture President Coffee Corp. (renamed Uni-Wonder Corp.)
- 1999** • Expanded into offshore islands such as Penghu and Kinmen to provide convenient services to local residents.
• 2000th store opened.
• Established Wisdom Distribution Corp., Uni-President Cold Chain Corp., President Musashino Corp.(renamed Uni-President Superior Commissary Corp.), and President Transnet Corp.
- 2000** • Signed perpetual area licensing agreement with 7-ELEVEN Inc.
• Acquired Philippine Seven Corp., extending operations to overseas.
- 2002** • Issued the company's first secured corporate bond in the amount of NT\$700 million.
• 3000th store opened.
• 7-ELEVEN lunch box meals certified by the Chinese Frozen Food Institute to meet CAS standards, making it the first lunch box in Taiwan certified to be stored at 18°C.
- 2003** • 7-ELEVEN's lunch box awarded the International Marketing Communications Excellence Award 2002.
• PCSC opened our first retail stores in large shopping complexes.
• PCSC issued a second secured corporate bond in the amount of NT\$1.5 billion.
- 2004** • Second generation of POS implemented.
• Launch of 7-ELEVEN icash stored-value card.
• 7-ELEVEN's lunch box products became the first convenience store boxed meals to meet national standards as confirmed by Consumers' Foundation health inspection.
• Established Mister Donut Taiwan Corp., and President Cosmed Chain Store (Shen Zhen) Co., Ltd.
- 2005** • 4000th store opened.
• Officially expanded into the hypermarket business in China with the establishment of Shan Dong President Yinzuo Commercial Limited.
• Honored with the Executive Yuan's 2005 Taiwan Sustainable Development Award and the Ministry of Economic Affairs' first Green Accounting Award.
- 2006** • With the launch of the ibon multimedia kiosk with eight major functions, including ticket sales, bill payments and mobile office services, PCSC achieved our vision of 7-ELEVEN as a community service center.
• Established subsidiaries UNI-PRESIDENT Department Store Corp., Cold Stone Creamery Taiwan Ltd., and Cold Stone (Shanghai) Corp.
• Received Global Views Magazine's Excellence in Corporate Social Responsibility Award and Outstanding Service Award, as well as NextMedia's Top Service Award. We were also conferred with Commonwealth Magazine's first Corporate Citizen Award and ranked as one of the magazine's Top 10 Benchmark Enterprises for the 12th consecutive year.
- 2007** • With 7-ELEVEN Light Down Eco-Campaign, over 4,000 stores shut off store lights during designated times in the summer months in a pioneering effort to fight global warming.
• The number of 7-ELEVEN CITY CAFÉ machines reached 1,000, making it the largest coffee chain in Taiwan.
• PCSC was named among Commonwealth Magazine's Top 10 Benchmark Enterprises, while also receiving the Top Service Award by NextMedia. Global Views Magazine awarded PCSC its 2007 Top 10 Service Enterprises in the convenience chain store category for the second consecutive year.
- 2008** • 7-ELEVEN entered the NT\$10 billion mobile telecommunications market by launching "OPEN Talk" prepaid cards.
• PCSC won the 2008 Commonwealth Corporate Citizenship Award and Global Views Magazine's Corporate Social Responsibility Award.
• As part of our ongoing efforts to promote environmental protection and energy conservation, PCSC began switching off all outdoor lighting at Taiwan 7-ELEVEN stores during the daytime, effectively reducing carbon emissions.
- 2009** • Established President Chain Store (Shanghai) Corporation and signed a licensing agreement with 7-ELEVEN (China) Business Corporation, launching 7-ELEVEN stores in Shanghai.
- 2010** • Jointly launched "Easy Delivery" service, the first of its kind, with Ruten.com, which has become Taiwan's largest online auction marketplace.
• In an innovative move, "7Mobile" monthly rental service was officially launched with an eye towards customers looking for a minimum level of service or as a second mobile number.
• 7-ELEVEN was accredited as a "green store" by the Environmental Protection Administration and was awarded first place in the Taipei Gold Energy Saving Awards as we continue to strive towards becoming a green enterprise.
- 2011** • Following the devastating earthquake in Japan, PCSC and 16 affiliated companies launched a fundraising campaign to collect donations in our stores.
• 7-ELEVEN introduced the "ibon convenient purchasing" service, creating a new wholesale shopping platform via the ibon kiosk and ibon Mart online website.
• 7-ELEVEN opened a 2,640-square meter international food court in Taoyuan International Airport's Terminal 2, marking a new era in airport dining.
• Taking the lead in the convenience store industry, 7-ELEVEN introduced the E-Invoice in stores throughout Taiwan.
- 2012** • 7-ELEVEN became the largest transportation ticket platform in Taiwan, with ibon offering tickets from the three major domestic carriers. Ninety percent of domestic air tickets can be purchased and paid for by credit card through ibon.
• Third generation of POS gradually implemented, accurately capturing customer trends and optimizing retail sales efficiency.
• Introduced "Taiwan's New Agriculture" program, establishing the 7-ELEVEN Photosynthetic Farm to provide farm-to-table traceability management, food safety transparency, and show our commitment to offering delicious food customers can trust.
• In a pioneering move, PCSC established a distribution industry quality-testing lab, resulting in an even more rigorous food safety mechanism for customers.
• For the 18th year in a row, PCSC was named one of Commonwealth Magazine's Top 10 Benchmark Enterprises. PCSC was also awarded the 2012 Digital Service Benchmark Enterprise Award by Business Next Magazine. In Global Views Magazine's Excellence in Corporate Social Responsibility Awards, the only company to be recognized in all of the following categories: Community Involvement, Promotion of Public Interest, and Overall Performance.
- 2013** • Third generation of POS fully implemented across the Taiwan 7-ELEVEN network of stores.
• 7-ELEVEN began selling premium fruit and fresh produce in 1,000 stores.
• 7-ELEVEN product quality inspection labs received three different international certifications, further raising the bar on product inspection.
• President Transnet Corp. established the Comprehensive Distribution Center in Zhongli, gearing up for rapidly expanding market needs with the new center's large-scale, automated, highly efficient facilities.
• Released the film, "Bridge Over Troubled Water," nominated for Best Documentary in the 50th Golden Horse Film Festival.
• In recognition of efforts to implement corporate social responsibility, PCSC and Starbucks Taiwan once again received the Excellent Green Retail Business Award from the Taipei City Government. Both enterprises were recognized as green brands in the Food and Beverage, Retail, and Food Services categories by Business Next Magazine.
- 2014** • 5000th store opened.
• Zhongli Fresh Food Commissary completed; together with Kaohsiung's Taisha Fresh Food Commissary, these facilities play an important role as regional distribution centers, efficiently handling the rising demand for takeout food.
• Established icash Corp., wholly undertaking the icash trademark's proprietary and management rights. icash proved itself as a versatile payment method applicable across different channels.
• Mister Donut received a perpetual license to operate in the Taiwan market

- 2015**
- 7-ELEVEN joined hands with Formosa Vegetable Organic Farm to offer “organic produce boxes” for preorder and sale at store branches.
 - PCSC launched the internally-developed Material and Quality Assurance System and Laboratory Management System to keep track of information regarding suppliers, upgrade quality assurance management, and build a complete food security network.
 - To capitalize on the B2C market for small value gifts, 7-ELEVEN launched iGift, enabling users to send electronic gift certificates through ibon kiosks and the ibon app.
 - 7-ELEVEN Philippines opened its first store in the archipelago’s southernmost island of Mindanao thereby becoming a truly national chain of 1,600 stores.
 - Subsidiary President Chain Store (Taizhou) Ltd. was officially established to support the Company’s medium and long-term logistic needs in eastern China.
- 2016**
- The introduction of CITY Fresh expanded the CITY CAFE brand into the tea market, providing customers more variety.
 - PCSC opened its first OPEN! Children’s Reading Space. To encourage reading as it gives back to the local community, it has been working with 24 publishing companies and has brought in over 600 children’s titles.
 - PCSC and President Transnet Corp. began a technical collaboration with the Industrial Technology Research Institute, promoting iPickup Station, an intelligent self-pickup station in 7-ELEVEN store where packages are delivered and held, so recipients pick them up at their own convenience.
 - icash2.0 was officially incorporated into the mass transportation payment system. OPENPOINT’s range of applications increased, making life more convenient for customers.
 - Uni-President Hankyu Department Store was renamed Uni-President Ustyle Department Store with a focus on “style”, consumers can expect a fresh new look and commitment to outstanding service.
 - Wisdom Distribution Service Corp’s third phase plant came online, allowing it to make full use of its logistics capabilities and further increasing its service efficiency and quality.
 - Shanghai 7-ELEVEN opened its 100th store.
- 2017**
- CITY CAFE Fresh Tea brand offered the first convenience store fresh brewed bubble tea series.
 - 7-ELEVEN introduced steamed Japanese oden, which preserves nutrition and flavor, to provide customers even more delicious and diverse food choices.
 - 7-ELEVEN and Cathay United Bank joined hands to launch credit card payment options in all stores.
 - PCSC opened our first “Store of the Future” at the Changye location.
 - Received official authorization to operate 7-ELEVEN in China’s Zhejiang Province. We will bring a convenient shopping experience for local residents and achieve new milestones for our overseas business operations.
 - 7-ELEVEN Philippines opened our 2000th outlet, the LV Locsin store.
- 2018**
- PCSC launched “X-Store”, Taiwan’s first unmanned convenience store, to integrate cutting-edge technology into a retail space. PCSC unveiled the future of convenience stores by integrating state-of-the-art technology and offered valuable services and a new customer experience. It was awarded “Best Experience Innovation” and “Jury Grand Prize” at the 2018 Future Commerce Awards sponsored by BusinessNext.
 - 7-ELEVEN launched “smart vending machine”, employing a mini store model, offering fresh food products at different temperatures to satisfy consumer needs.
 - PCSC integrated internal resources and launched lifestyle stores which combining 7-ELEVEN retail stores with concepts of beauty, fitness, bakery, or fast foods etc. In addition, PCSC launched its first “Big 7”, a brand new store type of 7-ELEVEN that carries first premium coffee brand “I+? CAFE RESERVE” and products of Beauty, Bakery, Candy, and physical book store of Books.com and draft beer. As we continue to strive to meet the needs of different business areas and provide customers with a rich shopping experience.
 - 7-ELEVEN has been working together in strategic partnerships with notable domestic and overseas brands as it continues to launch a diverse selection of innovative, rich, and high quality fresh food products to meet customer needs.
 - 7-ELEVEN has kept focused in Taiwanese beverage market. Bubble tea was introduced in stores nationwide. In addition, CITY CAFE launched premium coffee products to meet customers’ needs.
 - 7-ELEVEN offers a variety of payment options, including OPEN Wallet, continuing optimizes VIP member’s management and mobile services.
 - Established Beauty Wonder (Zhejiang) Trading Co., Ltd.
 - PCSC was the only Taiwanese retailer listed among the Forbes Global 2000 in 2018. It was the only Taiwanese company listed among the Deloitte Global Powers of Retailing Top 250 and our ranking has been improved than previous years.
 - PCSC was selected by the TWSE Corporate Governance 100 Index and FTSE4Good TIP Taiwan ESG Index. PCSC was ranked in the top 5% in the Taiwan Corporate Governance Evaluation System for the fourth year running and was again selected as a constituent stock of the FTSE4Good Emerging Index and MSCI Global Sustainability Indices.
 - PCSC received ISO 14064-1 GHG Certification and ISO 45001 OH&S Certification, the only CVS operator received ISO 45001 Certification in Taiwan. PCSC also received Corporate Sustainability Report Silver Award from TCSA and was presented the CSR Corporate Citizen Award for Large Corporation Group by CommonWealth Magazine.
 - Thirteen of our businesses, including PCSC, President Transnet Corp., Cosmed, and Uni-Wonder Corp., were listed in the CommonWealth Magazine Top 2000 enterprises. PCSC, Uni-Wonder Corp., and President Drugstore Business Corp. received the 2018 i-Service Gold Awards for their perspective industries from the Commercial Times. Manager Today named 7-ELEVEN, Starbucks, Books.com, and Cosmed among their Brand Asia - Influential Asian Brands 2018. PCSC and Uni-Wonder Corp. each earned gold medals in Next Magazine’s 15th Next Top Service Awards for “Drug and Cosmetics Stores and Convenience Stores” and “Coffee Shop Chain Stores” categories, respectively.
- 2019**
- 7-ELEVEN is collaborating with 7-ELEVEN Japan to introduce limited edition 7-Premium products and KOSE SEKKISUI series products from Japan, thereby enhancing product differentiation and brand distinctiveness.
 - 7-ELEVEN continues to strengthen the connection of digital platforms and the AI technology, launching a customized interactive activity of ibon APP and AR technology to provide consumers with innovative experiences.

3 Corporate Governance

1. Organization

(1) Organization Chart



(2) Responsibilities of Key Groups:

- Office of the President: Administration of strategic planning, operating management, human resources, and engineering management.
- Senior Vice President: Operation and management of Taiwan 7-ELEVEN and vertical subsidiaries.
- Marketing Group: Taiwan 7-ELEVEN product development and marketing strategy planning.
- Operation Group: Operation and planning of Taiwan 7-ELEVEN stores.
- Administration Group: Management and planning of back office resource integration.
- Finance Office: Management and planning of financial affairs and investor relations.
- Accounting Office: Management and planning of accounting affairs, tax
- Occupational Safety Office: Management of staff safety and health.
- Internal Audit Office: Management and implementation of internal auditing and the internal control system.
- Board Secretary: Implement corporate governance and regulations, provide information to directors, and organize and held Board meetings and shareholders' meeting.
- Ethical Corporate Management Practice Team: Promotion of ethical policies and preventative measures.
- CSR Committee: Planning and Implementation of Corporate Social Responsibility Policies.

2. Information on Directors and Management of the Company and Various Departments and Branches

(1) Information on directors:

1. Information on directors:

15 March 2019

Title	Nationality or Place of Registration	Name	Gender	Date Elected to the Board	Term (years)	Date of Initial Election	Shares Held at Time of Election		Current Shareholdings		Shares Held by Spouse or Minor Children		Shareholding by Nominee Arrangements		Education and Experience (Note 3)	Positions Held Concurrently at PCSC and Other Companies	Spouse or Relatives Within the Second-Degree of Consanguinity also Holding Management, Directorial, or Supervisory Positions		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director Institutional Shareholder	R.O.C	Uni-President Enterprises Corp.	-	2018.06.12	3	1987.06.10	471,996,430	45.40%	471,996,430	45.40%	-	-	-	-	-	-	-	-	-
Chairman (Representative)	R.O.C	Lo, Chih-Hsien (Note 1)	Male	2018.06.12	3	2000.06.15	1,032,215	0.10%	1,032,215	0.10%	1,044,139	0.10%	-	-	MBA, UCLA, USA	(Note 4)	Director	Kao, Shioh-Ling	Spouse
Director Institutional Shareholder	R.O.C	Kao Chyuan Investment Co. Ltd	-	2018.06.12	3	2009.06.10	5,176,775	0.50%	5,176,775	0.50%	-	-	-	-	-	-	-	-	-
Director (Representative)	R.O.C	Kao, Shioh-Ling (Note 2)	Female	2018.06.12	3	2010.03.20	1,044,139	0.10%	1,044,139	0.10%	1,032,215	0.10%	-	-	Marymount College, USA	(Note 4)	Chairman	Lo, Chih-Hsien	Spouse
Director (Representative)	R.O.C	Chen, Jui-Tang (Note 1)	Male	2018.06.12	3	2012.06.21	13,652	-	13,652	-	-	-	-	-	BA, Dept of Economics, National Taiwan University	(Note 4)	-	-	-
Director (Representative)	R.O.C	Huang, Jui-Tien (Note 1)	Male	2018.06.12	3	2015.06.18	391	-	391	-	-	-	-	-	Master Degree in Marketing, National Kaohsiung First University of Science and Technology	(Note 4)	-	-	-
Director (Representative)	R.O.C	Wu, Liang-Feng (Note 1)	Male	2018.06.12	3	2018.02.24	-	-	-	-	-	-	-	-	BA in Japanese, Tamkang University	(Note 4)	-	-	-
Director (Representative)	R.O.C	Su, Tsung-Ming (Note 1)	Male	2018.06.12	3	2008.02.14	10,000	-	10,000	-	-	-	-	-	MBA, University of Iowa, USA	(Note 4)	-	-	-
Director (Representative)	R.O.C	Hwang, Jau-Kai (Note 1)	Male	2018.06.12	3	2015.06.18	-	-	-	-	-	-	-	-	Accounting, Shih Chien University	(Note 4)	-	-	-
Director (Representative)	R.O.C	Wu, Kun-Lin (Note 1)	Male	2018.06.12	3	2017.11.02	-	-	-	-	-	-	-	-	BBA in Business Administration, National Cheng Kung University	(Note 4)	-	-	-
Director (Representative)	R.O.C	Wu, Tsung-Ping (Note 1)	Male	2018.06.12	3	2012.06.21	-	-	-	-	-	-	-	-	Accounting, Chung Yuan Christian University	(Note 4)	-	-	-
Director (Representative)	R.O.C	Wu, Wen-Chi (Note 1)	Female	2018.06.12	3	2015.06.18	556	-	556	-	737	-	-	-	BA, School of Accountancy, University of Missouri at Columbia, USA	(Note 4)	-	-	-
Independent director	R.O.C	Wang, Wen-Yeu	Male	2018.06.12	3	2012.06.21	-	-	-	-	20,000	-	-	-	PhD, Stanford Law School	(Note 4)	-	-	-
Independent director	R.O.C	Shu, Pei-Gi	Male	2018.06.12	3	2012.06.21	-	-	-	-	-	-	-	-	PhD, Management, National Chengchi University	-	-	-	-
Independent director	R.O.C	Hung, Yung-Chen	Male	2018.06.12	3	2018.06.12	-	-	-	-	-	-	-	-	PhD, Information Engineering, National Taiwan University	(Note 4)	-	-	-

Note 1: Representative of Uni-President Enterprises Corp.

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

Note 3: For more information on the experience of directors (including independent directors), please refer to the Positions Concurrently Held by Directors (including Independent Directors) in Other Companies table on page 78 of this report.

Note 4: For more information on the positions held by directors (including independent directors), please refer to the Positions Concurrently Held by Directors (including Independent Directors) in Other Companies table on page 78 of this report.

Note 5: As of 15 March 2019, average tenure of incumbent directors is 6 years and 1 month.

2. Independence and Professional Expertise of Board Members:

Name	Item	Has over 5 years of work experience and the below professional qualifications			Independence Ranking (Note)										Number of independent directorships held in other public companies	
		Has over 5 years of work experience and the below professional qualifications	Holds a license, obtained through national examination, for the position of judge, district attorney, lawyer, accountant, or similar	Work experience in business, law, finance, accounting or company operations	1	2	3	4	5	6	7	8	9	10		
Lo, Chih-Hsien			V											V		0
Kao, Shioh-Ling			V		V									V		0
Chen, Jui-Tang			V			V						V	V			0
Huang, Jui-Tien			V			V		V				V	V			0
Wu, Liang-Feng			V			V	V					V	V			0
Su, Tsung-Ming		V	V			V	V					V	V			1
Hwang, Jau-Kai			V			V	V					V	V			0
Wu, Kun-Lin			V			V	V					V	V			0
Wu, Tsung-Ping			V			V						V	V			0
Wu, Wen-Chi			V			V		V				V	V			0
Wang, Wen-Yeu	V		V		V	V	V	V	V	V	V	V	V	V	V	3
Shu, Pei-Gi	V		V		V	V	V	V	V	V	V	V	V	V	V	0
Hung, Yung-Chen	V	V	V		V	V	V	V	V	V	V	V	V	V	V	0

Note : All board members met with the following conditions for the two years leading up to assuming their posts and while they held their posts. Please place a tick mark "✓" in the box under number that represents their situation.

- (1) Not an employee of the Company or the Company's affiliates.
- (2) Not a director or supervisor of Company's affiliates. (However, this does not apply to the independent directors of the Company, its parent company or any of the Company's subsidiaries in 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 is one of the top 10 shareholders.
- (4) This individual's spouse, relatives within two degrees of consanguinity, and lineal relatives within five degrees also meet the criteria in the above three statements.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly owns over 5% of the Company's issued shares or an institutional investor that is among the top five institutional shareholders.
- (6) Not a director, supervisor, or manager of any company or organization that has business or financial relations with the Company and does not own over 5% of such a 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 advice in business, law, finance and accounting to the Company or the Company's affiliates. (However, this does not apply to members of remuneration committees carrying out their duties in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.)
- (8) Not a spouse or a relative within two degrees of consanguinity to any director.
- (9) Does not meet any of the criteria described in Article 30 of the Company Act.
- (10) Not the proxy of any government agency, juridical person, or their representative that is a shareholder in the Company as outlined in Article 27 of the Company Act.

3. Directors are representatives of institutional shareholders. The top ten major shareholders in such institutional shareholders (including % of stocks held) are as follows:

10 August 2018

Name of Institutional Shareholder	Principal Shareholders in PCSC Institutional Shareholders
Uni-President Enterprises Corp.	Kao Chyuan Inv. Co., Ltd.(4.91%); BNP Paribas Wealth Management HK. Branch(3.04%); Hou, Po-Ming(2.60%); Hou, Po-Yu (2.27%); Government of Singapore – GOS – EFMC(1.76%); First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund(1.70%); Kao, Shioh-Ling (1.64%); J.P.Morgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency(1.47%); Vanguard Emerging Markets Stock Index Fund (1.30%); JPMorgan Chase Bank N.A.(1.20%)
Kao Chyuan Investment Co. Ltd.	Kao, Shioh-Ling (63.17%); Lo, Chih-Hsien (20.71%); Kao, Han-Di (5.70%); Kao, Tsu-Yi (5.26%); Lo, Hsi-Ai (5.16%)

4. Below is a list of the top 10 shareholders (including % of stocks held) in the principal shareholders in PCSC institutional shareholders listed above who are themselves institutional shareholders:

31 December 2018

Name of Institutional Shareholder	Principal Shareholders in Institutional Shareholders
Kao Chyuan Investment Co. Ltd.	Kao, Shiow-Ling (63.17%); Lo, Chih-Hsien (20.71%); Kao, Han-Di (5.70%); Kao, Tsu-Yi (5.26%); Lo, Hsi-Ai (5.16%)

(2) Information on the company president, senior vice presidents, vice presidents, and division heads:

15 March 2019

Title	Nationality	Name	Gender	Date Assumed Current Position	Current Shareholdings		Shares Held by Spouse or Minor Children		Shareholding by Nominee Arrangements		Education and Experience (Note 1)	Positions Held Concurrently at Other Companies	Spouse or Relatives Within the Second-Degree of Consanguinity also Holding Management, Directorial, or Supervisory Positions		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President	R.O.C	Huang, Jui-Tien	Male	2018.06.20	391	–	–	–	–	–	Master Degree in Marketing, National Kaohsiung First University of Science and Technology	(Note 2)	–	–	–
Special Assistant to Chairman	R.O.C	Chen, Jui-Tang	Male	2018.06.20	13,652	–	–	–	–	–	BA, Economics, National Taiwan University	(Note 2)	–	–	–
Senior Vice President	R.O.C	Wu, Kuo-Hsuan	Male	2012.08.01	–	–	–	–	–	–	BA, Marketing & Distribution Management, Fortune Institute of Technology	(Note 2)	–	–	–
Vice President	R.O.C	Hsieh, Lien-Tang	Male	2012.08.01	–	–	113	–	–	–	BA, Business Administration, Chinese Culture University	(Note 2)	–	–	–
Vice President	R.O.C	Lin, Chi-Chang	Male	2013.01.01	717	–	–	–	–	–	BA, Social Work, Soochow University	(Note 2)	–	–	–
Chief Financial Officer (Vice President)	R.O.C	Wu, Wen-Chi	Female	2010.04.01	556	–	737	–	–	–	BA, Accounting, University of Missouri, USA	(Note 2)	–	–	–
Chief Accounting Officer (Vice President)	R.O.C	Kuo, Ying-Chih	Female	2017.09.01	–	–	–	–	–	–	MA, Business Management, National Kaohsiung University of Science and Technology	(Note 2)	–	–	–
Vice President	R.O.C	Lin, Hung-Chun	Male	2014.10.15	1,129	–	–	–	–	–	BA, Business Administration, Aletheia University	(Note 2)	–	–	–
Vice President	R.O.C	Hsieh, Kuan-Hung	Male	2018.02.23	1,838	–	38,285	–	–	–	BA, Food and Nutrition, Fu Jen University	(Note 2)	–	–	–
Vice President	R.O.C	Tzeng, Fan-Bin	Male	2013.01.01	–	–	–	–	–	–	BA, International Trade, Soochow University	–	–	–	–
Project Vice President	R.O.C	Hsu, Guang-Yu	Male	2018.02.23	17,890	–	–	–	–	–	BA, Journalism, Chinese Culture University	(Note 2)	–	–	–
Project Vice President	R.O.C	Hsieh Hung, Hui-Tzu	Female	2014.06.19	282	–	–	–	–	–	MBA, National Cheng Kung University	(Note 2)	–	–	–
Project Vice President	R.O.C	Wu, Hui-Chen	Male	2019.03.01	–	–	–	–	–	–	BA, Business Administration, Tunghai University	–	–	–	–

Note 1: For more information on the background of Company management, please refer to the Positions Concurrently Held by Management in Other Companies table on page 80 of this report.

Note 2: For the list of positions held by the management team in other companies, please refer to the Positions Concurrently Held by Management in Other Companies table on page 80 of this report.

(3) Remuneration paid to Company directors, president, and senior vice presidents over the past year

1. Directors and Independent Directors remuneration:

31 December 2018 / Unit: NT\$1000

Title	Name	Director Remuneration								Summation of A, B, C, and D as a % of After-Tax Income								Compensation to Directors Also Serving as Company Employees				Summation of A, B, C, D, E, F and G as a % of After-Tax Income		Compensation from Affiliates Other than Subsidiaries (Note 3)
		Remuneration (A)		Pensions (B)		Director Earnings Distribution (C)		Business Expenses (D)		Salary, Bonuses, and Special Allowance (E) (Note 1)		Pensions (F)		Employee Earnings Distribution (G) (Note 2)				PCSC	All consolidated companies					
		PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	Cash	Stock	Cash	Stock							
Director and Institutional Shareholder	Uni-President Enterprises Corp.	2,400	2,520	-	-	176,009	180,931	-	-	1.75%	1.80%	-	-	-	-	-	-	-	-	1.75%	1.80%	11,851		
Director and Institutional Shareholder	Kao Chyuan Investment Co. Ltd.	75	75	-	-	16,763	16,763	300	300	0.17%	0.17%	-	-	-	-	-	-	-	-	0.17%	0.17%	802		

※In addition to above information, remuneration to Directors who provide services to PCSC or consolidated companies: None.

Note 1: Includes car leasing expenses for managers.

Note 2: Earnings distribution for 2018 has not yet been approved by general shareholders meeting. These figures are based on the proposal approved by the Board.

Note 3: Compensation received for directors and supervisors of affiliated enterprises that are not consolidated into the financial statement.

Compensation Level	Names of Directors			
	A+B+C+D		A+B+C+D+E+F+G	
	PCSC	All consolidated companies	PCSC	All consolidated companies
Less than NT\$2,000,000	Lo, Chih-Hsien; Kao, Shioh-Ling; Chen, Jui-Tang; Huang, Jui-Tien; Wu, Liang-Feng; Su, Tsung-Ming; Hwang, Jau-Kai; Wu, Kun-Lin; Wu, Tsung-Ping; Wu, Wen-Chi; Yang, Wen-Lung; Wang, Wen-Yeu; Shu, Pei-Gi; Hung, Yung-Chen; Chen, M. David	Kao, Shioh-Ling; Chen, Jui-Tang; Huang, Jui-Tien; Wu, Liang-Feng; Su, Tsung-Ming; Hwang, Jau-Kai; Wu, Kun-Lin; Wu, Tsung-Ping; Wu, Wen-Chi; Yang, Wen-Lung; Wang, Wen-Yeu; Shu, Pei-Gi; Hung, Yung-Chen; Chen, M. David	Lo, Chih-Hsien; Kao, Shioh-Ling; Wu, Liang-Feng; Su, Tsung-Ming; Hwang, Jau-Kai; Wu, Kun-Lin; Wu, Tsung-Ping; Yang, Wen-Lung; Wang, Wen-Yeu; Shu, Pei-Gi; Hung, Yung-Chen; Chen, M. David	Kao, Shioh-Ling; Wu, Liang-Feng; Su, Tsung-Ming; Hwang, Jau-Kai; Wu, Kun-Lin; Wu, Tsung-Ping; Yang, Wen-Lung; Wang, Wen-Yeu; Shu, Pei-Gi; Hung, Yung-Chen; Chen, M. David
NT\$2,000,000 (incl.)~NT\$5,000,000	—	Lo, Chih-Hsien	—	Lo, Chih-Hsien
NT\$5,000,000 (incl.)~ NT\$10,000,000	—	—	—	—
NT\$10,000,000 (incl.)~ NT\$15,000,000	—	—	Wu, Wen-Chi	Wu, Wen-Chi
NT\$15,000,000 (incl.)~ NT\$30,000,000	—	—	Huang, Jui-Tien	Huang, Jui-Tien
NT\$30,000,000 (incl.)~ NT\$50,000,000	—	—	Chen, Jui-Tang	Chen, Jui-Tang
NT\$50,000,000 (incl.)~NT\$100,000,000	—	—	—	—
NT\$100,000,000 and above	—	—	—	—
Total	15	15	15	15

2. President and senior vice president remuneration:

31 December 2018 / Unit: NT\$1000

Title	Name	Salary (A)		Pensions(B)		Bonus and Special Allowance (C) (Note 1)		Earnings Distribution to Employees (D) (Note 2)				Summation of A, B, C, and D as a % of After-Tax Income		Compensation from Affiliates Other than Subsidiaries	
		PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC		All consolidated companies		PCSC	All consolidated companies		
								Cash	Stock	Cash	Stock				
President	Huang, Jui-Tien														
Special Assistant to Chairman	Chen, Jui-Tang	20,924	23,193	909	909	53,267	53,507	6,489	-	6,489	-	0.80%	0.82%	300	
Senior Vice President	Wu, Kuo-Hsuan														

Note 1: Includes car leasing expenses for managers.

Note 2: Earnings distribution for 2018 has not yet been approved by general shareholders meeting. These figures are based on the proposal approved by the Board.

Compensation Level	Names of the President and Senior Vice Presidents	
	PCSC	All consolidated companies
Less than NT\$2,000,000	—	—
NT\$2,000,000 (incl.)~NT\$5,000,000	—	—
NT\$5,000,000 (incl.)~NT\$10,000,000	—	—
NT\$10,000,000 (incl.)~NT\$15,000,000	—	—
NT\$15,000,000 (incl.)~NT\$30,000,000	Huang, Jui-Tien; Wu, Kuo-Hsuan	Huang, Jui-Tien; Wu, Kuo-Hsuan
NT\$30,000,000 (incl.)~NT\$50,000,000	Chen, Jui-Tang	Chen, Jui-Tang
NT\$50,000,000 (incl.)~NT\$100,000,000	—	—
NT\$100,000,000 and above	—	—
Total	3	3

3. Earnings distribution as remuneration to Company management:

31 December 2018/ Unit: NT\$1000

	Title	Name	Stock	Cash	Total	Total as a % of After-Tax Income
Management	President	Huang, Jui-Tien	—	13,358	13,358	0.13%
	Special Assistant to Chairman	Chen, Jui-Tang				
	Senior Vice President	Wu, Kuo-Hsuan				
	Vice President	Hsieh, Lien-Tang				
	Vice President	Lin, Chi-Chang				
	Chief Financial Officer(Vice President)	Wu, Wen-Chi				
	Chief Accounting Officer(Vice President)	Kuo, Ying-Chih				
	Vice President	Lin, Hung-Chun				
	Vice President	Hsieh, Kuan-Hung (Note 2)				
	Vice President	Tzeng, Fan-Bin				
	Vice President	Hsieh, Ching-Hsun (Note 2)				
	Project Vice President	Hsu, Guang-Yu (Note 2)				
	Project Vice President	Hsieh Hung, Hui-Tzu				

Note 1: Earnings distribution for 2018 has not yet been approved by general shareholders meeting. These figures are based on the proposal approved by the Board.

Note 2: Hsieh, Ching-Hsun was dismissed in March 2018; Hsieh, Kuan-Hung and Hsu, Guang-Yu began their term in February 2018.

(4) The below includes analysis of total remuneration (as a percentage of net income) given to directors, president and senior vice presidents by PCSC and all consolidated companies over the past two years along with a discussion of the remuneration policies, standards, arrangements, procedures for defining compensation and the relationship between remuneration packages and the company's performance and future risk:

1. Remuneration paid over the past two years as a percent after-tax net income:

	Title	Directors	President and Senior Vice Presidents
2018(Note)	PCSC	2.71%	0.80%
	All consolidated companies	2.79%	0.82%
2017(Note)	PCSC	2.07%	0.28%
	All consolidated companies	2.09%	0.29%

Note : PCSC's net income after tax in 2018 was NT\$10,206,388,000. PCSC's net income after tax in 2017 was NT\$31,017,094,000.

2. Remuneration policy, standards, and arrangements, the procedures for determining remuneration, and the relationship between remuneration and company performance:

- (1) PCSC's remuneration policy is based on the Company's business strategy, human resource policy, and financial capability. Every year, the Company participates in salary surveys undertaken by specialist salary survey organizations; the company's remuneration levels are then reviewed based on the results of these surveys.
- (2) The standards of remuneration for directors are clearly specified in the company's Article of Incorporation. ("Employee and compensation director, remuneration" on page 48.)
- (3) Remuneration paid to the PCSC President and Senior Vice Presidents is set according to their individual performance and their contribution to the company's operations. Said remuneration shall also conform to PCSC's remuneration regulations and take into consideration typical remuneration levels paid by other companies (using data compiled by market research firms). Bonuses shall be awarded based on PCSC's performance management regulations and take into consideration both PCSC's operating performance and the individual's own performance.

3. Implementation of Corporate governance

(1) Operations of the Board of Directors:

As of publication of the Annual Report, there had been a total of eight (A) meetings of the Board of Directors over the past fiscal year. Director attendance is detailed below:

Title	Name	Meetings Attended Personally (B)	Meetings Attended by Proxy	Personal Attendance Rate (B/A)	Remarks
Chairman	Uni-President Enterprises Corp. Lo, Chih-Hsien	8	0	100%	—
Director	Kao Chyuan Investment Co. Ltd. Kao, Shioh-Ling	8	0	100%	—
Director	Uni-President Enterprises Corp. Chen, Jui-Tang	8	0	100%	—
Director	Uni-President Enterprises Corp. Huang, Jui-Tien	8	0	100%	—
Director	Uni-President Enterprises Corp. Wu, Liang-Feng	7	0	100%	Newly appointed as director (representative) for a term beginning on February 24, 2018
Director	Uni-President Enterprises Corp. Su, Tsung-Ming	8	0	100%	
Director	Uni-President Enterprises Corp. Hwang, Jau-Kai	8	0	100%	
Director	Uni-President Enterprises Corp. Wu, Kun-Lin	8	0	100%	
Director	Uni-President Enterprises Corp. Wu, Tsung-Ping	8	0	100%	
Director	Uni-President Enterprises Corp. Wu, Wen-Chi	8	0	100%	
Director	Uni-President Enterprises Corp. Yang, Wen-Lung	1	0	100%	Former director (representative) whose term ended on February 23, 2018
Independent Director	Wang, Wen-Yeu	8	0	100%	
Independent Director	Shu, Pei-Gi	7	1	88%	
Independent Director	Hung, Yung-Chen	6	0	100%	Newly appointed as Independent director for a term beginning on June 12, 2018
Independent Director	Chen, M. David	2	0	100%	Former Independent director whose term ended on June 12, 2018

Other issues to be noted:

- In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted:
 - Issue specified in Article 14-3 of the Securities and Exchanges Act: The Company has set up an Audit Committee, so it is not applicable of Article 14-3 of the Securities and Exchange Act. Please refer to page 23 "Operations of the Audit Committee" for more information regarding to Article 14-5 of the Securities and Exchange Act.
 - Other issues opposed by independent directors or about which said directors have reservations should be recorded in writing in the meeting minutes of the Board: None.
- Should a director recuse him or herself from a decision about which he or she has a conflict of interest, the name of the director, contents of the resolution, reasons for recusal, and the results of the vote should be noted:
 - The proposal to adjust the remuneration for independent directors was raised and discussed during the company board meeting held on April 25, 2018. With the exception of Directors Wang, Wen-Yeu; Chen, M. David; and Hsu Pei-chi, who recused themselves from discussion and voting due to conflict of interest because they are independent directors, the resolution was adopted unanimously by all directors in attendance.
 - The proposal to appoint a new president was raised and discussed during the Company board meeting held on June 20, 2018. With the exception of Directors Chen, Jui-tang; Huang, Jui-tien; and Wu, Wen-chi who recused themselves from discussion and voting due to conflict of interest because they are managers in the Company, the resolution was adopted unanimously by all directors in attendance.
 - The proposal to appoint new members to the 4th Remuneration Committee was raised and discussed during the Company board meeting held on June 20, 2018. With the exception of Directors Wang, Wen-Yeu, Hsu Pei-chi, and Hung, Yung-cheng, who recused themselves from discussion and voting due to conflict of interest because they are independent directors, the resolution was adopted unanimously by all directors in attendance.
- During this and recent past fiscal years, PCSC has worked to strengthen the function of the Board (e.g. establishing the Audit Committee and enhancing information transparency) and evaluate the implementation of such measures:
 - On March 8, 2005, in accordance with the Company's Corporate Governance Code of Practice, PCSC established Rules of Procedure for Board Meetings, which was reported to the General Shareholder's Meeting held on June 14, 2005. In accordance with the addition of independent directors and regulations issued by the Financial Supervisory Commission R.O.C., during the Board meetings held on March 21, 2012 and December 19, 2012, PCSC revised the functions of independent directors and regulations governing director recusal due to conflict of interest. To ensure even stronger supervisory capabilities of the Company's Board, on August 19, 2011 PCSC established the Remuneration Committee and then on June 21, 2012 further established the Audit Committee.

- (2) To enhance corporate governance, on August 3, 2018, the Company's Board resolved to set Board of Secretary directly under the Board of Directors and appoint Hsieh Hung, Hui-Tzu as Project Vice President of President's Office to assist Secretariat to Board of Directors carry out its oversight and management duties, providing directors (including independent directors) the information they need to perform their duties, assisting directors (including independent directors) to adhere to the laws and regulations, and performing tasks related to Board of Directors and shareholder meetings in accordance with the law.
- (3) To enhance the Board of Directors' structure and operations as stipulated by relevant laws and regulations, on December 12, 2018, the Company's Board passed a resolution to establish a functional CSR Committee directly responsible to the Board and drew up organizational procedures for the CSR Committee. The organizational procedures of the CSR Committee stipulate that the committee is to consist of six committee members, including Senior Vice President Wu, Kuo-Hsuan as Chairman, Chief Financial Officer Wu, Wen-Chi as Vice Chairman, Project Vice President Hsu, Guang-Yu as chief secretary, and the rest three of which are independent directors Wang, Wen-Yeu, Shu, Pei-Gi, and Hung, Yung-Chen.

(2) Operations of the Audit Committee:

As of publication of the Annual Report, there had been a total of five (A) meetings of the Audit Committee over the past fiscal year. Independent director attendance is detailed below:

Title	Name	Meetings Attended (B)	Meeting attend by Proxy	Attendance Rate (%) [B/A] (Note)	Remarks
Independent Director	Wang, Wen-Yeu	5	0	100 %	—
Independent Director	Shu, Pei-Gi	5	0	100 %	—
Independent Director	Hung, Yung-Chen	3	0	100 %	Newly appointed as Independent director for a term beginning on June 12, 2018
Independent Director	Chen, M. David	2	0	100 %	Former Independent director whose term ended on June 12, 2018

Other issues to be noted:

- In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted:
 - Issues specified in Article 14-5 of the Securities and Exchange Act: Please refer to page 38 "Major resolutions voted on at Shareholder, Board Meetings, the Audit Committee and Remuneration Committee during the most recent year and as of the date of publication of the Annual Report". All the resolutions were approved by the majority of the Audit Committee members and then were approved by the Board meetings.
 - Other matters not passed by the Audit Committee, which were then agreed upon by two-thirds of the entire membership of the Board of Directors: None.
- In situations where independent directors recuse themselves due to conflict of interest, the independent director's name, content of the resolution, reason for recusal, and his or her voting participation should be properly recorded: None.
- Communication between independent directors and internal audit managers and external auditors (regarding issues such as Company financial and operational status, procedures, and results):
 - The Company's internal audit managers provide Audit Committee members with regular updates on audit report results and follow-up during the Audit Committee Meeting. If a special situation should arise, internal audit managers shall immediately report to the Audit Committee. Items that the Audit Committee and internal audit manager discussed in 2018 are as follows, all independent directors had no opinion:

Date	Items Discussed
2018/02/22	November 2017-December 2017 audit execution report
2018/04/24	January -March 2018 audit execution report
2018/08/01	April -June 2018 audit execution report
2018/10/31	1.July - September 2018 audit execution report 2.2019 Audit Plan
2019/02/26	October 2018 - January 2019 audit execution report

- The Company retains external auditors who, after auditing the financial statement, report their findings to the Audit Committee and discuss any additional matters as required by law. If a special situation should arise, external auditors shall immediately report to the Audit Committee. In 2018, the Audit Committee and the independent auditors retained by the Company discussed the following items, all independent directors had no opinion:

Date	Items Discussed
2018/02/22	The independent auditors discussed the 2017 financial report.
2018/04/24	The independent auditors discussed the Q1 of the 2018 financial report.
2018/08/01	The independent auditors discussed the Q2 of the 2018 financial report.
2018/10/31	The independent auditors discussed the Q3 of the 2018 financial report.
2019/02/26	The independent auditors discussed the 2018 financial report

(3) Differences between Company policy and Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies and reasons for differences:

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
1. Did PCSC establish its Corporate Governance Best Practice Principles in accordance with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and disclose those Principles?	V		In order to establish a sound corporate governance system, the Company considered regulations set forth in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies coproduced by TWSE and GTSM and passed the Corporate Governance Best Practice Principles at the meeting of the Board on 19 December 2014. In addition, to meet with requirements as stipulated in regulations at the meeting of the Board on 7 December 2016. For more information regarding the Company's Corporate Governance Best Practice Principles, please go to the Company website or Taiwan Stock Exchange Market Observation Post System.	Compliant
2. Company ownership structure and shareholder rights				
(1) Did PCSC establish internal operational procedures for dealing with shareholder suggestions, questions, disputes, and lawsuits and put these procedures into practice?	V		In addition to authorizing a share transfer agent to handle related affairs, PCSC has also established a comprehensive spokesperson system and Board Secretary to deal with shareholder issues.	Compliant
(2) Does PCSC keep maintain a list of major Company shareholders and the ultimate owners of these shareholders?	V		Through the assistance of the share transfer agent, PCSC remains fully aware of its major shareholders and regularly reports any changes in shareholding by directors or PCSC management. Apart from natural person shareholders, PCSC maintains a relationship with its major institutional shareholders. If necessary, PCSC can obtain the list of their ultimate owners from these institutional shareholders.	Compliant
(3) Did PCSC establish and implement risk control mechanisms and firewalls at the Company and affiliated enterprises?	V		In accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, PCSC has defined Procedures Governing the Monitoring of Subsidiaries to establish a risk management mechanism at its subsidiaries.	Compliant
(4) Did PCSC establish internal standards to prevent Company personnel from using market information not yet made public to purchase securities?	V		<ol style="list-style-type: none"> In accordance with article 157-1 of the securities laws, PCSC has specified the object of the specification and the conditions that constitute the insider transaction in the operation procedures of insider trading prevention in the internal control system. If the personnel's intention or action constitutes insider trading, they will be dealt with in accordance with the internal control system and regulations. In accordance with article 17 in Ethical Corporate Management Best Practice Principles, article 15 in Ethical Corporate Management Operating Procedures and Code of Conduct, and article 46 in Corporate Governance Best Practice Principles, PCSC regulates its personnel to follow the regulations of securities exchange act. Personnel are not allowed to use non-public information to engage in insider trading, or to leak information to others to prevent insider trading. In order to ensure newly insiders are aware of the regulations, PCSC provides trading related standards for new insiders and require insiders sign a statement indicating that they understand the standards. The Company periodically educates directors on the Board that insider trading is prohibited. The Company periodically uses the monthly management report to carry out internal training on related topics. 	Compliant
3. Structure and responsibilities of the Board of Directors				
(1) Has PCSC established policies calling for diversity among members of the Board of Directors and put said policies into practice?	V		<ol style="list-style-type: none"> In accordance with PCSC's Corporate Governance Best Practice Principles and the director election guidelines, the composition of the members of the Board of Directors emphasizes diversity. The number of directors who also serve as managers of the Company should not consist of more than one-third of the Board seats. Also, the Company formulates appropriate policies on diversity based on the Company's business operations, operating dynamics, and development needs which include, but are not limited to, the following two major standards: <ol style="list-style-type: none"> Basic conditions: gender, age, etc. Professional knowledge and skills: background, skills, and industry experience, etc. The Company's current 13 directors include three independent directors. Two directors are female. The directors generally have the specialized knowledge, skills and accomplishments which are necessary to perform their duties. (Note 1) 	Compliant

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
			Brief Explanation	
	Yes	No		
(2) In addition to the establishment of the Remuneration Committee and Audit Committee as required by law, did PCSC establish committees with other functions of its own accord?	V		In addition to establishing the Remuneration and Audit Committees as required by law, the Company also has a CSR Committee which is under the Board of Directors and cross-sectoral Ethical Corporate Management Practice Team which reports the status and achievements of their work to the directors on a regular basis. The Company will take into consideration the legal environment, Company operations, and management needs in deciding whether or not to establish additional functional committees in the future.	Compliant
(3) Has PCSC established performance evaluation guidelines and evaluation methods for the Board of Directors and does it evaluate its performance regularly each year?		V	PCSC currently does not have guidelines or methods for evaluating the performance of the Board of Directors in place. It will evaluate the feasibility of doing so in the future based on the legal environment, Company operations, and management needs.	Not Compliant
(4) Does PCSC periodically assess the independence of external auditors?	V		<p>1. PCSC's Audit Committee and Board of Directors annually evaluate accountants based on standards derived from the Certified Public Accountant Act and the 10th Code of Ethics for Professional Accountants and reports the result to PCSC's Audit Committee and Board of Directors so that they evaluate the independence of its certified accountants. After being reviewed by the Company, it was determined that Hsiao, Chun-Yuan and Chou, Chien-hung, CPAs with PricewaterhouseCoopers, met with the Company's independent evaluation standards (Note 2) and could assume the position of retained external auditors for the Company.</p> <p>2. PCSC's external auditors provide PCSC with a Statement of Independence. The external auditing firm also complies with rules for rotating external auditors.</p>	Compliant
4. Has PCSC designated personnel to implement corporate governance related businesses (including but not limited to, providing information needed by directors or supervisors to execute their duties, matters related to meetings of the Board and shareholder meetings held in accordance to legal requirements, registering and changing the registration of the Company, and producing proceedings for the meetings of the Board and shareholders)?	V		<p>1. To enhance corporate governance, on August 3, 2018, the Company's Board resolved to set Board Secretary directly under the Board of Directors and appoint Hsieh Hung, Hui-Tzu as Project Vice President of President's Office to assist Board Secretary carry out its oversight and management duties, providing directors (including independent directors) the information they need to perform their duties, assisting directors (including independent directors) to adhere to the laws and regulations, and performing tasks related to Board of Directors and shareholder meetings in accordance with the law. In addition, finance, accounting, operational planning departments, and professional stock agency are assisting the corporate governance related matters.</p> <p>2. 2018 business execution explained below:</p> <p>(1) Assisted directors and independent directors carry out their duties, providing them with the materials they needed and made arrangements for directors to receive continuing education.</p> <p>(2) Assisted with the Board of Directors and the shareholder meetings to ensure that the proceedings and resolutions adhere to relevant laws and regulations: reported the status of PCSC's corporate governance to the Board of Directors, independent directors, and the audit committee, ensured that PCSC's shareholder and board meetings were carried out in accordance with relevant laws and the corporate governance rules. Reviewed major announcements pertaining to important resolutions of the Board of Director to ensure that the legality and accuracy of the information and to guarantee investors receive equal transaction information.</p> <p>(3) Drawn up the agenda for Board of Directors meetings and notified directors prior the meetings, convened meetings, and provided meeting materials. Issued reminders in advance when issues required the use of recusal. Provided complete meeting minutes after meetings.</p> <p>(4) Registered dates for shareholder meetings prior to meetings, produced meeting notifications, handbooks, and minutes within the statutory period, and made and registered changes made to revised articles of incorporation or Company director elections in accordance with the law.</p> <p>3. As of March 15, 2019, Hsieh Hung, Hui-Tzu, the Project Vice President of Corporate Governance, had took classes entitled "2019 Economic Outlook and major decisions of the Board" organized by the Taiwan Institute of Directors, and "The Practice of Corporate Governance Personnel", "Disclosure of Material Information and Responsibility of Directors and Supervisors", and "Sustainability of Corporate Governance and logn-term value Improvement Seminar" organized by Taiwan Corporate Governance Association, totaled 12 hours. Hsieh Hung, Hui-Tzu has enrolled other classes. it is expected that the required 18-hours for first year incumbent will be completion by the end of April.</p>	Compliant

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
			Brief Explanation	
	Yes	No		
5. Has PCSC established communication channels with stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers) and set up an area dedicated to stakeholders on the Company website and does the Company respond appropriately to corporate social responsibility issues that stakeholders consider important?	V		<p>1. In 2015, PCSC set up a stakeholder area on its website with sections for different types of stakeholders. At the same time, we established a system and have a response mechanism in place to ensure the Company properly handles feedback from stakeholders. In addition, it ensures that the personal information of stakeholders remains confidential.</p> <p>2. PCSC deals with banks and other creditors in accordance with the principles of honesty and openness, providing all necessary operational and financial information to enable them to make informed decisions in light of PCSC's operational status.</p> <p>3. PCSC encourages its employees to communicate directly with management. In addition, a discussion platform has been set up to enable them to express their views on the Company's operations.</p> <p>4. The Company has established an internal employee care group that actively works to provide effective, timely consultation and guidance to employees whenever required.</p> <p>5. PCSC has set up a public website, which not only discloses business and financial information, but also states its responsibilities and obligations as a corporate citizen.</p> <p>6. PCSC has established the Integrated Services Call Center and stakeholder's mail box to serve as a communication channel between PCSC, its suppliers, employees, and customers.</p>	Compliant
6. Has PCSC designated an agent specializing in the handling of stock affairs to handle shareholder meeting affairs?	V		PCSC has designated President Securities Corporation Stock Affairs Department to handle shareholder meeting affairs.	Compliant
7. Information disclosure				
(1) Has PCSC established a public website to disclose operational, financial, and corporate governance information?	V		PCSC has established a corporate website at http://www.7-11.com.tw and designated personnel responsible for disclosing operational, financial, and corporate governance information.	Compliant
(2) Has PCSC adopted other methods of information disclosure (e.g., setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading recordings of investor conferences onto the Company website)?	V		<p>1. PCSC has set up an English website. Our dedicated investor relations team is responsible for the collection and disclosure of corporate information and the updating of website content.</p> <p>2. In accordance with legal requirements, PCSC has established a comprehensive spokesperson system with Senior Vice President Wu, Kuo-Hsuan as Spokesperson and Vice President Hsieh, Lien-Tang as Deputy Spokesperson.</p> <p>3. PCSC holds and attends annual investor conferences. The materials and video are posted on the Company website and also on Taiwan Stock Exchange Market Observation Post System.</p>	Compliant

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
			Brief Explanation	
	Yes	No		
8. Does PCSC have other important information to facilitate better understanding of the Company's corporate governance practices (including, but not limited to current status of employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor training regimes, risk management policies, and risk measurement standards as well as the implementation of client policies and the Company's purchase of liability insurance for its directors and supervisors)?	V		<p>1. There is no spousal relationship between PCSC's chairman and president, and they are not relatives within one degree of consanguinity. The president and chairman as well as managers responsible for finance and accounting at PCSC have not worked for the Company's currently designated accounting office or affiliated enterprises within the past year.</p> <p>2. 2018 continuing education:</p> <p>(1) President Huang, Jui-Tien, Special Assistant to Chairman Chen, Jui-Tang, and Chief Financial Officer Wu, Wen-Chi took classes entitled "Online economy—future technology corporate governance challenges" and "The rise of the innovative economy—reforms and challenges in business operations" organized by the Taiwan Institute of Directors, 6 hours;</p> <p>(2) President Huang, Jui-Tien, Special Assistant to the Chairman Chen, Jui-Tang, Chief Financial Officer Wu, Wen-Chi, Vice Presidents Hsieh, Lien-Tang and Lin, Chi-Chang took part in a "Corporate Governance" course organized by SGV&Co. Philippines, 2 hours;</p> <p>(3) Chief Auditor Lee, Kun-Feng attended classes entitled "Computer assisted auditing technology and information analysis", "Applied information security management law" and "Risk management and auditing practices for corruption and bribery" offered by the Institute of Internal Auditors, 12 hours;</p> <p>(4) Chief Accounting Officer Kuo, Ying-Chi took classes held by the Accounting Research and Development Foundation titled "Development of newly appointed principal accounting officers of issuers, securities firms, and securities exchanges", 30 hours;</p> <p>(5) A required three-hour class on law for all high-level managers was held.</p> <p>3. Should a proposal result in a conflict of interest between a director and the Company, said director may make comments or answer questions, but he or she is barred from the discussion and vote on the proposal.</p> <p>4. PCSC has purchased liability insurance for its directors and key personnel and submitted to Board of Directors for approval.</p> <p>5. PCSC was named to the FTSE4Good index, the MSCI Global Sustainability Index, TWSE Corporate Governance 100 Index, and the FTSE4Good TIP Taiwan ESG Index. PCSC was the only Taiwanese company listed among the Deloitte Global Powers of Retailing Top 250 and our ranking has improved in each of the last for years.</p> <p>6. PCSC places a great deal of emphasis on the transparency and immediacy of information disclosure. It has been ranked among the top 5% in the Taiwan Corporate Governance Evaluation three years in a row.</p> <p>7. PCSC discloses financial and business information as required by relevant laws and regulations and is working to strengthen transparency on an ongoing basis. The Company has also established an investor relations team to provide direct communication between PCSC and investors.</p> <p>8. 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.</p> <p>9. PCSC complies with the Labor Act and revises work regulations in a timely manner and uses emails and the Company's internal webpage to inform employees of their related rights.</p> <p>10. PCSC will continue to comply with all laws and regulations governing corporate governance. We will also review corporate governance developments in Taiwan and abroad in our effort to continually improve in this area.</p> <p>11. PCSC subsidiaries also follow these guidelines to gradually improve corporate governance.</p> <p>12. According to Article 29 of PCSC's Articles of Incorporation, if the current year's profit situation (pre-tax profits prior to deduction of employee compensation and director remuneration) is deducted by accumulated deficit, no more than 2% of said surplus shall be distributed as director remuneration. Reasonable compensation is given to specific directors based on PCSC's operational achievements and the director's respective contribution to the Company.</p> <p>In addition to PCSC's overall performance, remuneration is based on the performance of individual directors and their contributions to PCSC. Relevant performance and reasonableness of remuneration are to be assessed by PCSC's remuneration committee and the Board of Directors. The remuneration system is to be reviewed and adjusted as necessary based on actual operational status and relevant regulations as PCSC seeks to realize sustained operations and risk management.</p>	Compliant

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Brief Explanation			
	Yes	No		
<p>9. Please explain improvements that have been made as well as priorities to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center:</p> <p>1. Improvements made: According to the results of the latest Corporate Governance Evaluation, the Company has made major improvements are explained below:</p> <p>(1) PCSC announced 2018FY financial statements by the end of February 2019, which is one month ahead of the date required by Taiwan stock exchange regulation, to gradually meet the international best practice.</p> <p>(2) The Company established a functional CSR Committee directly responsible to the Board and incorporated independent directors to serves as committee members.</p> <p>(3) The Company established the Board Secretary and the project manager in the President's Office is to assist the Board Secretary carry out its oversight and management duties, providing directors (including independent directors) the information they need to perform their duties, assisting directors (including independent directors) to adhere to the laws and regulations, and performing tasks related to Board of Directors and shareholder meetings in accordance with the law.</p> <p>(4) PCSC has drawn up its human rights policies and disclosed them on the Company website.</p> <p>(5) The Company has set up a stakeholder area on its website with a means for communicating with stakeholders, sections for different types of stakeholders, as well as important issues and communication channels.</p> <p>2. Priorities and measures for improvement: In response to revisions to Corporate Governance Evaluation objectives, items that PCSC has made for improvement are explained below:</p> <p>(1) The Company will evaluate increasing disclosure of the content of the concrete management proposal for its convenience store human rights policies.</p> <p>(2) The Company will evaluate increasing disclosure of its information security policies and its concrete management proposal.</p> <p>(3) The Company will evaluate incorporating climate change issues directly into its risk management procedures.</p> <p>(4) The Company will evaluate regularly reporting the status of communication with each of its stakeholders with the Board of Directors.</p> <p>3. PCSC will continue to evaluate the feasibility of future improvement on other items.</p>				

Note 1: Director Diversity

Item	Gender	Academic Background	Operational judgement	Administration	Accounting 、 Finance or Law	Business and Economics	Crisis Management	Industrial experiences	International Markets perspectives	Leadership	Decision making
Director Name											
Lo, Chih-Hsien	Male	Business Administration	V	V	V	V	V	V	V	V	V
Kao, Shioh-Ling	Female	Business	V	V		V	V	V	V	V	V
Chen, Jui-Tang	Male	Economics	V	V	V	V	V	V	V	V	V
Huang, Jui-Tien	Male	Marketing and retail management	V	V	V	V	V	V	V	V	V
Wu, Liang-Feng	Male	Japanese	V	V	V	V	V	V	V	V	V
Su, Tsung-Ming	Male	Business Administration	V	V	V	V	V	V	V	V	V
Hwang, Jau-Kai	Male	Business	V	V			V	V		V	V
Wu, Kun-Lin	Male	Business Administration	V	V	V	V	V	V	V	V	V
Wu, Tsung-Ping	Male	Finance and Accounting	V	V	V	V	V	V	V	V	V
Wu, Wen-Chi	Female	Finance and Accounting	V	V	V	V	V	V	V	V	V
Wang, Wen-Yeu	Male	Law	V	V	V	V	V		V	V	V
Shu, Pei-Gi	Male	Business Administration	V	V	V	V	V		V	V	V
Hung, Yung-Chen	Male	Information management	V	V	V	V	V	V	V	V	V

Note 2: External Auditor Independence Evaluation Standards

Item Evaluated	Evaluation Finding	Complies with Independence
1. Does the external auditor have direct or material indirect financial interest in PCSC?	No	Yes
2. Does the external auditor have loans or guarantees with PCSC or PCSC directors?	No	Yes
3. Does the external auditor have a close business relationship or a potential employment relationship with PCSC?	No	Yes
4. Could the external auditor be affected by the loss of PCSC as a client?	No	Yes
5. Does the external auditor have a contingent fee arrangement relating to an audit engagement with PCSC?	No	Yes
6. Has the external auditor or a member of the audit team been a director, a manager of PCSC or been employed by PCSC within the last two years in a position to exert significant influence over the subject matter of the engagement?	No	Yes
7. Does the external auditor provide any non-audit services which if performed for PCSC would affect directly a material item of the audit engagement?	No	Yes
8. Does the external auditor promote or broker shares for PCSC or other securities issued by PCSC?	No	Yes
9. Does the external auditor serve as an advocate or representative for PCSC with third parties in the event of conflict?	No	Yes
10. Does the external auditor have family ties with anyone who is a director, manager, or officer of with PCSC or any personnel who is in a position to exert significant influence over the subject matter of the engagement?	No	Yes
11. Has anyone in PCSC worked with the external auditor and within the last year of disassociating from the firm joined PCSC as a director, manager, or officer or another key position that can exert significant influence over the subject matter of the engagement?	No	Yes
12. Has the external auditor accepted gifts or preferential treatment from a director or manager of PCSC?	No	Yes
13. Has the external auditor been coerced by PCSC management to accept inappropriate decisions regarding its accounting policies or inappropriate disclosures regarding its financial reports?	No	Yes
14. Has PCSC applied pressure or inappropriately reduced the amount of audit work given to the external auditor?	No	Yes
15. Has the external auditor provided seven consecutive years of auditing service to PCSC?	No	Yes

2018 Director Continuing Education

Name	Date(s)	Organizer	Course Name	Time
Lo, Chih-Hsien, Kao, Shioh-Ling, Chen, Jui-Tang, Huang, Jui-Tien, Su, Tsung-Ming, Hwang, Jau-Kai, Wu, Tsung-Ping, Wu, Wen-Chi, Shu, Pei-Gi, Chen, M. David	04/27	Taiwan Institute of Directors	Online economy—future technology corporate governance challenges	3 hours
Lo, Chih-Hsien, Kao, Shioh-Ling, Chen, Jui-Tang, Huang, Jui-Tien, Su, Tsung-Ming, Hwang, Jau-Kai, Wu, Kun-Lin, Wu, Tsung-Ping, Wu, Wen-Chi, Shu, Pei-Gi, Hung, Yung-Chen	10/26	Taiwan Institute of Directors	The rise of the innovative economy—reforms and challenges in business operations	3 hours
Chen, Jui-Tang, Huang, Jui-Tien, Wu, Wen-Chi	07/18	SGV&Co. Philippines	Corporate Governance	2 hours
Wu, Liang-Feng	07/31	Taiwan Corporate Governance Association	Director decision-making and how to avoid breach of trust and unconventional trade	3 hours
Wu, Liang-Feng	10/30	Taiwan Corporate Governance Association	Corporate law amendments: new trends and analysis	3 hours
Wu, Kun-Lin	03/30	Taiwan Corporate Governance Association	Board of Director operations and responsibilities	3 hours
Wang, Wen-Yeu	08/02	Taiwan Corporate Governance Association	AI and the future	3 hours
Wang, Wen-Yeu	08/03	Taiwan Corporate Governance Association	Best Practice, Corporate Governance, and Corporate Social Responsibility—A discussion of these three major principles, practice and case studies	3 hours
Hung, Yung-Chen	09/25	Securities & Futures Institute	Practical seminar for directors and supervisors (including independent)	12 hours

(4) Composition, responsibilities, and operation of the Remuneration Committee:

1. Remuneration Committee members

Position	Name	Has over 5 years of work experience and the below professional qualifications			Independence Ranking (Note 1)								Number of Remuneration Committee memberships held in other public companies	Remarks	
		Holds the position of lecturer (or above) at public or private college or university in business, law, finance, accounting or company operations	Holds a license, obtained through national examination, for the position of judge, district attorney, lawyer, accountant, or similar	Work experience in business, law, finance, accounting or company operations	1	2	3	4	5	6	7	8			
Independent Director	Wang, Wen-Yeu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Reelected on June 20, 2018
Independent Director	Shu, Pei-Gi	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	Reelected on June 20, 2018
Independent Director	Hung, Yung-Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	Former independent director (representative) whose term ended on June 19, 2018
Independent Director	Chen, M. David	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	New independent director (representative) whose term began on June 20, 2018

Note 1: For the two years prior to becoming committee members and during their term, members met the following criteria indicated with a "✓".

(1) Not an employee of the Company or the Company's affiliates.

(2) Not a director or supervisor of the Company or the Company's affiliates. This does not apply if an independent director of the Company, its parent company, or its affiliates is installed in accordance with this law or local laws.

(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 is one of the top 10 shareholders.

(4) This individual's spouse, relatives within two degrees of consanguinity, and lineal relatives within five degrees also meet the criteria in the above three statements.

(5) Not a director, supervisor, or employee of an institutional shareholder that directly owns over 5% of the Company's issued shares or an institutional investor that is among the top five institutional shareholders.

(6) Not a director, supervisor, or manager of any company or organization that has business or financial relations with the Company and does not own over 5% of such a 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) Does not meet any of the criteria described in Article 30 of the Company Act.

2. Operations of the Remuneration Committee

(1) PCSC's Remuneration Committee is composed of three members.

(2) The term of office for current members runs from June 20, 2018 through June 11, 2021.

As of publication of the Annual Report, there had been a total of four (A) meetings of the Remuneration Committee over the past fiscal year. Member attendance is detailed below:

Title	Name	Meetings Attended Personally (B)	Meetings Attended by Proxy	Personal Attendance Rate (B/A) (Note)	Remarks
Convener	Wang, Wen-Yeu	4	0	100%	Reelected on June 20, 2018
Member	Shu, Pei-Gi	4	0	100%	Reelected on June 20, 2018
Member	Hung, Yung-Chen	2	0	100%	New independent director (representative) whose term began on June 20, 2018
Member	Chen, M. David	2	0	100%	Former independent director (representative) whose term ended on June 19, 2018

Other issues to be noted:

1. If the Board does not adopt or amends a Remuneration Committee proposal, the Board meeting date, session, content of the resolution, result of the Board vote, and the Company's response to the Remuneration Committee's opinion shall be properly recorded (for example, if the remuneration package approved by the Board is superior to that suggested by the Remuneration Committee, the difference and reasons must be noted).

[Further explanation] There has not been any instance of the Board rejecting or amending a remuneration Committee proposal. Also, there have not been any recorded instances of Remuneration Committee members opposing or retaining opinion on any decision by the Board.

2. Should a committee member oppose or retain their opinion regarding any decision made by the Remuneration Committee and their opinion has been recorded or submitted in a written statement, the committee meeting date, session, content of the resolution, opinions of all members, and the response to the opinions shall be recorded.

[Further explanation] PCSC has not had a case in which a member of the Remuneration Committee recorded or submitted a written statement in opposition or retaining opinion on a resolution decided upon by the committee.

3. Remuneration Committee functions and powers:

(1) Draw up and regularly review the performance evaluations for directors and managers and remuneration policies, system, standards, and structure.

(2) Regularly evaluate and stipulate remuneration for directors and managers.

(5) Implementation of Corporate Social Responsibility

Items Evaluated	Status			Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
1. Corporate Governance				
(1) Has PCSC established corporate social responsibility policies or a CSR system and reviewed the effectiveness of implementation?	V		<p>1. PCSC has incorporated CSR's core principles into its operational goals, starting with three main themes, i.e., "Happy Company", "Positive Impact Society", and a "Sustainable World" and employs five major principles, including "sound Corporate Governance", "developing a sustainable environment", "upholding social justice", "guaranteeing the rights and interests of stakeholders", and "enhancing CSR disclosure" to realize our Corporate Social Responsibilities.</p> <p>2. PCSC has established a CSR code of conduct. In order to implement and manage CSR, PCSC established an interdepartmental CSR Committee and has been promoting CSR concepts in concrete ways for many years and convenes a minimum of two times each year. The committee is divided up into five major teams, including "Corporate Governance", "Sustainable Products and Services", "Environmentally Friendly", "Coexisting with the Community", and "Employee and Franchisee Relations", responsible for proposing and implementing concrete plans related to CSR policies, systems, or relevant management guidelines. In response, on December 12, 2018, the Company's Board passed a resolution to establish a functional CSR Committee directly responsible to the Board. CSR Committee consists of six committee members, including Senior Vice President Wu, Kuo-Hsuan as Chairman, Chief Financial Officer Wu, Wen-Chi as Vice Chairman, Project Vice President Hsu, Guang-Yu as chief secretary, and the rest three of which are independent directors Wang, Wen-Yeu, Shu, Pei-Gi, and Hung, Yung-Chen. In accordance with the PCSC Corporate Social Responsibility Committee Organizational Procedures, it is to convene a minimum of two times each year. They report on an annual basis the achievements of the current year and plans for the following next year.</p> <p>3. The main results of the implementation in CSR:</p> <p>(1) Environment: In 2018, a total of NT\$1 billion was invested in various environmental protection resources and equipment. Green procurement increased over previous year. Over NT\$100 million was invested in food safety. Electricity use in stores and headquarters was reduced over previous year.</p> <p>(2) Society: In 2018, PCSC's annual charity amount stood at around NT\$400 million. Of this, NT\$180 million came from donations of spare change (and donated items) in stores and NT\$240 million from ibon kiosks.</p> <p>(3) The Good Neighbor Foundation held more than 17,000 Good Neighbor Funfest events of various types to promote family bonding, care for the disadvantaged, education and culture, as well as promoting healthy living and environmental protection. Over one million participants have taken part in the events over the past ten years, showing PCSC's concern for the needs of the community.</p> <p>(4) Corporate governance and operations: In 2018, revenue for PCSC parent company was NT\$154.07 billion, increasing by 6.6% over the previous year. Net profit stood at NT\$10.21 billion, decreasing by 67%. The primary reason was that in 2017, gain on disposal of one-time, long-term investments. Cash dividends were NT\$8.8 per share. PCSC was ranked among the top 5% of all TWSE/TPEX-listed companies for the fourth year in a row and was once again named to the Taiwan Corporate Governance 100 Index. Moreover, PCSC was selected for FTSE4Good Emerging Index and continued to be selected among the stocks making up the MSCI Global Sustainability Indices.</p> <p>4. Please refer to the PCSC CSR Report for a detailed description of CSR policy effectiveness.</p>	Compliant
(2) Does PCSC regularly give CSR education and training?	V		To educate the entire staff in regard to the law, PCSC has designed online and traditional classes for various employee levels. Classes cover such topics as personal information, labor laws, product safety, occupational safety, Gender Equality Act, Fair Trade Act, Trademark Act, and intellectual property. All upper level managers are required to take at least three hours of law education classes each year to ensure that PCSC maintains its law-abiding culture.	Compliant
(3) Has PCSC designated personnel to implement corporate social responsibility policy with senior management authorized by the Board of Directors to manage them and do they give status reports to the Board of Directors?	V		In order to implement and manage CSR, PCSC established an interdepartmental CSR Committee and has been promoting CSR concepts in concrete ways for many years. In response, on December 12, 2018, the Company's Board passed a resolution to establish a functional CSR Committee directly responsible to the Board. It is composed of six members, three are upper-level PCSC managers and three are independent directors. The committee is responsible for proposing and implementing concrete plans related to CSR policies and reporting the status on a regular basis. It is to convene a minimum of two times each year. They also report to the Board of Directors once a year achievements of the current year and plans for the following next year.	Compliant

Items Evaluated	Status		Brief Explanation	Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No		
(4) Has PCSC established reasonable remuneration policies and integrated the employee performance evaluation system and CSR policies, and established a clear and effective incentive and discipline system?	V		PCSC pays employees competitive wages and reviews various salary and benefit surveys annually to ensure the starting pay offered is higher than standard starting pay around the nation. To ensure fairness, PCSC offers the same starting pay for males and females performing the same work, so that pay and benefits are not vary based on gender or age. In addition, PCSC holds quarterly labor and management meetings as required by law with five individuals representing each labor and management to negotiate issues related to benefits and systems. They work together to create a harmonious and friendly work environment.	Compliant
2. Sustainable Environmental Development				
(1) Has PCSC endeavored to make more efficient use of resources and use renewable materials that have a lower impact on the environment?	V		PCSC continues to introduce concrete energy conservation plans in our stores. Energy saving measures such as proper insulation, energy-efficient lighted signs, fewer light fixtures, utilizing inverter systems, outdoor energy conservation, indoor lighting management, and LED fixtures are incorporated in every new store design. Existing stores focus on phasing out inefficient equipment and investing in energy efficient options. In 2018, PCSC invested NT\$30.03 million, replaced T5 lighting in the corridors outside of 1,833 stores with 21,845 energy-saving LED lights and applied with the Bureau of Energy for NT\$9.8 million of Energy saving performance subsidies. In coordination with the government academic institutions, PCSC is working to improve store energy efficiency and reduce operational costs, while also introducing store energy use self-evaluations to ensure efficient operations.	Compliant
(2) Has PCSC established an environmental management system that is specifically designed with PCSC's operations in mind?	V		PCSC is committed to reducing our carbon footprint and emissions of greenhouse gasses to ensure a better living environment for the nation. For example, long before a new location opens its doors, energy-saving considerations drive the design process, while existing stores focus on phasing out inefficient equipment. We have also built Taiwan's largest national recycling platform. In addition, PCSC's headquarters has implemented environmental measures to reduce electricity, water, and paper use. We continue to implement green procurement and offer high quality eco-friendly products to our customers to grow the green consumer marketplace. Through our green accounting system, we turn these concrete actions to improve the environment into financial data, which assists the Company to manage environmental costs and analyze overall effectiveness.	Compliant
(3) Does PCSC pay close attention to the potential impact of climate change on operations, has it undertaken an examination of its greenhouse gas emissions, and has it established a carbon and greenhouse gas reduction strategy?	V		As we have helped make life more convenient in Taiwan, PCSC recognizes that energy conservation and reduycarbon emissions reduction are important requirements for sustainable operations. As such, PCSC integrated seven major green engineering concepts, including power management, lighting design, air conditioning, improved ice making equipment, environmentally-friendly construction materials, better construction methods, and water saving equipment into store designs. With permission from the Equipment Procurement Committee, PCSC invested in improving energy saving equipment and worked with the government, the Industrial Technology Research Institute, and relevant academic institutions to enhance the energy efficiency of stores and reduce store operation costs. PCSC is striving to gradually integrate efficient equipment, heat and cold air emissions, and better lighting system designs into its stores. Our hope is that stores will become environmentally-friendly and sustainable shopping venues and reduce the impact of operations on the environment. In addition, in 2018, stores used 830,964,311 watts of electricity, 4,323,411 fewer than the 835,287,72 watts used in 2017. The primary reason is that PCSC replaced T5 lighting in the corridors outside of 1,833 stores with 21,845 energy-saving LED lights. PCSC received ISO50001 Energy Management certification in 2015, 2016, and 2017. It also internalized the energy management system to continue reducing energy on a daily basis. Each May, we continue to perform annual greenhouse gas emissions assessments under the GHG Protocol to keep track of greenhouse gasses expelled within the scope of our operations. Starting in 2017, PCSC will commission SGS to conduct an ISO14064-1 greenhouse gas emissions disclosure statement.	Compliant

Items Evaluated	Status		Brief Explanation	Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No		
3. Social Welfare				
(1) Has PCSC established management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		PCSC consulted such international human rights conventions as the "International human rights law", "Core Labor Standards, Fundamental ILO Conventions", and "Ten Principles of the United Nations Global Compact" when formulating the PCSC human rights policies. Our seven major policies are to provide a friendly and safe work environment; eliminate forced labor; abolish child labor; eradicate discrimination to ensure the equal opportunity to work, access to training and benefits, rewards, and advancement; freedom from workplace violence, sexual harassment, and coercion, treating employees with dignity; support the physical and psychological well-being of employees; ensure a balance between work and personal life; establish diverse channels of communication, and a grievance mechanism to ensure the rights and interests of stakeholders. Specific management and implementation plans include, regular annual reviews of occupational safety and health as well as labor conditions; employing comprehensive internal and external training channels to give employees inter-company and interdisciplinary work rotation experience as well as important positions and challenges to cultivate outstanding talents; conduct regular online questionnaires to determine the status workplace violence to ensure a fair workplace environment; hold annual health check-ups and implement health promotion campaigns based on the data analysis findings of health exams over the years to enhance the employee health index; and PCSC has a variety of communication channels available in its auditing office, joint service center, and in the stakeholder area on its official website. In addition, it also has a comprehensive system and mechanism to ensure that feedback and suggestions are actually handled.	Compliant
(2) Does PCSC have an employee complaint mechanism and channels and does it take care of said complaints appropriately?	V		To encourage direct communication between employees and managers, PCSC established the Integrated Services Center, e-mailbox, and a dedicated stakeholder section of our website, which enables employees to get timely answers to their questions. In addition, the Company set up an internal suggestion system, which allows employees to bring their opinions and suggestions about Company operations directly to management. Our internal communication platform also sends out important messages directly to employees.	Compliant
(3) Does PCSC provide employees with a safe and healthy work environment and regularly implement safety and health education programs for employees?	V		<p>1. The Company provides employees with comprehensive education and training programs and an outstanding benefit regime (which includes subsidies for physical examinations and marriage) to support our employees and improve their physical and mental health. PCSC launched the "Health Management Program" to help employees take care of their own health as well as hire specialized nurse practitioners and doctors from NTU Hospital who provide health counseling services. PCSC further employed health education campaigns, such as the "Health Life Cycle APP", e-newsletters, and lectures, to encourage employees to manage their personal health and create a healthy, harmonious, and safe work environment.</p> <p>2. In accordance with revisions to the Occupational Safety and Health Act, PCSC launched programs for maternal protection, ergonomics hazard prevention, unlawful mental or physical harassment prevention, and a physical and psychological overload prevention program.</p>	Compliant
(4) Has PCSC established a mechanism enabling periodic communication with employees and a reasonable method of informing employees of those operational changes that could potentially affect their work?	V		To encourage direct communication between employees and managers, PCSC established the Integrated Services Center, e-mailbox, and dedicated stakeholder section of our website, which enable employees to get timely answers to their questions. In addition, the Company set up an internal suggestion system, which allows employees to bring their opinions and suggestions about Company operations directly to management. Our internal communication platform also sends out important messages directly to employees.	Compliant

Items Evaluated	Status		Brief Explanation	Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No		
(5) Has PCSC established an effective career skill development training program for employees?	V		<p>PCSC attaches a great deal of importance to personnel training. We help our employees be all that they can be through job rotation, overseas experience, giving them important jobs and challenges, and by broadening their horizons.</p> <ol style="list-style-type: none"> 1. Since 2016, when PCSC set up an employee career development path and management mechanism, it has continued to promote personnel rotation and to set up various systems. In 2018, it set up the PCSC multi-function TEAM management talent pool and sent managers abroad to obtain experience and training to enhance their skills through job rotation, overseas experience, giving them important jobs and challenges, and by broadening their horizons. 2. In accordance with the Company's core values, PCSC has clearly outlined a training program to equip employees with the skills and standards required for positions throughout the organization. Managers and employees can strengthen their abilities to achieve their career goals by participating in internal or external training courses. Since 2018, PCSC has organized 20 classes on 360-degree report analysis that put the focus on employee growth and learning, helping managers learn how to assist employees enhance their skill levels and work planning. For some key employees, PCSC has mapped out a program of training and development to help them reach their ideal position within the Company. 3. PCSC also encourages employees to pursue self-enrichment in their spare time, to strengthen their foundation and professional knowledge through scholarships for outside training and language courses. 	Compliant
(6) Has PCSC established policies governing R&D, procurement, production, operations, and service processes and complaint procedures to safeguard the rights of customers?	V		<p>PCSC endeavors to provide consumers with high quality, safe, and hygienic products. For example, we have a complete source management mechanism in place for the procurement of fresh foods. All employees involved in the production process must take food safety and hygiene training classes to ensure the rigorousness of process management. The Company's fleet of dedicated delivery trucks keep foods cold and rush fresh products to stores across the country to be enjoyed by our customers. In 2013, PCSC established the Product Safety Information Collection and Inventory Tracking Operational Standards. The Product Department and the Quality Assurance Department join forces to regularly collect relevant product safety information and set up inventory and tracking procedures to ensure the safety of Company products. For a long time now, the Company has been investing resources and raising food safety standards to achieve this goal. Consumers can express their opinions through our Integrated Service Center or the dedicated stakeholder section of our website to ensure that their suggestions or concerns are handled satisfactorily.</p>	Compliant
(7) Does PCSC's product and service marketing and labeling adhere to relevant laws and regulations and international standards?	V		<p>The packaging designs for PCSC's own-brand products have all passed the packaging inspection process, and the labeling and advertising have been further checked and approved by the Company's Quality Assurance and Legal Departments to ensure they conform to laws and guidelines set forth by regulating authorities.</p>	Compliant
(8) Prior to entering a business relationship with a supplier, does PCSC first determine whether or not the supplier has any records of negatively impacting the environment or society?	V		<p>PCSC employs a variety of methods, including contract farming and place of origin management, food traceability, hierarchical supplier management and field evaluation system, regular inspections of logistic centers and retail locations, and random lab testing of raw materials and products, to provide farm-to-table management of raw materials and ensure food quality. In addition, PCSC requires OEM factories for own-brand food products to receive domestic and international food safety certifications (such as ISO 22000 / HACCP / CAS). Non-food OEM factories that have obtained international quality certification, such as ISO9001, are given first priority. PCSC holds spot checks of raw materials suppliers and OEM factories and places them into different categories, giving them different classifications based on their evaluation scores. PCSC's evaluations vary in terms of frequency and items assessed. In addition to food and product safety issues, PCSC attaches a great deal of importance to such issues as environmentalism and corporate social responsibility. Our Internal Audit Office integrates interdepartmental evaluations and holds spot checks at raw material suppliers and OEM factories to ensure compliance with environmental safety and CSR requirements.</p>	Compliant
(9) Does PCSC's contracts with its major suppliers include provisions for terminating the agreement at any time in the event that the suppliers are involved in any activities that violate Company CSR policies and that significantly adversely impact the environment or society?	V		<p>Beginning in 2016, contracts with key suppliers now include provisions regarding corporate social responsibility. If a supplier is involved in a policy violation that negatively impacts the environment or local community, its contract with PCSC may be terminated or cancelled at any time.</p>	Compliant

Items Evaluated	Status		Brief Explanation	Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No		
4. Information disclosure				
(1) Does PCSC disclose on its website and TWSE market observation post system relevant and reliable information about Company CSR?	V		PCSC's website features an investor relations section and a corporate social responsibility section where CSR related information and CSR reports in English from previous years are disclosed. PCSC also disclosed its CSR Report on TWSE market observation post system. Investor relations section website: https://www.7-11.com.tw/company/ir/index.html Corporate social responsibility section website: https://www.7-11.com.tw/company/csr.asp	Compliant
5. If PCSC has drawn up a code for CSR based on the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please describe any differences between said code and the Best Practice Principles: In accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies, PCSC drew up the Rules for the Practice of Corporate Social Responsibility which we adhere to. It governs implementation of corporate governance, development of sustainable operations, protection of public welfare, strengthening of CSR information disclosure, and protections of stakeholder rights and interests. PCSC employees follow these regulations to manage Company risks and impacts on the economy, environment, and society.				
6. Other important information for facilitating the understanding of CSR and its implementation: 1. To respond to the issue of food safety, PCSC formulated the Product Safety Information Gathering and Inventory Tracking Operating Procedures to strengthen crisis management capabilities and perform self-reviews of potential major product safety incidents and related regulations to discover latent food safety risks. 2. The PCSC quality assurance laboratory has been certified by the TFDA for ten testing areas (chloramphenicol, microorganism counts, coliform bacteria, E. coli, Salmonella, Listeria monocytogenes, eight colorants, Ochratoxin A, Patulin, nitrofurans metabolites, and testing for residues of 48 veterinary drugs) and TAF certification for four testing areas. In 2014, PCSC received TFDA Certification for the first time. The validity period is three years. In May of 2017, we passed the extension application of our certification, once again recognizing the management quality of our laboratories. In 2018, the quality assurance laboratory performed testing on over 800 raw materials and products to maintain strict control on the safety of food products. 3. PCSC has optimized the own-brand product raw material management system to strengthen traceability management of raw materials. 4. PCSC adopted fresh food product ingredient labeling simplification standards that meet with government standards and allow consumers to more easily determine the ingredients of food products. 5. In order to realize our "Franchise Utopia", PCSC has established a comprehensive franchise system, paying particular attention to responding to questions posed by franchisees and solving problems as quickly as possible. On 6 June 2016, PCSC set up a "franchisee question and complaint hotline". Franchisee issues are dealt with as special projects and follow-ups made to determine how the solutions are progressing. This has served to enhance franchisee confidence and satisfaction. 6. ISO14001 is not applicable to PCSC, because it is not in the manufacturing industry. 7. Please refer to the Corporate social responsibility section on the PCSC website for more information at https://www.7-11.com.tw/company/csr.asp				
7. If Company products or CSR reports have received certification from relevant certification bodies, please detail below: PCSC began issuing its CSR Report annually and the results are also disclosed on the Company website. The 2017 PCSC CSR Report was based on the Global Reporting Initiative's G4 framework. The independent limited assurance report was compiled by PRICEWATERHOUSECOOPERS in accordance with the R.O.C. Assurance Engagement Bulletin #1 "Assurance Engagements Other than Reviews or Examination of Historical Financial Data".				

(6) Ethical corporate management at PCSC and related implementation:

Items Evaluated	Status		Brief Explanation	Variations (if any) with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No		
1. Establishment of ethical operation policies and programs				
(1) Do PCSC's Articles of Incorporation and external documents explicitly express its ethical policies and methods and is the Board and management committed to the active implementation of these commitments?	V		In order to establish a sound corporate management system, PCSC considered regulations set forth in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies coproduced by TWSE and GTSM and passed the Ethical Corporate Management Best Practice Principles at the meeting of the Board on December 19, 2014. On August 4, 2015, the Board passed revisions to the Best Practice Principles and established Ethical Corporate Management Operating Procedures and Code of Conduct to serve as a guidance for directors, managers, employees, fiduciaries, and substantive controllers. For more information regarding to ethical management principles, please go to the Company website or Taiwan Stock Exchange Market Observation Post System.	Compliant
(2) Has PCSC established and implemented programs to prevent unethical conduct and do these programs clearly specify relevant procedures, conduct guidelines, and education as well as a discipline and appeals system for rule violations?	V		PCSC formulated the Procedures for Ethical Management and Guidelines for Conduct, Standards Governing Awards and Discipline, Ethical Corporate Management Best Practice Principles, and Ethical Corporate Management Operating Procedures and Code of Conduct to prevent unethical behaviors. Disciplinary action and complaints against employees that violate the code of conduct are carried out in accordance with the system set up by the Company for that express purpose.	Compliant
(3) Does PCSC implement preventative measures for each Item under Clause 2, Article 7 of the Ethical Corporate Management Best Practice Principles for Listed Companies or other operations that have higher risk of unethical behavior?	V		PCSC formulated the Procedures for Ethical Management and Guidelines for Conduct, Standards Governing Awards and Discipline, Ethical Corporate Management Best Practice Principles, and Ethical Corporate Management Operating Procedures and Code of Conduct to prevent unethical behaviors. Sales personnel who contact outside firms are regularly rotated in order to eliminate bribery. PCSC has also set up an Audit Reporting Line at 02-2747-8032 to effectively prevent corruption.	Compliant
2. Implementing ethical corporate management				
(1) Does PCSC evaluate the ethical records of the businesses with which it has dealings and include clear ethical corporate behavior provisions in contracts with such counterparties?	V		To ensure that both parties to any transaction act in an ethical manner, as to protect their common interests, PCSC has created an ethical corporate management provision (or agreement) that is part of every contract. Any request for an improper benefit by a Company employee or supplier must immediately be reported orally or in writing to the PCSC Internal Audit Office. All contracts between PCSC's marketing, procurement, or shopping center divisions and outside entities now incorporate articles regarding ethical corporate management.	Compliant
(2) Has PCSC established an organization under the direct jurisdiction of the Board of Directors that promotes ethical management principles and also regularly reports to the Board concerning implementation?	V		PCSC established the interdepartmental Ethical Operations Team to strengthen the implementation of ethical corporate management in August 2015. The Ethical Operations Team is composed of personnel from the business planning, legal, operational planning, human resources, marketing, and finance divisions and is under the direct jurisdiction of the Board of Directors and the Project Vice President from office of the President served as chairperson. The Team formulates and promotes best practice principles and reports annually to the Board regarding the implementation of these principles.	Compliant
(3) Has PCSC formulated and implemented policies to prevent conflicts of interest and provide appropriate ways to record any potential conflicts found?	V		1. PCSC's Board of Directors Meeting Procedures state that should a director or the Company he/she is representing have a conflict of interest with any of the matters under discussion by the Board that could negatively affect PCSC, a director may make comments and answer questions, but he or she is barred from the discussion and vote on the proposal. The director shall recuse him or herself from the discussion and vote and may not act as proxy to vote on the resolution on behalf of another director. 2. PCSC formulated the Ethical Corporate Management Best Practice Principles, Ethical Corporate Management Operating Procedures and Code of Conduct, Procedures for Ethical Management and Guidelines for Conduct, and Standards Governing Awards and Discipline to inform employee conduct. PCSC has also set up an Audit Reporting Line at 02-2747-8032.	Compliant
(4) Has PCSC implemented effective accounting and internal control systems and does it have an internal auditing unit or independent accountant periodically review them?	V		In accordance with the law, PCSC established effective accounting and internal control systems and internal auditors routinely conduct compliance tests and employ a self-check system to ensure the effectiveness of internal control mechanisms. The audit reports are prepared and submitted to the Board for approval.	Compliant

Items Evaluated	Status		Variations (if any) with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies	
	Yes	No		Brief Explanation
(5) Does PCSC periodically hold internal and external ethical corporate behavior training?	V		<p>1. The Company's internal website features a Policy Promotion Area to educate employees about regulations governing ethical corporate behavior. In 2015, PCSC established the Ethical Operations Case Team to promote related education among employees, and each year, PCSC establishes a training theme.</p> <p>2. In 2017, a course on "Logistics, Good Faith Management, and Personal Information Protection" was incorporated into our new employees training. In 2018: 226 people; 113 hours.</p> <p>3. In 2018, a course on adhering to the law focusing on Labor Law and corporate governance, including:</p> <p>(1) A joint education class on the rule of law for high-level managers: 204 people; 612 hours.</p> <p>(2) Support personnel training: a class on brand use, 86 people; 279 hours; a training class on general legal knowledge, 86 people; 124 hours.</p> <p>(3) Developing online educational materials for 6 courses dealing with store regulations, including 3 courses on the four major areas of protection in workplace safety (preventing ergonomic hazards, maternal health protection, preventing overwork, and workplace violence), 3 courses on labor conditions (the law and work shifts and rotation, the law and calculating overtime pay, the law and dealing with employee resignation).</p> <p>(4) PCSC produced online course store training to enhance understanding of Labor Law regulations. It also produced a 7-ELEVEN authorized brand education and training manual to help enhance the understanding of how brand names can be used.</p>	Compliant
3. Operation of the Company's Violation Reporting System				
(1) Has PCSC established a concrete violation reporting and rewards system, set up convenient reporting channels, and appointed suitable personnel to handle these cases?	V		<p>1. Both PCSC's Internal Audit Office and Integrated Services Center have set up exclusive reporting hotlines. Stakeholders may also report any violations through the stakeholder section of our website. In addition, we also have a complete system and mechanisms to ensure stakeholder feedback is followed up properly. After stakeholders send their opinions by email through our website, their message is passed through the system directly to the responsible party, who is then required to update the status of the case within a specified period of time. PCSC keeps track of the number of reports received each month and the status of each case.</p> <p>2. In 2018, 1,810 messages were received through the stakeholder feedback section of the website.</p> <p>3. The violation reporting and rewards system has been implemented in accordance with the Standards Governing Awards and Discipline and Regulations Governing Product Safety Protections as set forth by human resources and quality assurance divisions. The Awards and Discipline Committee conducts deliberations according to these policies and the results of its appraisals are published on the Company's internal website.</p>	Compliant
(2) Has PCSC established an investigation SOP for violation reporting and a relevant confidentiality mechanism?	V		PCSC has established an internal investigation SOP for violation reporting and a relevant confidentiality mechanism. Information related to reported violations is only available to auditing personnel and their direct supervisors, while related documents are placed on file by the deputy chief auditor.	Compliant
(3) Does PCSC have any measures in place to protect individuals from possible mistreatment arising from reporting violations?	V		PCSC has a duty to keep information about individuals who report violations confidential. Information about such individuals cannot be released without their prior consent to keep them from being improperly punished.	Compliant
4. Strengthening information disclosure (1) Does PCSC disclose the content of our Best Practice Principles and their effectiveness on our website and the TWSE market observation post system?	V		PCSC has disclosed our Ethical Corporate Management Best Practice Principles, operating procedures, and code of conduct on our investor relations website and TWSE market observation post system.	Compliant
<p>5. If the Company has established a code of ethical corporate management based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please discuss the specifics of the code and implementation below:</p> <p>On December 19, 2014, PCSC established its Ethical Corporate Management Best Practice Principles as required by the Financial Supervisory Commission. On August 4, 2015, the Board passed revisions to the Best Practice Principles and established Ethical Corporate Management Operating Procedures and Code of Conduct, implemented as written by the Ethical Operations Team. The Ethical Corporate Management Practice Team holds meetings on these issues on a regular basis.</p>				
<p>6. Other information that will assist in the understanding of Company ethical corporate management practices: (such as reviewing and revision of the Company's existing Ethical Corporate Management Best Practice Principles)</p> <p>In addition to operating according to PCSC's Ethical Corporate Management Best Practice Principles, the Company has also established the Procedures for Ethical Management and Guidelines for Conduct Bulletin that sets up standards for moral conduct, gender interaction, gift giving and meals, and behavior with outside firms. PCSC employees sign a convention of self-discipline in this regard. PCSC has also established a system that implements appropriate disciplinary measure in cases of rules violations. The ethical corporate management provision is now part of all contracts with outside parties and suppliers. In order to ensure ethical operations are implemented fully, we have also set up an internal control mechanism where internal auditors perform evaluations regarding adherence to related regulations. Our subsidiaries also follow these regulations to ensure operations are conducted ethically.</p>				

(7) Company procedures for processing material information:

Although the Company has not set up procedures regarding the processing of material information, in order to properly manage important internal information, PCSC has established the Operating Standards for Unscheduled Announcements and the 7-ELEVEN Spokesperson System to serve as standard procedures for directors, managers, and employees. These standards are posted on the Company's internal website for employee reference. As required by law, the standards are reviewed annually and revised as necessary. Furthermore, as part of our internal control mechanism, PCSC has established management practices to prevent insider trading to eliminate the possibility that directors or employees will use internal information gleaned from their positions for their material benefit. In the future, these standards will meet all applicable regulations and laws.

(8) Status of internal control system implementation:

Internal Control Declaration: Please refer to page 81 of this report.

If PCSC has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed: N/A

(9) During the most recent year and as of the date of publication of the Annual Report, any disciplinary measures taken against the Company or its internal staff due to violations of legal requirements or taken by the Company against its own staff due to violations of the internal control system. The details of the disciplinary measures, major faults, and improvement measures should be noted: Please refer to page 57 of this report.**(10) Major resolutions voted on at Shareholder, Board Meetings, the Audit Committee, and Remuneration Committee during the most recent year and as of the date of publication of the Annual Report:**

1. Major resolutions voted on by the Shareholders' Meeting: (The following resolutions have been implemented)

During 2018 and this year as of the date of publication of the Annual Report, one General Shareholders' Meeting was held. The annual General Shareholders' meeting was held on June 12, 2018. The below resolutions were approved at the meeting:

 - (1) Approval of the financial report for 2017: Including business report, financial statements, and distribution of profits.
Result: Resolution passed.
 - (2) Proposal on the distribution of 2017 profits: In 2017, the Company had distributable income amounting to NT\$27,880,720,963 and proposed to pay a cash dividend of NT\$25.0 per share.
Result: Resolution passed and a cash dividend of NT\$25.0 per share was paid out on September 5, 2018.
 - (3) PCSC amended Articles of Incorporation: Due to operational needs, PCSC added "F201061 seedling retailing" to and removed "F212061 Automobile liquefied petroleum gas station" from the Business Scope in its Articles of Incorporation.
Result: Resolution passed and on July 2, 2018 was approved by the Ministry of Economic Affairs and was announced on the Company website.
 - (4) Reelection of directors (including independent directors):
List of directors elected:
Uni-President Enterprises Corporation representatives: Lo, Chih-Hsien, Chen, Jui-Tang, Huang, Jui-Tien, Wu, Liang-Feng, Su, Tsung-Ming, Wu, Kun-Lin, Hwang, Jau-Kai, Wu, Tsung-Ping, Wu, Wen-Chi
Kao Chyuan Investment Co. Ltd representatives: Kao, Shioh-Ling
List of independent directors elected: Wang, Wen-Yeu, Shu, Pei-Gi, Hung, Yung-cheng.
Result: The above resolution was approved by the Shareholders' Meeting and implemented.
 - (5) Resolution to Remove PCSC Director Non-Competition Restrictions
Result: The above resolution was approved by the Shareholders' Meeting and implemented.
2. Major resolutions approved by Board Meetings:

(Some applications for the renewal of credit limits from financial institutions are currently being implemented, while PCSC's 2018 earnings and dividend distribution proposal, Amendment to the Articles of Incorporation, and Resolution to Remove PCSC Director Non-Competition Restrictions must still be approved by the 2019 Shareholders' Meeting. All other resolutions have completed execution.)

During the fiscal year 2018 and as of the date of the publication this report, eight Board Meetings were convened. Major resolutions approved at these meetings are summarized below:

 - (1) The 20th meeting of the 11th Board (Date: February 23, 2018)
 - Approved the motion regarding PCSC's response to the Hualien Earthquake and relevant corporate donations.
 - Approved the 2017 employee and director earnings distribution proposal.
 - Approved the 2017 asset impairment.
 - Approved 2017 financial statements and consolidated financial statement.
 - Approved the 2017 earnings distribution proposal.

- Approved the 2017 dividend distribution proposal.
 - Presentation of the 2017 PCSC Internal Control Statement.
 - Approved the proposed agenda of 2018 Shareholders' Meeting.
 - Approved 2017 business reports.
 - Approved reelection of PCSC directors (including independent directors).
 - Approved the "Notice of the nomination of individuals for positions of director (including independent directors)" for the 2018 Shareholders' Meeting.
 - Approved the procedures regarding the "Notice of the right of shareholders to make proposals" for the 2018 Shareholders' Meeting.
 - Approved resolution regarding the removal of non-competition restrictions for PCSC directors.
 - Approved revisions to the PCSC Articles of Incorporation.
 - Approved the motion on the application for the renewal of credit limits and new applications from financial institutions.
 - Presentation of the resolutions approved at the 6th meeting of the 3rd Remuneration Committee.
 - Approved the proposal for Company donations.
 - Approved personnel appointment and removal proposal.
 - Approved the 2018 proposal to establish and remove Company branches and stores.
 - Approved the date and venue for the 21st meeting of the 11th Board.
- (2) The 21st meeting of the 11th Board (Date: April 25, 2018)
- Approved President Chain Store (Hong Kong) Holdings Limited capital increase for President Chain Store (Zhejiang) Ltd.
 - Approved the PCSC director (including independent directors) qualification evaluation proposal.
 - Approved resolution regarding the removal of non-competition restrictions for PCSC directors.
 - Approved the motion on the application for the renewal of credit limits and new applications from financial institutions.
 - Presentation of the resolutions approved at the 7th meeting of the 3rd Remuneration Committee.
 - Approved remuneration adjustment for PCSC independent directors.
 - Approved the 2018 proposal to establish and remove Company branches and stores.
 - Approved the date and venue for the 1st meeting of the 12th Board.
- (3) The 1st Meeting of the 12th Board (Date: June 12, 2018)
- Approved the motion regarding election of the Chairman of PCSC's 12th Board.
 - Approved the date and venue for the 2nd meeting of the 12th Board.
- (4) The 2nd Meeting of the 12th Board (Date: June 20, 2018)
- Approved appointment of new PCSC president.
 - Approved the motion regarding appointment of members of PCSC's 4th Remuneration Committee.
 - Approved the resolution to renewing liability insurance for the directors and key employees.
 - Approved the record date of 2017 earnings distribution.
 - Approved the proposal for Company donations.
 - Approved the 2018 proposal to establish and remove Company branches and stores.
 - Approved the date and venue for the 3rd meeting of the 12th Board.
- (5) The 3rd Meeting of the 12th Board (Date: August 3, 2018)
- Approved amendments to the Audit Committee Organization Procedures.
 - Approved the PCSC CPA Independence Evaluation Resolution.
 - Approved 2018 Financial Statement and Profit-seeking Enterprise Income Tax Auditing and Certification fee.
 - Approved signing of management consultant contract.
 - Approved signing of commissioned service contract.
 - Approved resolution regarding the removal of non-competition restrictions for PCSC management.
 - Approved the motion to change the custodian of the Company's official chop.
 - Presentation of the resolutions approved at the 1st meeting of the 4th Remuneration Committee.
 - Approved new organization and personnel appointments.
 - Approved personnel appointment and removal proposal.
 - Approved the 2018 proposal to establish and remove Company branches and stores.
 - Approved the date and venue for the 4th meeting of the 12th Board.
- (6) The 4th Meeting of the 12th Board (Date: November 1, 2018)
- Approved the sale of all equities in Grand Bills Finance Corporation.
 - Approved amendments to the Company's Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
 - Approved the 2019 audit plan.
 - Approved the 2019 "7-ELEVEN Internal Control System" amendment.
 - Approved the 2018 proposal to establish and remove Company branches and stores.
 - Approved the date and venue for the 5th meeting of the 12th Board.
- (7) The 5th Meeting of the 12th Board (Date: December 12, 2018)

- Approved the 2019 operations plan proposal.
 - Approved the proposal for Company 2019 donation plans.
 - Approved amendments to the Company's Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
 - Approved proposal to establish a CSR Committee directly under Board of Directors, to draw up the committee's organizational procedures, and the appointment of committee members.
 - Approved proposal to change head of the Company's Ethical Corporate Management Practice Team.
 - Approved the 2018 proposal to establish and remove Company branches and stores.
 - Approved the date and venue for the 6th meeting of the 12th Board.
- (8) The 6th Meeting of the 12th Board (Date: February 27, 2019)
- Approved the 2018 employee and director earnings distribution proposal.
 - Approved 2018 financial statements and consolidated financial statement.
 - Approved 2018 business reports.
 - Approved the 2018 earnings distribution proposal.
 - Approved the 2018 dividend distribution proposal.
 - Presentation of the 2018 PCSC Internal Control Statement.
 - Approved the proposed agenda of 2019 Shareholders' Meeting.
 - Approved the procedures regarding the "Notice of the right of shareholders to make proposals" for the 2019 Shareholders' Meeting.
 - Approved revisions to the PCSC Articles of Incorporation.
 - Approved amendments to the Company's Corporate Governance Best-Practice Principles.
 - Approved amendments to the Board of Directors Meeting Procedures.
 - Approved amendments to "Operational Procedures for Acquisitions or Disposals of Assets".
 - Approved amendment to the Remuneration Committee's Organizational Procedures.
 - Approved the motion to change the custodian of PCSC's Ministry of Economic Affairs company registration chops.
 - Approved proposal to change PCSC's CPA.
 - Approved the PCSC CPA Independence Evaluation Resolution.
 - Approved the motion on the application for the renewal of credit limits from financial institutions.
 - Presentation of the resolutions approved at the 2nd meeting of the 4th Remuneration Committee.
 - Approved the 2019 proposal to establish and remove Company branches and stores.
 - Approved personnel appointment and removal proposal.
 - Approved the date and venue for the 7th meeting of the 12th Board.
3. Major resolutions approved at Audit Committee:
- During the fiscal year 2018 and as of the date of the publication this report, five audit committee meetings were convened. Major resolutions approved at these meetings are summarized below:
- (1) The 15th meeting of the 2nd Audit Committee (Date: February 22, 2018)
- Approved 2017 financial statements and consolidated financial statement reports.
 - Presentation of the 2017 PCSC Internal Control Statement.
- (2) The 16th meeting of the 2nd Audit Committee (Date: April 24, 2018)
- Approved the 2017 earnings distribution proposal and business reports.
 - Approved Company affiliate President Chain Store (Hong Kong) Holdings Limited capital increase for President Chain Store (Zhejiang) Ltd.
- (3) The 1st meeting of the 3rd Audit Committee (Date: August 1, 2018)
- Approved amendments to the Audit Committee Organization Procedures.
 - Approved the PCSC CPA Independence Evaluation Resolution.
 - Approved 2018 Financial Statement and Profit-seeking Enterprise Income Tax Auditing and Certification fee.
 - Approved the consolidated financial statement for 2018 Q2.
 - Approved signing of management consultant contract.
 - Approved signing of commissioned service contract.
 - Approved the motion to change the custodian of the Company's official chop.
 - Approved personnel appointment proposal.
- (4) The 2nd meeting of the 3rd Audit Committee (Date: October 31, 2018)
- Approved the retroactive confirmation of the sale of all equities in Grand Bills Finance Corporation.
 - Approved amendments to the Company's Corporate Social Responsibility Best Practice Principles.
 - Presentation of the 2019 audit plan.
 - Approved the 2019 "7-ELEVEN Internal Control System" amendment.
- (5) The 3rd meeting of the 3rd Audit Committee (Date: February 26, 2019)
- Presentation of the 2018 PCSC Internal Control Statement.
 - Approved amendments to Operational Procedures for Acquisitions or Disposals of Assets.
 - Approved the motion to change the custodian of PCSC's Ministry of Economic Affairs company registration chops.
 - Approved 2018 financial statements and consolidated financial statement reports.

- Approved proposal to change PCSC's CPA.
- Approved the PCSC CPA Independence Evaluation Resolution.

4. Major resolutions approved at Remuneration Committee:

1) During the fiscal year 2018 and as of the date of the publication this report, four Remuneration Committee meetings were convened. Major resolutions approved at these meetings are summarized below:

(1) The 6th meeting of the 3rd Remuneration Committee (Date: February 22, 2018)

- 2017 employee and director earnings distribution proposal.

Result: The above resolution was approved.

(2) The 7th meeting of the 3rd Remuneration Committee (Date: April 24, 2018)

- Remuneration paid to directors and managers in 2017.

Result: The above resolution was approved.

- Adjustments of Independent Directors' Remuneration.

Result: Due to conflict of interest, it was unanimously by all committee members to recuse themselves from discussion and voting. The motion was then directly proposed to BOD meeting and was approved and implemented by BOD meeting on April 25, 2018.

(3) The 1st meeting of the 4th Remuneration Committee (Date: August 1, 2018)

- President remuneration proposal.

Result: The above resolution was approved.

(4) The 2nd meeting of the 4th Remuneration Committee (Date: February 26, 2019)

- 2018 employee and director earnings distribution proposal.

Result: The above resolution was approved.

2) PCSC has not had a case in which a member of the Remuneration Committee recorded or submitted a written statement in opposition or retaining opinion on a resolution decided upon by the committee.

(11) Differing opinions in records or written statements from directors or supervisors regarding important resolutions made by the Board in the most recent year and through the publication of the Annual Report: None

(12) Summary of the resignations and dismissals of the chairman, president, accountant division manager, chief financial officer, internal auditing manager, and R&D manager during the last year and up to the time of printing:

15 March 2019

Title	Name	On-board Date	Date of Resignation or Dismissal	Reason for Resignation or Dismissal
President	Chen, Jui-Tang	2012/06/21	2018/06/20	Position adjustment
Chief Auditor	Hsieh Hung, Hui-Tzu	2014/06/19	2018/08/03	Position adjustment

(13) Certificates Earned by Employees Involved in Financial Information Transparency:

31 Dec 2018

Certificates	Number of employees who hold professional certificates
Certified Internal Auditor (CIA)	2
Certified Information Systems Auditor (CISA)	1(Note)
Project Management Professional (PMP)	1
Enterprise Internal Control Basic Skills Examination	14
Certified Public Accountant:	3
Certified Public Bookkeeper	3
TPIPAS Personal Information Management Professional	11
TPIPAS Personal Information Internal Assessment Professional	4

Note: Staff member in the PCSC's Internal Audit Office is Certified Information Systems Auditors (CISA).

4. Independent auditors

(1) Audit fees

Auditing Firm	Auditor Names		Audit Period	Remarks
PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Chou, Chien-Hung	2018 Fiscal Year	-

Unit: NT\$1000

Expense Scale	Fee Category	Audit Fees	Non-Audit Related Fees	Total
1	Less than NT\$2,000,000	-	-	-
2	2,000,000 (incl.) – 4,000,000	-	-	-
3	4,000,000 (incl.) – 6,000,000	-	4,735	4,735
4	6,000,000 (incl.) – 8,000,000	-	-	-
5	8,000,000 (incl.) – 10,000,000	-	-	-
6	10,000,000 (incl.) and above	13,350	-	13,350
Total		13,350	4,735	18,085

Unit: NT\$1000

Auditing Firm	Auditor Names	Audit Fees	Non-Audit Related Fees					Audit Period	Remarks
			System Design	Business Registration	Human Resources	Other	Subtotal		
PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan Chou, Chien-Hung	13,350	-	-	-	4,735	4,735	2018 Fiscal Year	Other Non-Audit Related Fees include CSR project NT\$1,615,000, transfer pricing NT\$800,000, tax consulting fees regarding to expatriates' salary NT\$700,000, tax consulting fees of NT\$600,000, DJSI service fees of NT\$300,000, IFRS16 consulting fees of NT\$300,000, and fees for other services NT\$420,000.

(2) Changing of auditors- Should the Company change auditors over the past two years, the below information shall be disclosed:

1. Former CPAs

Date of Change	Approved by Board of Directors on February 27, 2019		
Reasons and Explanation of Changes	In compliance with internal rotation of PricewaterhouseCoopers Taiwan		
State whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client Status	CPA	Consignor
	Appointment terminated automatically	Not applicable	
	Appointment rejected (discontinued)	Not applicable	
The Opinions other than Unmodified Opinion issued in last two years and the reasons for the said Opinions	Not applicable		
Any disagreement in opinion with the issuer	Yes	X	Accounting principle or practice
		X	Disclosure of financial statements
		X	Auditing scope or procedures
		X	Others
	NO	V	Explanation: NA
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	Not applicable		

2. Successor CPAs

Accounting Firm	PricewaterhouseCoopers Taiwan
Name of CPA	Liang, I-Chang and Chou, Chien-Hung
Date of Engagement	Approved by Board of Directors on February 27, 2019
Prior to the Formal Engagement, Any inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that might be Rendered on the Financial Report	None
Written Opinions from the successor CPAs that are Different from the Former CPAs' Opinions	None

3. The reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: None.

(3) If the Company's chairman, president, or managers responsible for financial and accounting affairs have held any position in the accounting firm or its affiliates during the past year, all relevant information should be disclosed: N/A.

5. Net Change in shareholdings and in shares pledged by directors, management, and shareholders holding more than a 10% share in the Company

(1) Recent changes:

Unit: Shares

Title	Name	2018		This year as of March 15	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Director and Institutional Shareholder, Major Shareholder	Uni-President Enterprises Corp.	0	0	0	0
Director and Institutional Shareholder	Kao Chyuan Investment Co. Ltd.	0	0	0	0
Chairman	Lo, Chih-Hsien	0	0	0	0
Director	Kao, Shiow-Ling	29,824	0	0	0
Director/PCSC Special Assistant to Chairman	Chen, Jui-Tang	0	0	0	0
Director/PCSC President	Huang, Jui-Tien	0	0	0	0
Director	Wu, Liang-Feng (Note)	0	0	0	0
Director	Su, Tsung-Ming	0	0	0	0
Director	Hwang, Jau-Kai	0	0	0	0
Director	Wu, Kun-Lin	0	0	0	0
Director	Wu, Tsung-Ping	0	0	0	0
Director/ PCSC Chief Financial Officer (Vice President)	Wu, Wen-Chi	0	0	0	0
Director	Yang, Wen-Long (Note)	0	0	—	—
Independent Director	Wang, Wen-Yeu	0	0	0	0
Independent Director	Shu, Pei-Gi	0	0	0	0
Independent Director	Hung, Yung-Chen (Note)	0	0	0	0
Independent Director	Chen, M. David (Note)	0	0	—	—
Senior Vice President	Wu, Kuo-Hsuan	0	0	0	0
Vice President	Hsieh, Lien-Tang	0	0	0	0
Vice President	Lin, Chi-Chang	0	0	0	0
Chief Accounting Officer (Vice President)	Kuo, Ying-Chih	0	0	0	0
Vice President	Lin, Hung-Chun	0	0	0	0
Vice President	Hsieh, Kuan-Hung (Note)	0	0	0	0
Vice President	Tzeng, Fan-Bin	0	0	0	0
Vice President	Hsieh, Ching-Hsun (Note)	0	0	—	—
Project Vice President	Hsu, Guang-Yu (Note)	0	0	0	0
Project Vice President	Hsieh Hung, Hui-Tzu	0	0	0	0
Project Vice President	Wu, Hui-Chen (Note)	—	—	0	0

Note: Yang, Wen-Long was dismissed in February 2018; Hsieh, Ching-Hsun was dismissed in March 2018; Chen, M. David was dismissed in June 2018; Wu, Liang-Feng began his term in February 2018; Hung, Yung-Chen began his term in June 2018; Hsieh, Kuan-Hung began his term in February 2018; Hsu, Guang-Yu began his term in February 2018; Wu, Hui-Chen began his term in March 2019.

(2) Stock transfers to related parties: None

(3) Pledge of stock rights to related parties: None

6. Relationships between the Company's Top 10 largest shareholders and their shareholding percentages:

15 March 2019

Name	Shares Held Personally		Shares Held by Spouse or Minor Children		Shares Held by Nominee Agents		Names of Spouse or other relatives within two degrees of consanguinity who are also among PCSC's top 10 largest shareholders.		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Uni-President Enterprises Corp.	471,996,430	45.40%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Lo, Chih-Hsien	1,032,215	0.10%	1,044,139	0.10%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Chen, Jui-Tang	13,652	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Huang, Jui-Tien	391	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Wu, Liang-Feng	0	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Su, Tsung-Ming	10,000	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Hwang, Jau-Kai	0	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Wu, Kun-Lin	0	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Wu, Tsung-Ping	0	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Wu, Wen-Chi	556	0.00%	737	0.00%	0	0.00%	None	None	—
First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund	37,838,208	3.64%	0	-	0	-	None	None	—
Matthews Pacific Tiger Fund	20,875,608	2.01%	0	-	0	-	None	None	—
PCSC Employees Benefits Trust account in the custody of China Trust Commercial Bank	20,013,162	1.93%	0	-	0	-	None	None	—
Labor Insurance Fund	13,745,000	1.32%	0	-	0	-	None	None	—
Cathay United Commercial Bank	12,807,000	1.23%	0	-	0	-	None	None	—
Labor Pension Fund (New Scheme)	11,641,000	1.12%	0	-	0	-	None	None	—
Government of Singapore	10,636,914	1.02%	0	-	0	-	None	None	—
Vanguard Emerging Markets Stock Index Fund	8,725,481	0.84%	0	-	0	-	None	None	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for T. Rowe Price Emerging Markets Stock Fund	8,592,000	0.83%	0	-	0	-	None	None	—

Note: Excepts Uni-President Enterprises Corp., the information for other shareholders and their shareholding percentages is as of 2018/8/7.

7. PCSC, Company directors, managements, and directly or indirectly owned subsidiaries' ownership of shares in affiliated enterprises:

31 December 2018 / Units: Shares, %

Affiliated Enterprise	Ownership by PCSC		Ownership by directs, managements, and directly/indirectly owned subsidiaries		Total Ownership	
	Shares	%	Shares	%	Shares	%
PCSC (BVI) Holdings Ltd.	171,589,586	100.00%	-	-	171,589,586	100.00%
PCSC (China) Drugstore Ltd.	8,746,008	92.20%	740,000	7.80%	9,486,008	100.00%
President Drugstore Business	78,520,000	100.00%	-	-	78,520,000	100.00%
iCASH Corp.	50,000,000	100.00%	-	-	50,000,000	100.00%
President Yilan Art and Culture Corp.	2,000,000	100.00%	-	-	2,000,000	100.00%
Cold Stone Creamery Taiwan Ltd.	12,244,390	100.00%	-	-	12,244,390	100.00%
Wisdom Distribution Service Corp.	10,847,421	100.00%	-	-	10,847,421	100.00%
21 Century Enterprise Co., Ltd.	10,000,000	100.00%	-	-	10,000,000	100.00%
Uni-President Oven Bakery Corp.	6,511,963	100.00%	-	-	6,511,963	100.00%
President Chain Store Tokyo Marketing Corp.	9,800	100.00%	-	-	9,800	100.00%
Capital Inventory Services Corp.	2,500,000	100.00%	-	-	2,500,000	100.00%
President Being Corp.	1,500,000	100.00%	-	-	1,500,000	100.00%
President Chain Store Corporation Insurance Brokers Co., Ltd.	1,500,000	100.00%	-	-	1,500,000	100.00%
Ren-Hui Investment Corp.	6,500,000	100.00%	-	-	6,500,000	100.00%
Uni-President Superior Commissary Corp.	48,519,890	90.00%	1	0.00%	48,519,891	90.00%
Q-Ware Systems & Services Corp.	24,382,921	86.76%	1	0.00%	24,382,922	86.76%
President Information Corp.	25,714,475	86.00%	1	0.00%	25,714,476	86.00%
Mech-President Corp.	55,858,815	80.87%	13,046,359	18.89%	68,905,174	99.76%
President Pharmaceutical Corp.	22,121,962	73.74%	1	0.00%	22,121,963	73.74%
President Transnet Corp.	103,496,399	70.00%	29,570,401	20.00%	133,066,800	90.00%
President Collect Services Co., Ltd.	1,049,999	70.00%	1	0.00%	1,050,000	70.00%
Uni-President Department Store Corp.	27,999,999	70.00%	12,000,001	30.00%	40,000,000	100.00%
Uni-President Cold-Chain Corp.	23,605,042	60.00%	7,868,348	20.00%	31,473,390	80.00%
Uni-Wonder Corp.	21,382,674	60.00%	14,255,116	40.00%	35,637,790	100.00%
Duskin Serve Taiwan Co.	10,199,999	51.00%	1	0.00%	10,200,000	51.00%
Afternoon Tea Taiwan Co., Ltd.	14,789,999	51.00%	1	0.00%	14,790,000	51.00%
Books.com. Co., Ltd.	9,999,999	50.03%	1	0.00%	10,000,000	50.03%
Mister Donut Taiwan Corp.	7,500,049	50.00%	1	0.00%	7,500,050	50.00%
President Organic Corp.	1,833,333	36.67%	2,833,333	56.67%	4,666,666	93.34%
Retail Support International Corp.	6,429,999	25.00%	5,144,001	20.00%	11,574,000	45.00%
Uni-President Development Corp.	72,000,000	20.00%	108,000,000	30.00%	180,000,000	50.00%
PresiCarre Corp.	130,801,027	19.50%	137,511,893	20.50%	268,312,920	40.00%
President Fair Development Corp.	190,000,000	19.00%	405,000,000	40.50%	595,000,000	59.50%
President Technology Corp.	750,000	15.00%	-	-	750,000	15.00%
Tonho Development Corp.	19,930,000	12.46%	127,827,000	79.89%	147,757,000	92.35%
President International Development Corp.	44,100,000	3.33%	942,430,230	71.24%	986,530,230	74.57%

4 Fund Raising

1. Capital and shares

(1) Source of Capital:

a. Shares issued:

15 March 2019 / Units: NT\$; Shares

Year/ Month	Par Value	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Expansion by Assets other than Cash	Date of Approval and Document Number
2002/07	10	900,000,000	9,000,000,000	772,031,899	7,720,318,990	Capitalization of retained earnings	None	July 19, 2002 (91) Tai-Tsai-Tzeng (1) No. 0910140565
2003/07	10	900,000,000	9,000,000,000	858,499,471	8,584,994,710	Capitalization of retained earnings	None	July 17, 2003 (92) Tai-Tsai-Tzeng (1) No. 0920132220
2004/08	10	960,000,000	9,600,000,000	915,160,436	9,151,604,360	Capitalization of retained earnings	None	July 20, 2004 Chin-Kuan-Cheng-Yi-Zi No. 0930132295 on file.
2009/08	10	1,050,000,000	10,500,000,000	1,039,622,255	10,396,222,550	Capitalization of retained earnings	None	July 16, 2009 Approval Letter Chin-Kuan-Cheng-Fa-Tzu No. 0980035714 on file

Note: When established in June 1987, the stated capital of the Company amounted to NT\$ 100,000,000. After several capitalizations of retained earnings, the paid-in capital as of March 15, 2019 totaled NT\$10,396,222,550.

b. Capital and shares:

Unit: Shares

Type of Stock	Authorized Capital			Remarks
	Outstanding Shares	Non-Issued Shares	Total	
Common Stock, Inscribed	1,039,622,255	10,377,745	1,050,000,000	Listed Stocks

(2) Shareholder structure:

As of 7 August 2018 / Unit: Shares

Shareholder	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions and Individuals	Total
Quantity						
Number of Shareholders	0	0	186	20,891	1,103	22,180
Shares Held	0	0	567,817,116	34,972,569	436,832,570	1,039,622,255
Holding Percentage	0.00%	0.00%	54.62%	3.36%	42.02%	100.00%

(3) Distribution of shareholders:

As of 7 August 2018 / Par value NT\$10

Tiers of Shareholding	Number of Shareholders	Total Shares Held	Holding Percentage
1 to 999	11,282	1,945,070	0.19%
1,000 to 5,000	8,825	15,387,416	1.48%
5,001 to 10,000	695	5,055,971	0.49%
10,001 to 15,000	258	3,232,743	0.31%
15,001 to 20,000	111	2,031,353	0.20%
20,001 to 30,000	172	4,247,169	0.41%
30,001 to 50,000	157	6,032,413	0.58%
50,001 to 100,000	205	14,540,138	1.40%
100,001 to 200,000	141	20,645,262	1.99%
200,001 to 400,000	108	31,531,043	3.03%
400,001 to 600,000	54	27,353,380	2.63%
600,001 to 800,000	35	23,797,018	2.29%
800,001 to 1,000,000	23	20,849,091	2.01%
1,000,001 and above	114	862,974,188	83.01%
Total	22,180	1,039,622,255	100.00%

(4) Major shareholders:

As of 7 August 2018

Shareholders	Shares	Number of Shares Held	Holding Percentage
Uni-President Enterprises Corp.		471,996,430	45.40%
First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund		37,838,208	3.64%
Matthews Pacific Tiger Fund		20,875,608	2.01%
PCSC Employees Benefits Trust account in the custody of China Trust Commercial Bank		20,013,162	1.93%
Labor Insurance Fund		13,745,000	1.32%
Cathay United Commercial Bank		12,807,000	1.23%
Labor Pension Fund (New Scheme)		11,641,000	1.12%
Government of Singapore		10,636,914	1.02%
Vanguard Emerging Markets Stock Index Fund		8,725,481	0.84%
JPMorgan Chase Bank N.A. Taipei Branch in custody for T. Rowe Price Emerging Markets Stock Fund		8,592,000	0.83%

(5) Share prices, net value, earnings, dividends, and other relevant information for the last two years:

Unit: NT\$

Item	Year	2017	2018	As of 15 March 2019	
Market Price per Share (Note 1)	Highest	290.00	378.00	324.50	
	Lowest	222.50	272.00	293.00	
	Average	255.23	320.35	309.79	
Net Value per Share	Before Distribution	48.69	33.91	—	
	After Distribution	23.69	25.11 (Note 6)	—	
Earnings per Share	Weighted Average Number of Shares (Shares)	1,039,622,255	1,039,622,255	1,039,622,255	
	Earnings per Share (Undiluted)	29.83 (Note 5)	9.82	—	
Dividend per Share	Cash Dividends		25.00	8.80	—
	Stock Dividends	Dividends from Retained Earnings	—	—	—
		Dividends from Capital Surplus	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Return on Investment	Price/Earning Ratio (Note 2)	8.68	32.14	—	
	Price/Dividend Ratio (Note 3)	10.36	35.86 (Note 6)	—	
	Cash Dividend Yield Rate (Note 4)	9.66%	2.79% (Note 6)	—	

Note 1: Market price is referred to TWSE website.

Note 2: Price/Earning Ratio= Average Market Price/ Diluted Earnings per Share

Note 3: Price/Dividend Ratio= Average Market Price/ Cash Dividends per Share

Note 4: Cash Dividend Yield Rate=Cash Dividends Per Share/ Average Market Price

Note 5: Includes one-off disposal gain from Starbucks Transaction.

Note 6: The earnings distributions for 2018 have not yet been approved by the Shareholders' Meeting.

(6) Dividend policy and implementation:**1. Dividend policy****(1) Dividend policy as outlined in the Company's Articles of Incorporation**

The current year's earnings, if any, must first be used to pay all taxes and offset prior years' operating losses. Should there still be a surplus, 10% of the remaining amount is to be set aside as a legal reserve. After setting aside and reserving a special reserve, the remaining amount combined with accumulated unappropriated earnings from prior years will be distributable earnings for the period. The distribution of accumulated distributable earnings is proposed by the Board of Directors in consideration of industry conditions, the Company's future operations, and investment plans, which are disbursed following approval of the proposal by the Shareholders' Meeting. Disbursement of shareholder dividends and bonuses are set as 50-100% of the accumulated distributable earnings, and 50-100% of which is to be issued as cash dividends, while the remainder is to be unappropriated retain earnings.

- (2) PCSC business is growing stably. Taking the capital requirements and profitability of the Company into consideration, the Company's profit distribution over the next 3 years will consist primarily of cash dividends. In accordance with the Articles of Incorporation, 50%-100% of said profits are to be issued in the form of cash dividends.
2. The proposed distribution of 2018 profit approved by the Board of Directors will be submitted to the 2019 annual Shareholders' Meeting for approval. The proposal approved by the Board of Directors on February 27, 2019 is as follows: allocating NT\$9,148,675,844 from the 2018 distributable earnings to be issued as cash dividends, distributing NT\$ 8.8 per share. After the approval at the Shareholder's Meeting, the Board of Directors shall set a distribution record date.

(7) Impact on the Company's operating performance and EPS of the stock dividend proposed at the Shareholders' Meeting:

The Company did not distribute stock dividends this year, so this is not applicable.

(8) Employee compensation and director remuneration:

- According to PCSC's Articles of Incorporation, if the current year's profit situation (pre-tax profits prior to deduction of employee compensation and director remuneration) is deducted by accumulated deficit, no less than 2% of said surplus shall be distributed as employee compensation and no more than 2% as director remuneration. Staff employed at the Company or subsidiaries meeting the requirements shall be eligible for compensation, distributed in the form of stock or cash. Relevant requirements are outlined separately.
- The Board adopted the below employee compensation and director remuneration proposal for 2018 :
 - The Board proposed allocating the amount of NT\$576,995,489 as employee compensation and the amount of NT\$192,771,948 as remuneration for directors.
 - The amount of employee stock compensation and their proportion of overall earnings distribution: all employee compensation will be paid in cash.

	Distribution Approved by the Board
Distribution: (Unit: NT\$1000)	
Employee Compensation	\$576,995
Director Remuneration	\$192,772

- Distribution of the previous year's remuneration to employees and directors:
PCSC's distributable earnings in 2017 were distributed as employee compensation and director remuneration as follows:

	Distribution Approved by the Board and at the Shareholder's Meeting
Distribution: (Unit: NT\$1000)	
Employee Compensation	\$985,057
Director Remuneration	\$549,159

- The estimate of employees' compensation and directors' remuneration is made by calculating Company current year's profits (pre-tax profits prior to deduction of employee compensation and director remuneration) are deducted by accumulated deficit. In case of a discrepancy between the actual amount paid out and the estimate, it will be accounted for as changes in estimates and recognized as profit or loss in the following fiscal year.
- In the 2017 financial statement, employee compensation totaled NT\$985,057,141, while remuneration for directors totaled NT\$549,159,011. These amounts are consistent with the amounts approved by the Shareholders' Meeting.

(9) Share buyback: None

2. Status of corporate bonds, preferred shares, GDR, employee stock option plans, employee restricted stock plans, and mergers, acquisitions, and spin-offs

- (1) Issuance of corporate bonds: None
- (2) Issuance of preferred shares: None
- (3) Global depository receipts: None
- (4) Employee stock option plan: None
- (5) Employee restricted stock plan: None
- (6) Issuance of new shares to merge with or acquire other companies: None

3. Status of capital utilization plan

(1) Capital projection:

Any incomplete share issuance or private placement or any completed share issuance or private placement over the past three years from which benefits have not yet been reported as of December 31, 2018: None

(2) Status of implementation:

Analysis of the purpose of each capital investment project as of December 31, 2018 and comparison of implementation with the originally anticipated benefits: None

5 Operating Highlights

1. Business activities

(1) Business scope

1. PCSC's Key Operations

- | | |
|--|--|
| (1) F203020 Alcohol and tobacco retailing | (31) F401171 Importing of alcohol |
| (2) F206020 Daily necessities retailing | (32) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval. |
| (3) F203010 Food, groceries, and beverage retailing | (33) F301010 Department stores |
| (4) F208040 Cosmetics retailing | (34) F301020 Supermarkets |
| (5) F399990 Retailing other products | (35) F399010 Convenience stores |
| (6) IZ01010 Photocopy services | (36) F501030 Coffee/tea shops and bars |
| (7) F201070 Floral retailing | (37) F501060 Restaurants |
| (8) F209060 Educational, musical, and entertainment products retailing | (38) G902011 Type II telecommunications enterprise |
| (9) JE01010 Leasing | (39) I301010 Software design services |
| (10) IE01010 Distribution of telecommunications contracts | (40) I301030 Digital information supply services |
| (11) I401010 Advertising services | (41) F206010 Retail sale of ironware |
| (12) F207050 Fertilizer retailing | (42) F212011 Gasoline stations |
| (13) F210010 Watch and clock retailing | (43) F212050 Retail sale of petrochemical fuel products |
| (14) F210020 Eyeglass retailing | (44) JA01990 Other automobile services |
| (15) F216010 Photographic and film equipment retailing | (45) I101090 Food consultancy |
| (16) JZ99030 Photography | (46) IZ09010 Management system verification |
| (17) F204110 Cloth, clothes, shoes, hats, umbrellas, and accessories retailing | (47) J701020 Amusement parks |
| (18) A102060 Sales of staple foods | (48) F102040 Wholesale of nonalcoholic beverages |
| (19) F213010 Electronic appliance retailing | (49) F102170 Wholesale of food and grocery |
| (20) F208031 Medical equipment retailing | (50) F106020 Wholesale of articles for daily use |
| (21) F205040 Furniture, bedding, kitchenware, and decorative item retailing | (51) I103060 Management consulting services |
| (22) F207030 Cleaning product retailing | (52) J304010 Book publishers |
| (23) F401010 International trade | (53) J303010 Magazine and periodical publication |
| (24) JA01010 Automotive repair services | (54) IZ12010 Manpower services |
| (25) F214030 Automotive and motorcycle accessory retailing | (55) JA03010 Laundry services |
| (26) G202010 Operation of parking lots | (56) F201010 Retail sale of agricultural products |
| (27) IZ14011 Public welfare lottery | (57) F501990 Other food or beverage establishment not elsewhere classified |
| (28) JZ99050 Agency services | (58) F208050 Retail sale of the second type patent medicine |
| (29) IZ99990 Other industry and commerce services not elsewhere classified | (59) F201061 Retail sale of Seedling |
| (30) F401161 Importing of tobacco | |

2. Revenues and their proportion of overall business over the past two years

Unit: NT\$1,000

Major Divisions	Revenue and proportion of overall business by division			
	2017		2018	
	Revenue	%	Revenue	%
Convenience stores	143,873,316	65.06%	153,412,751	62.65%
Retail Business	65,295,956	29.53%	69,459,313	28.36%
Logistics Business	2,633,747	1.19%	2,022,071	0.83%
Other Business Divisions	9,329,063	4.22%	19,993,718	8.16%
Total Consolidated Revenues	221,132,082	100.00%	244,887,853	100.00%

3. Present and future products and services

- Stores: We are designing a variety of Lifestyle stores based on the characteristics of different business areas and the daily needs of consumers. In 2018, we open several Lifestyle stores such as "K.seren", "Being fit", "21 ToGo", and "Big 7", bringing together cosmetics and fitness products, baked goods, roasted chicken, and Books.com etc. in 2018. In addition, we opened two unmanned X-Stores, insisting on laying a strong foundation and adopting the latest methods and technologies available in Taiwan and abroad to provide consumers more valuable services and an improved shopping experience. We are also utilizing big data research as an important basis for future development, integrating our four major brand principles, i.e., "innovation", "convenience", "safe", and "happiness", with modern technology, to drive the continued evolution of the convenience store industry.

- Physical products:
 - (1) Fresh food: In response to changes in the dining-out market, demographics, and lifestyles, our supply chain continues upgrade and we have introduced new equipment, production processes, materials, technologies, and packaging. We are also collaborating with notable companies with advanced technology as well as food and beverage brands, both at home and abroad, as we develop new products, offer ever more delicious products, and incorporate differentiated food products and equipment, thereby realizing our strategy of laying a strong foundation and building a structure characterized by abundance. With the increase in health consciousness, we grasp the opportunity of green gold, so in cooperation with Formosa Vegetable, our stores began stocking fresh organic vegetables. By building a reliable supply chain and staying current with healthy food and beverage trends, PCSC provides consumers with safe, convenient, delicious fresh food options.
 - (2) Coffee: Market competition is fierce and consumer demand for coffee continues to increase. CITY CAFÉ continues to bolster its brand image through the "eight major factors that ensure coffee quality", including water, equipment, roasting, beans, dissemination, visual aesthetics, perception, and people. We also insist on quality, freshness, and efficient service. We employ differentiated products, including premium coffee, nitro cold brew coffee, one shot espresso, and larger sizes options to win different customer segments and achieve steady growth.
- Services: To grasp the opportunities and changes in lifestyle and consumption trends, we continue to optimize digital platform application services. Through the intensive network of stores, comprehensive logistics systems and equipment, in-store pickup and delivery service continues to provide customers with trusted and convenient distribution services. In addition, the continuous introduction of multiple payment tools, and the development of OPEN wallet with accumulated points across the channel, PCSC aims to provide customers a convenient digital platform and service.

(2) General economic and industry overview

1. General economic analysis

Driven by global economic expansion, Taiwan continued to perform well in the first half of 2018 with economic growth above 3%. Exports continued to see double-digit growth and the stock market stayed above 10,000 points. The only area to be slightly lackluster was investments. In the third quarter of 2018, Taiwan started to be impacted by trade war between the US and China, a strong US dollar driven by increases in the interest rate triggered a worldwide movement of capital, and increased financial fluctuations in emerging markets and developing economies, affecting major economies, such as the US and Japan and countries in Europe as well as Taiwan's financial market, resulting in a cautious economic outlook for the second half of the year. In 2018, Taiwanese exports grew by 5.9%, with a favorable balance of trade of US\$49.4 and economic growth of 2.63%, decreasing 0.45% over 2017's 3.08%. As for commodity prices, in 2018, the Consumer Price Index (CPI) annual growth rate increased by 1.35%, while the average unemployment rate for 2018 was 3.71%, representing a small decrease over 2017.

2. Industry overview

In 2018, turnover in the retail sector totaled NT\$4.2765 trillion, a 3.2% increase over 2017. In the general merchandise category, turnover was NT\$1.2805 trillion, which represents a 4.1% increase over the previous year. The convenience store category saw the highest growth rate with a total turnover of NT\$337.5 billion, 6.3% higher than 2017. The supermarket categories performed second best with overall turnover standing at NT\$221.9 billion, a 5.9% increase over 2017. Overall turnover for hypermarkets was NT\$202.1 billion, representing a 2.5% increase over 2017. The department store category saw an increase of 1.5%.

With increases in the tobacco tax, transportation, and communication sectors, the Consumer Price Index (CPI) rose by an average of 1.35% in 2018, while the core CPI (excludes vegetables, fruit, and energy which are easily affected by seasonal and unforeseen events) rose by 1.22%. Food prices increased by 0.99%, of which eating out increased by 2.03%. The average monthly salary for all employed workers increased by 3.94% over the same period last year. Consumers expected better quality products and more value for their money. This is a good principle for keeping tabs on the needs of consumers in their daily lives. PCSC will gradually focus on differentiating products and services to enhance the shopping experience of customers at our stores.

Through the end of 2018, key players in the convenience store industry had the below numbers of stores:

	7-ELEVEN	FamilyMart	Hi-Life	OK	Total
No. of Stores	5,369	3,324	1,306	885	10,884

3. Vertical supply chain

Based on "focused operations, traceability, and winning consumer trust", PCSC's food safety policies have as their top priority safety and quality. We have established a Product Safety Committee that has set up a systematic management system for PCSC's own brand products. It meets regularly each year to discuss such topics as government regulations, OEM and supplier evaluations and deficiencies, product safety information as well as product safety monitoring programs and their implementation status to ensure that the products on our shelves are safe. To enhance the quality control of our own products, we worked with Taiwan Delica Foods to set up a management database to trace and manage materials and suppliers. In addition, as the first retailer to have an internationally certified quality assurance lab in Taiwan that meets ISO17025 standards as well as accreditation from both the TFDA (Taiwan Food and Drug Administration) and TAF (Taiwan Accreditation Foundation), PCSC continues to expand our testing capabilities to provide customers with safer, more

convenient, and more delicious food products. In our franchise operations, we will expand individual store autonomy and individual product management to ensure sales growth in our stores. Operating efficiency of stores has increased through system optimizations and the introduction of labor-saving equipment. PCSC continues to improve our franchise system, resulting in year over year increases in franchisee compensation and the proportion of franchise outlets. PCSC continues to build a happy Company, positively impact society, and work towards environmental sustainability. By valuing our partners, expanding stores, and developing innovative products and services, we are creating a virtuous circle that benefits both business and our community.

4. Product development trends and competitiveness

(1) Product development trends

Factors such as an aging population, low birth rate, marry late, or remain single, are driving changes in Taiwan demographics and lifestyles. The dining-out market has continued to grow and the number of competitors to increase. Food safety is our top concern as we offer consumers high-quality, appealing products. Meeting the needs of our customers and winning their trust are important issues for us. In addition, in light of the fact that real personal income has not increased significantly, planned purchasing is becoming an increasingly common trend in Taiwan where the people are increasingly employing information tools and online communities to make purchasing decisions. Industries continue to create business opportunities as they deal with these changes in consumer trends. For examples, differentiated products in our channel, C2C online shopping, business opportunities in senior citizen consumers, healthy foods, the lives of singles and small families, consumption pattern of those eating out. All of these represent potential for high growth.

(2) Product competitiveness

- Take-away food business opportunities: Faced with the lives of singles and small families as well as the preference for dining out, PCSC continues to develop a large variety of ingredients and food that are tasty and safe for people who are looking for fast, safe, convenient meals.
- Mobile business opportunity: The internet, social media, and smart mobile devices have greatly altered consumer behavior. PCSC continues to monitor new technologies and integrate the internal resources to utilize our vast network of stores, excellent logistics, and cash flow systems and years of operational know-how to best take advantage of these new developments.
- Channel Differentiated products: Faced with global economic and consumer trends, PCSC continues to optimize its product structure and brand positioning. We are purchasing and importing products from other countries and entering strategic alliances with noted companies both in Taiwan and abroad and utilizing technological collaborations to create exclusive tailored products to fulfill customers' need and appealing in terms of "value, style, and design", thereby creating a structure characterized by more differentiated products and distinctiveness.

(3) Technology and R&D

PCSC continues to integrate a variety of innovative products and services to meet the needs of consumers and to compete with differing modes of competition:

1. EC package delivery and pick-up services: 7-ELEVEN has cooperated with over 5000 E-Commerce platforms, so consumers can pick up packages at stores. This business model brings together labor-saving technologies and optimized processes to effectively increase the scale of package pick-up business opportunities. We use QR codes for real-time product delivery tracking, so consumers can check on the delivery status of their packages any time. By catching online shopping business opportunity, convenience stores have become the first choice for picking up packages when shopping online.
2. Enhancing the efficiency of our EC supply chain: The development of the EC volume measuring device and different types of packaging materials has allowed us to effectively use spaces above and below in our retail stores to expand our EC locker. We have also introduced a self-service mechanism, simplifying the delivery and pick-up service process.
3. ibon App: We work closely with a specialized matching service that allows ibon app members to access over 400 kinds of services, including design, photography, digital marketing, translation, and cleaning services, so that they can fulfill home, business, and personal needs with the touch of a finger.
4. OPENPOINT membership: In late 2018, we introduced the Open Wallet, a payment system, which brings together payment, point accumulation, and redemption. It has helped customers increase the total number of reward points they receive and expanded how they can be used. The all-new redeem and reward mechanism OPEN REWARDS has been brought online to help stores manage regular customers and encourage repurchase. We plan to include such products as CITY CAFE, fresh food products, and imported goods to ensure further integration of resources.
5. Promoting various non-cash payment methods: We offer 17 different non-cash payment methods which increase the convenience of shopping with us. They have been used over 300 million times, the highest of any single brand channel in Taiwan.
6. The future of convenience stores: In addition to our X-store, a new retail store featuring 28 cutting-edge technologies and over 100 kinds of new smart equipment, in late 2018, we also announced the opening of "Big7", an all-new combination store, which brings " !+? CAFE RESERVE", a novel coffee shop dedicated to the serving up of premium coffee, our own exclusive Candy House, a section for Book.com, which collaborated with 7-ELEVEN to create its first brick-and-mortar bookstore, beauty and cosmetics specialists K.Seren, and purveyor of baked goods

Elite Concept. Currently, Big7 is the all-new store format with the best product planning and the most combination in the retail landscape. We continue to increase operational efficiency of our stores as well as our added value to provide customers with an all-new shopping experience.

7. In 2018, a total of NT\$258,230,000 was spent on R&D and system upgrades.

(4) Short and long-term operating strategies

1. Short-term operating strategies

- (1) Continue to integrate stores into existing shopping districts and establish a competitive niche with large format stores.
- (2) Expand store autonomy to create advantages through differentiation.
- (3) Further integrate virtual and brick and mortar operations to create more virtual service opportunities.
- (4) Optimize our operational foundation to provide the strength for mid to long-term development.

2. Long-term business development plan

- (1) Optimize the franchise model to create a win-win situation for both PCSC and franchisees.
- (2) Implement value marketing and enhance the consumer experience.
- (3) Implement "lean operations" to use resources to their fullest.
- (4) Integrate the Group's resources and seek stable profits growth.
- (5) Actively nurture talent to ensure sustainable development.

2. Market analysis and merchandising

(1) Market analysis

1. Main product (service) sales areas:

PCSC keeps on top of new consumer trends and develops high value products and innovative services to meet customers' evolving needs. Our goal is to become "an innovative, convenient, safe, happy business district, and living center". After overcoming logistical issues, our footprint has expanded to include Taiwan's outlying islands of Penghu, Kinmen, Matsu, Green Island, and Lanyu. No matter where you may be, our mission is to provide a wide variety of high quality, trustworthy products and services with a smile.

2. Future market supply and demand and potential growth:

As of the end of 2018, PCSC held a 49.33% share of the convenience store market in terms of store locations, which made us once again the industry leader and the top brand in the minds of consumers. In recent years, the Company has continued to strengthen the operational capacity of individual stores, while increasing their autonomy to best drive growth through efficiency. As boundaries blur in the retail industry, operations will inevitably face more difficult challenges, but as long as we can meet customers' needs for an innovative, convenient, safe, happy experience, there is still great potential in the Taiwanese convenience store sector.

3. Competitive niche:

The convenience store industry in Taiwan is highly competitive. However, by capitalizing on our advantages and rapidly evolving to meet needs, we can stay at the head of the pack. PCSC's major competitive advantages are:

- (1) Positive corporate image and good brand reputation.
- (2) The capability to rapidly develop new products (services) to meet customers' changing needs and use integrated marketing techniques to promote them.
- (3) The scale of channel favorable to successful product research, development, and sales.
- (4) A comprehensive logistics support system and an ever more seamless supply chain.
- (5) Strong IT platform and infrastructure with high potential for further development to meet the needs of consumers and effectively create new business opportunities.
- (6) First-rate franchise model.
- (7) The Group has significant resources that can be integrated and shared between members.

4. Positive and negative factors for future growth and strategic responses:

(1) Positive factors:

- The market for readymade food continues to grow with increasing demand for natural, organic food and beverage options.
- Taiwan's society is aging, while more people are having fewer children and living alone, so there are growing business opportunities from seniors, singles, and small families.
- With the rapid development of a variety of smart mobile devices, online shopping, and social network platforms, information has become highly transparent. Shoppers are seeking out entertaining, timely, and mobile shopping experiences.
- As cross-border internet transactions increase, greater opportunities will arise for business and logistics.

(2) Negative factors:

- The convenience store market is becoming saturated, while small-scale supermarkets have sprung up, blurring the line between the two and resulting in increasingly fierce competition both in the virtual and brick and mortar space.
- The decline in the labor population and rising personnel costs will increase overall operating costs.
- Wages have not seen gains, so consumers remain conservative in their purchases.

(3) Strategic responses:

To keep up with the ever-changing consumer marketplace and new purchasing trends, PCSC is committed to opening Lifestyle stores, providing unique 3E (Experience, Education, Entertainment), to meet the consumers' needs and enhance the enjoyment of wandering about the stores to further build our competitive advantages. Through strict controls, we can offer a variety of safe and delicious fresh food products to meet personalized ready meal and beverage needs. In response to local consumer fondness for caffeinated beverages, PCSC continues to upgrade the quality of our store-brewed tea and coffee drink offerings and now offers premium coffee to fulfill different target customer demand. In services aspect, through mastering and applying new technologies, we committed to bring more convenience in daily life, make our store the preferred choice for customers.

(2) Key purpose of major products and the production process

1. Key purpose: Provide consumers with products and innovative services to meet their needs.
2. Production process: None

(3) Supply of raw materials: None

(4) Information on major clients/suppliers who have accounted for at least 10% of sales/procurement in either of the past two years:

1. 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.
2. List of suppliers that have accounted for at least 10% of procurement over the past two years:
(1) List of suppliers that account for at least 10% of procurement:

Unit: NT\$1,000

Name	2017			Name	2018		
	Amount	Percent of Annual Net Purchase	Affiliation to the Issuer		Amount	Percent of Annual Net Purchase	Affiliation to the Issuer
Uni-President Enterprises Corp.	14,869,457	10%	Ultimate parent company	-	-	-	-
Net Purchase	147,698,072	100%	—	Net Purchase	160,811,161	100%	-

- (2) Reasons for significant changes: Increases or decreases in the purchase amount results from revenue fluctuations.

(5) Production over the past two years: None.

(6) Sales over the past two years:

Unit: NT\$1,000

Major Divisions	2017	2018
	Domestic Sales Value	Domestic Sales Value
Convenience Stores	143,873,316	153,412,751
Retail Business	65,295,956	69,459,313
Logistics Business	2,633,747	2,022,071
Other Business Divisions	9,329,063	19,993,718
Total Consolidated Revenues	221,132,082	244,887,853

Note: All products are sold domestically; all sales figures are expressed as sales value.

3. Human Resources:

(1) Personnel information:

Year		2017	2018	As of March 15, 2019
No. of Employees	Store Employees	17,791	17,543	17,452
	Management	6,531	6,746	6,734
	Part-Time	15,797	15,109	15,012
	Total	40,119	39,398	39,198
Average Age		32-years old	32-years old	32-years old
Average Years of Service		5.1 years	5.6 years	5.7 years
Education Level (as a % of the total)	PhD	0.02%	0.02%	0.02%
	Masters Degree	3.79%	3.86%	3.88%
	Bachelors Degree	55.84%	58.48%	58.45%
	High School	36.82%	34.94%	34.87%
	Junior High School or Below	3.53%	2.71%	2.77%

Note: The information above includes PCSC and its subsidiaries.

(2) Training and development

1. PCSC's training statistics for 2018 are as follows:

Internal Training				External Training			Online Training			Total		
Training Sessions	Number of Trainees	Hours of Training	Training Costs	Number of Trainees	Hours of Training	Training Costs	Number of Trainees	Hours of Training	Training Costs	Number of Trainees	Hours of Training	Training Costs
4,838	88,743	355,873	NT\$77.664 million	547	5,328	NT\$2.629 million	586,218	505,483	NT\$3.439 million	675,508	866,684	NT\$83.733 million

- In accordance with the Group's core values, PCSC issued "General Skills Needed by Logistics Personnel and Standards for Training Courses" covering training programs developed by PCSC for various positions within the organization to build employee skills and standards.
- We also issued "Training Management Guidance" to serve as guidelines for training activities. Based on their individual needs, employees can take internal or external training classes or different department can organize their own training. In addition, they can draw up a "Personal Development Plan" together with their immediate superiors based on each employee's education, experience, work requirements, performance evaluation results, and career development needs to map out the training sequence most suitable for them. Giving employees a goal and a plan encourages disciplined learning and growth to ultimately enrich professional knowledge and skills.
- For some key identified talents, PCSC has mapped out a program of training and development that includes courses, mobile learning, and personal development plans as well as attending regular meetings to let high-level managers know how well they are doing in their studies and what they have accomplished to help them reach their ideal position within the Company.
- Potential external training courses are vetted through a rigorous screening process to ensure that all offerings are up to our standards. Depending on the nature of the course and the participants, each class employs unique educational activities. In addition, utilizing the latest technologies, PCSC has built a digital learning platform for online courses to provide a more effective way to attain a competitive edge.
- Continuing education: At PCSC, employees can take charge of their own learning through the many diverse training channels available, which include guidance by supervisors and peers, knowledge management system, internal and external training programs, lectures and seminars, online learning, and on-the-job training. PCSC also encourages employees to pursue self-enrichment in their spare time to shore up their foundation and professional knowledge through scholarships for outside training and language courses.
- An internal system for training lecturers that uses Company resources to cultivate enthusiasm and a willingness to share with our partners and train to be specialized internal lecturers to transform our organization into one that places emphasis on learning and sharing. Just before Teachers' Day, the Company recognizes and expresses appreciation to individuals who have lectured internally to help create within them a sense of value and mission.
- Career development
 - Multi-channel career development opportunities: PCSC has spared no effort in employee training and personal development and we fully support employees' quest for knowledge and enhanced work skills. Through training programs, providing equipment, online resources, and a mentoring system, the Company assists employees to map out their career development plan and provides a diverse range of opportunities for personal growth.

- (2) Job rotation: We encourage our employees to try new things and to learn by working in various departments, different companies, or even various areas to broaden their horizons and increase competence in a range of skills.
- (3) Overseas appointments: The Company's overseas expansion provides a unique opportunity for employees to demonstrate their experience and individual strengths. Such an experience can expand their vision and enhance the competitiveness of both the individual and the Company.

4. Environmental protection expenditures

(1) Environmental (green) accounting:

PCSC is committed to fulfilling our corporate social responsibility (CSR) and providing customers with safe, convenient products and innovative services. We are also working to reduce energy consumption and carbon emissions, and uphold our original philosophy of being there by and staying open all-day, every day to serve customers, while contributing to the community through social welfare activities in Taiwan and promoting a sustainable environment. Through our green accounting system, we turn these concrete actions into financial data and have compiled the information into an environmental expenditure table (see below). In 2018, PCSC investments and costs related to environmental protection totaled NT\$1 billion, which comprises (1) environmentally-friendly packaging and testing costs of NT\$140 million (2) energy and carbon emissions reduction activities and installation of inverter air conditioning units in stores costing NT\$150 million (3) environmental cleaning, greening, and waste handling expenses of NT\$390 million (4) installation of environmentally-friendly equipment in stores and green procurement costs of NT\$240 million (5) environmental advocacy and CSR activities totaling NT\$80 million. Other ongoing initiatives include more advanced food safety management, plasticizer and pesticide testing, reduced paper use, recycling at stores, and holding Good Neighbor Club activities.

(2) Environmental-related expenditures:

1. Table of environmental-related expenditures

Unit: NT\$1,000

Category	Item	Details	Effect and Reduction in Resource Use or Greenhouse Gas Emissions	Investment	Expense	Total
Merchandise	Using environmentally friendly packaging for products, testing of fresh foods	Sourcing environmentally- friendly packaging materials-PLA and coffee cup holders; refraining from using preservatives in fresh foods; testing for pesticide residues	Protecting consumers' health, while also taking into consideration safety and the environmental impact	—	141,297	141,297
Stores	Energy-saving measures	Purchasing 472 energy-saving pieces of equipment for stores; installing 548 A/C circulation fans, 1,119 inverter A/C units, 10,784 energy saving LED lights, 6,529 sets of energy saving LED light fixtures, and turning off 388 Slurpee machines during the off-season	Saving energy and reducing carbon emissions	123,502	24,815	148,317
Stores	Cleaning and waste disposal	Store cleanliness, greening, and disposal of waste	Maintaining a clean environment		391,233	391,233
	Extending the life span of equipment and building materials	Installing steel counters in 586 stores, reclaiming and reusing existing equipment	Reducing lumber use and wasted resources	98,609	25,814	124,423
	Green procurement	Purchasing energy-saving equipment, environmentally-friendly paper and building materials, and expanding e-invoice use	Meeting European Union standards, FCS certification, saving energy and reducing		115,774	115,774
Delivery	Working with President Logistics International Corp., Retail Support International, and Wisdom Distribution logistics center using reverse logistics to increase delivery efficiency and implement recycling	Investing in manpower and equipment in reverse logistics recycling operations at stores	Recycling in stores: 305 tons of dry batteries, 56 tons of CDs, 9,000 discarded notebook computers, 100,000 cell phones, 60,000 cell phone chargers	—	2,970	2,970
Internal Environmental Education	Environmental education and office resource recycling	Promoted reduced-paper operations, environmental cleaning and greening, and recycling of waste	Back office recycling: 1,644 kgs of plastic bottles, 9,456 kgs of paper, and 532 kgs of metal cans	—	27,357	27,357

Category	Item	Details	Effect and Reduction in Resource Use or Greenhouse Gas Emissions	Investment	Expense	Total
Social Contributions	Community environmental awareness advocacy and holding or participation in environmental protection and social charity events	Teaching energy-saving and conservation, while promoting CSR and sponsoring environmental groups	Focusing on the issue of caring for disadvantaged elderly for a long time, 7-ELEVEN's Bring Back the Love Charity Donation Program continues to employ innovative, interesting, and interactive methods to give individuals unique donation experiences and to spur fundraising. In 2018, we collaborated with Korea's Sticky Monster Lab to create 10 "monsters" that impede the lives of seniors and different "Love for Life" machines. Drop in a coin and you can arm wrestle one of the monsters. By beating one, your love is taking practical action to clear the way for the elderly to live better lives.	—	53,868	53,868
Total				222,111	783,128	1,005,239

3. In 2018, due to breaches of the Labor Standards Act, Tobacco Hazards Prevention Act, and Trash Clearance Act, partial stores were fined a total of NT\$153,000. As of March 15, 2019, partial stores were fined a total of NT\$50,000 due to breaches of Tobacco Hazards Prevention Act. In addition, in the case in which the Company was fined NT\$5 million by the Fair Trade Commission for not disclosing complete information in our franchise contract, the case is currently undergoing administrative proceedings.

4. Measures taken: PCSC has already required improvements in all stores and has strengthened education regarding relevant regulations.

(3) Benefits of investments in environmental protection:

1. Effects of major environmental equipment on energy savings

(1) Installation of ventilation fans in store air-conditioning systems in 2018

Ventilation fans were added to a total of 548 air conditioning systems at a cost of NT\$1,260,000, helping save 66,000 kWh of electricity/month and 790,000 kWh/year

(2) Installation of energy-saving equipment in 2018

These appliances were introduced in 472 stores at a cost of NT\$39,564,000 and helped to save 619,000 kWh of electricity/month and 7,430,000 kWh/year.

(3) Installation of inverter air conditioning units in 2018

Installed 1,119 inverter air conditioning units at a cost of NT\$76,168,000, helping save 443,000 kWh of electricity/month and 5,320,000 kWh/year.

(4) Installation of LED light fixtures in 2018

A total of 17,313 sets of light fixtures were installed at a cost of NT\$6,510,000, helping save 106,000 kWh/month and 1,275,000 kWh/year.

(5) Slurpee machine offseason shutdowns in 2018

388 Slurpee machines were turned off all day or for 6 hours each day during the four-month slow season, helping save 753,000 kWh over the entire year.

(6) Installation of steel counters in 2018

Installed 586 steel counters at a cost of NT\$98,609,000, helping prevent the felling of 2,930 trees. Wooden cabinets and counters not only require the cutting of a large number of trees, but also the life span of wooden equipment is relatively short and they cannot be refurbished. Steel cabinets and counters have much longer life spans and can be recycled or refurbished.

2. Consumer food safety protections:

To ensure that customers can eat our products without worry and best protect their health, PCSC performs testing to show that goods are free from preservatives and microorganisms and that packaging meets relevant standards before they can hit our shelves. In 2018, we invested NT\$141,744,000 in product safety management.

(4) Information regarding EU Restriction of Hazardous Substances (RoHS) Directive: The Company and its subsidiaries do not sell directly or indirectly to Europe, and therefore is not subject to RoHS.

5. Labor-management relations

(1) Employee benefits

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

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

2. Comprehensive employee benefits

(1) In accordance with the Official Letter Taipei City Social II No. 58459 of the Department of Social Welfare, PCSC established the Employee Benefit Committee on December 21, 1987. Members of the Committee are jointly elected by both labor and management. The Committee regularly hosts a variety of activities, organizes health check-ups for employees, and provides other benefits such as subsidies for in-service education program.

(2) The PCSC benefit scheme includes overseas trips for senior employees, health examinations, employee stock ownership plans, club subsidies, library centers, discount purchasing, wedding and funeral allowances, paid maternity and paternity leave, group insurance, employee travel allowance, and other benefits provided by Employee Benefits Committee to meet employee needs.

(3) To assist employees to effectively and efficiently manage sources of stress from work, home life, and health as well as bolster their physical and emotional health, and encourage positive interpersonal relationships, the Company commissioned the Teacher Chang Foundation, starting in 2009, to provide three hours of free counselling services each year for employees.

(4) In 2010, the Company decided to become more proactive in our care for employees, establishing the "Happy Cooperative" in May of that year. In 2018, the program assisted employees in a total of 3,133 cases. To enhance the skills and sensitivity of frontline managers when showing concern for others, we collaborated in the organization of four Caring Store Manager Experience Camps. The total of 195 individuals that participated expressed a satisfaction level of 4.8. The camp will be held again next year.

(5) The Company established "Operational Procedures of Employees assistance in Severe Accidents", encouraging supervisors to offer employees timely concern on behalf of the Company and to take the initiative to offer them paid leave for convalescence and financial help to take care of them in the event of serious accidents.

3. Providing entrepreneurial opportunities

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

4. Safe and friendly workplace

Received international certification for the TAF ISO45001 Occupational Health and Safety Management Systems. To realize health and safety, the Company has taken the following steps:

(1) Establishment of a health and safety organization: The Worker Safety Office holds Health and Safety Committee meetings each quarter and Management Review Meetings each year and encourages contractors to hold safety agreement organization meetings.

(2) Sanitation and safety training and drills: Both new and existing employees participate in training and we hold regular emergency evacuation drills to keep employees' skills fresh.

- Head office evacuation drills: 1 training session/530 individuals engaged. (success rate: 97.8%)

- License training (Level C/First Aid): 110 sessions/4,013 individuals engaged.

(3) Implement risk assessments and safety audits

- Contractor management: Established operational procedures for contractor worker safety fines, high-risk machine and equipment.

- Risk and danger identification: In 2018, we held audits in various locations with 166 corrective actions taken in 55 locations. Improvements were suggested and implemented for 100% improvement.

- Testing indoor air quality to ensure that CO2 emissions were below 1000 ppm, tested water quality and light levels, and performed regular cleaning and disinfection.

(4) Healthcare: When employees first report for work, they are signed up for group accident insurance, life insurance, medical insurance, and we provide subsidies for physical examination. PCSC also hired specialized nurse practitioners and doctors from NTU Hospital who provide health counseling services. PCSC further employs health education campaigns, such as the Health Passport app, e-newsletters, and lectures, to encourage employees to manage their personal health.

(5) Health and safety activities

- PCSC launched Family Wednesdays to remind employees to maintain a proper work-life balance.

(6) Event safety controls: PCSC employs safety control processes to ensure the safety of activities organized by the Company both internally and externally with the goal of no incidents occurring in any of its events. In 2018, PCSC held four events in which 640,000 people participated with no major incidents and no fines paid.

- (7) Promoting employee health exams: Strengthen personal health management and prevent illnesses through regular health checks.
- Senior employee in-depth health exams: Provide full-time employees 36-years old or older with at least 5 years of service with NT\$16,000 subsidy every two years for in-depth health exams. In 2018, a total of 2,107 employees could apply for such assistance.
 - Annual health exams: We provide employees and food industry workers with annual health exams. In 2018, 6,751 people had health exams with a satisfaction score of 4.3 points and 83% participation rate.
- (8) Implement employee health management: Employ doctors and nurses to proactively provide employees with individual health care and consultations.
- Doctors: In 2013, PCSC began inviting doctors to provide health services to employees (once every two months). By 2018, this was increased to 16 times per month (3 hours each time), with doctor services totaling 576 hours over the entire year, providing one on one health services 348 times with an employee satisfaction score of 4.9.
 - Nurses: A team of four nurses was hired to provide employee healthcare. In 2018, the team provided treatment 463 times with employee satisfaction reaching a score of 5 points. In addition, PCSC introduced a comprehensive health management system, to provide employees who received abnormal exam results with tiered health management, extremely high risk employees with 100% intervention management, follow up treatment tracking, and individual case follow up management.
- (9) Promoting occupational disease prevention and health protections for specific group: Establishing maternal health protection for female workers and prevention mechanisms for ergonomic hazards, workplace violence, and fatigue.
- (10) Workplace emergency preparedness: Automated external defibrillators (AED) are installed according to office size and number of employees and regular training is held. PCSC received the Ministry of Health and Welfare's AED Workplace Certification.
- (11) Implementing health promotion activities: Encouraging employee self-health management to improve health outcomes through group activities.
- Our health promotion campaign has incorporated an innovative and revolutionary app that features a Healthy Living Community for employees, emphasizing taking charge of one's own health and striking a balance between healthy living and work. It includes exercise and healthy diet tasks to make the campaign more fun.
- (12) Health certifications and healthy workplace competitions
- Received the Health Promotion Certification in the 2016-2018 Healthy Workplace Certifications.
 - Received 3rd place in the 2016 Department of Health, Taipei City Government Outstanding Healthy Workplace Award.
 - Received the Lequn Health Award in the 2016 Ministry of Health and Welfare' Health Promotion Administration Outstanding Healthy Workplace Awards.
 - In 2017, PCSC was awarded the Department of Health, Taipei City Government's Outstanding Nursing Room Certification.

(2) Retirement plan

1. Old system under the Labor Standards Act

On June 1, 2014, PCSC modified its employee retirement program, applicable to all existing employees. As stipulated by law, the program calculates an employee's years of service starting with his or her hiring date. Employees who have worked for the Company 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 months 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 years of service 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. Service year calculations under the old system for transferred employees:

- Service years for transferred employees include the number of years they served in every PCSC affiliate and/or members of the Uni-President Group.
- The sharing of pensions among affiliates is based on the percentage of the years of service spread over the affiliates that the employee has served.

3. New system under the Labor Pension Act:

Beginning on July 1, 2005, in accordance with the Labor Pension Act, PCSC implemented a new system that is applicable to all employees. Existing employees could opt for the old system under the Labor Standard Act as stated in (1) or the new system under the Labor Pension Act. As stipulated in the Labor Pension Act, the monthly contribution is made based on the Monthly Contribution Wages Classification, which currently amounts to 6% of employee monthly income transferred to a personal retirement account with Bureau of Labor Insurance.

(3) Labor-management relations

1. Open communication channels

PCSC established an internal communication platform which sends out important messages directly to employees. To encourage direct communication between employees and managers, in addition to providing an Integrated Services Center, e-mailbox, and a dedicated stakeholder section of our website that allows employees to get timely answers to their questions, the Company set up an internal suggestion system, which allows employees to offer opinions and suggestions about Company operations directly to management in real time.

2. Employee code of conduct

PCSC has written an employee handbook and regulations regarding incentives and rewards and has also set up a committee to implement related affairs. Furthermore, the Company has established an employee code of conduct to spell out specific regulations governing employee behavior. The code of conduct includes the below requirements:

- (1) Employees may not embezzle Company funds for personal purposes, engage in unscrupulous behaviors for profit, participate in illegal acts, violate any contracts, damage public property, or otherwise 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 language or actions that contain sexual requests, that are sexually suggestive, or discriminate on the basis of sex.
- (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 any unofficial 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 complete confidentiality in all business activities for which they are responsible and shall never, under any circumstance, assist anyone with interests at odds with those of PCSC or reveal trade secrets to competing enterprises or individuals.
- (8) Employee attendance and behavior shall comply with regulations set forth by HR.

3. Labor-management negotiations:

PCSC has always considered our employees as the most important asset. The Company works to align our vision for the future with the development goals of employees. PCSC also holds regular labor-management meetings as required by law. Therefore, the interaction between PCSC and its employees has been very positive and harmonious over the years.

4. Losses due to labor disputes:

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

6. Important Contracts

March 15, 2019

Contract Type	Contracting Party	Term of Agreement	Summary	Clauses
Regional licensing agreement	7-ELEVEN, INC.	2000.07.20 ~ Perpetuity	<p>1. During the term of the agreement, PCSC is authorized by 7-ELEVEN Inc. to exclusively operate its convenience store chain business in the R.O.C. and has the right to use the 7-ELEVEN franchise system, logos, products, and services.</p> <p>2. PCSC is required to pay royalties to 7-ELEVEN Inc. each month.</p>	PCSC is obliged to make its best effort to manage and expand the convenience store business within the R.O.C. PCSC is not permitted to operate its convenience store business outside the R.O.C. without prior approval or to operate a convenience store business for one year following the termination of the contract in any country in which 7-ELEVEN, Inc. has registered a trademark.
Long-term loan agreement	Bank of Taiwan	2018.05.25~2020.05.25	NT\$300 million credit loan	None
Long-term loan agreement	Land Bank of Taiwan	2018.04.25~2020.04.25	NT\$1 billion credit loan	None
Long-term loan agreement	Chang Hwa Bank	2019.03.12~2020.03.13	NT\$300 million credit loan	None
Long-term loan agreement	BNP Paribas	2018.05.08~2020.05.08	US\$50 million credit loan	None
Long-term loan agreement	Mizuho Bank	2019.01.06~2021.01.06	NT\$2 billion credit loan	None
Long-term loan agreement	HSBC Bank	2018.07.01~2020.06.30	NT\$2 billion credit loan	None
Long-term loan agreement	MUFG Bank, Ltd.	2018.07.31~2021.07.31	NT\$690 million credit loan	None
Long-term loan agreement	Sumitomo Mitsui Banking Corporation	2019.02.21~2021.02.21	NT\$2.5 billion credit loan	None
Long-term loan agreement	Banco Bilbao Vizcaya Argentaria	2018.05.09~2020.03.31	US\$40 million credit loan	None
Long-term loan agreement	Bank SinoPac	2018.06.27~2020.06.30	NT\$1.5 billion credit loan	None
Long-term loan agreement	DBS Bank	2019.03.03~2024.05.24	NT\$2 billion credit loan	None
Long-term loan agreement	CTBC Bank	2018.09.01~2019.08.31	NT\$2 billion credit loan	None

6 Financial Information

1. Five year condensed balance sheet and comprehensive income statement

(1) Condensed balance sheet (Parent Company only)

Unit: NT\$1,000

Item	Year	Financial information for the most recent five years				
		2014 (Note)	2015	2016	2017	2018
Current Assets		26,242,755	28,671,817	32,408,988	39,689,001	26,967,356
Property, Plants and Equipment		9,735,711	8,953,551	8,608,695	8,946,459	9,114,219
Intangible Assets		451,139	356,179	278,320	211,865	119,019
Other Assets		22,777,068	23,425,548	25,893,774	51,905,688	53,045,922
Total Assets		59,206,673	61,407,095	67,189,777	100,753,013	89,246,516
Current Liabilities	Before Distribution	27,664,928	29,156,110	33,126,538	40,960,714	44,136,423
	After Distribution	34,942,284	36,641,390	41,443,516	66,951,270	Not yet distributed
Non-Current Liabilities		5,029,271	5,137,299	5,446,961	9,178,037	9,858,043
Total Liabilities	Before Distribution	32,694,199	34,293,409	38,573,499	50,138,751	53,994,466
	After Distribution	39,971,555	41,778,689	46,890,477	76,129,307	Not yet distributed
Capital-Common Stock		10,396,223	10,396,223	10,396,223	10,396,223	10,396,223
Capital Surplus		7,031	7,733	1,158	43,875	45,059
Retained Earnings	Before Distribution	15,400,786	16,117,194	18,047,308	40,573,023	24,757,163
	After Distribution	8,123,430	8,631,914	9,730,330	14,582,467	Not yet distributed
Other Equity		708,434	592,536	171,589	(398,859)	53,605
Treasury Stock		—	—	—	—	—
Total Equity	Before Distribution	26,512,474	27,113,686	28,616,278	50,614,262	35,252,050
	After Distribution	19,235,118	19,628,406	20,299,300	24,623,706	Not yet distributed

Note : Starting from January 1, 2015, the Company has adopted the 2013 version of IFRS, to adjust retrospectively the effect item of 2014 financial statements.

(2) Condensed balance sheet (Consolidated)

Unit: NT\$ 1,000

Item		Year	Financial information for the most recent five years				
			2014 (Note)	2015	2016	2017	2018
Current Assets			47,066,566	49,022,957	54,322,992	88,404,260	75,642,868
Property, Plants and Equipment			22,107,291	22,339,376	22,329,291	24,982,342	25,292,763
Intangible Assets			1,197,505	1,150,914	1,076,176	10,656,713	10,393,880
Other Assets			15,472,864	16,869,465	17,390,058	15,837,945	16,365,569
Total Assets			85,844,226	89,382,712	95,118,517	139,881,260	127,695,080
Current Liabilities	Before Distribution		47,334,489	49,685,820	52,594,724	65,619,920	68,112,215
	After Distribution		54,611,845	57,171,100	60,911,702	91,610,476	Not yet distributed
Non-Current Liabilities			8,216,760	8,605,390	9,262,863	14,754,930	15,557,838
Total Liabilities	Before Distribution		55,551,249	58,291,210	61,857,587	80,374,850	83,670,053
	After Distribution		62,828,605	65,776,490	70,174,565	106,365,406	Not yet distributed
Equity Attributable to Owners of the Parent			26,512,474	27,113,686	28,616,278	50,614,262	35,252,050
Capital-Common Stock			10,396,223	10,396,223	10,396,223	10,396,223	10,396,223
Capital Surplus			7,031	7,733	1,158	43,875	45,059
Retained Earnings	Before Distribution		15,400,786	16,117,194	18,047,308	40,573,023	24,757,163
	After Distribution		8,123,430	8,631,914	9,730,330	14,582,467	Not yet distributed
Other Equity			708,434	592,536	171,589	(398,859)	53,605
Treasury Stock			—	—	—	—	—
Non-controlling Interest			3,780,503	3,977,816	4,644,652	8,892,148	8,772,977
Total Equity	Before Distribution		30,292,977	31,091,502	33,260,930	59,506,410	44,025,027
	After Distribution		23,015,621	23,606,222	24,943,952	33,515,854	Not yet distributed

Note : Starting from January 1, 2015, the Company has adopted the 2013 version of IFRS, to adjust retrospectively the effect item of 2014 financial statements.

(3) Condensed comprehensive income statement (Parent Company only)

Unit: NT\$1,000 (EPS=NT\$)

Item	Year	Financial information for the most recent five years				
		2014 (Note)	2015	2016	2017	2018
Operating Revenue		131,330,857	133,407,688	140,147,135	144,479,880	154,074,731
Gross Profit		43,179,892	45,109,265	48,083,751	50,639,297	53,012,367
Operating Income		6,300,851	6,412,115	6,673,576	6,246,725	7,654,581
Non-Operating Income (Expenses)		4,011,268	3,154,631	4,439,125	30,254,326	4,779,209
Net Income Before Tax		10,312,119	9,566,746	11,112,701	36,501,051	12,433,790
Net Income from Continuing Operations		9,090,462	8,238,993	9,836,690	31,017,094	10,206,388
Income (or Loss) from Discontinued Operations		—	—	—	—	—
Net Income (Loss)		9,090,462	8,238,993	9,836,690	31,017,094	10,206,388
Other Comprehensive Income (Loss)		(59,319)	(361,127)	(601,669)	(744,849)	424,762
Total Comprehensive Income (Loss)		9,031,143	7,877,866	9,235,021	30,272,245	10,631,150
Net Income Attributable to Owners of the Parent		—	—	—	—	—
Net Income Attributable to Non-Controlling Interests		—	—	—	—	—
Total Comprehensive Income Attributable to Owners of the Parent		—	—	—	—	—
Total Comprehensive Income Attributable to Non-Controlling Interests		—	—	—	—	—
Earnings per Share (NT\$)		8.74	7.92	9.46	29.83	9.82

Note : Starting from January 1, 2015, the Company has adopted the 2013 version of IFRS, to adjust retrospectively the effect item of 2014 financial statements.

(4) Condensed comprehensive income statement (Consolidated)

Unit: NT\$1,000 (EPS=NT\$)

Item	Year	Financial information for the most recent five years				
	2014 (Note)	2015	2016	2017	2018	
Operating Revenue	200,438,379	205,481,317	215,359,089	221,132,082	244,887,853	
Gross Profit	62,658,847	66,280,867	70,606,642	73,434,010	84,076,692	
Operating Income	9,504,879	9,609,813	10,404,620	10,422,160	12,834,824	
Non-Operating Income (Expenses)	2,843,845	2,071,990	2,957,238	30,959,528	2,567,523	
Net Income Before Tax	12,348,724	11,681,803	13,361,858	41,381,688	15,402,347	
Net Income from Continuing Operations	10,248,160	9,442,454	11,138,569	32,318,072	11,744,278	
Income (or Loss) from Discontinued Operations	—	—	—	—	—	
Net Income (Loss)	10,248,160	9,442,454	11,138,569	32,318,072	11,744,278	
Other Comprehensive Income (Loss)	(60,289)	(437,305)	(734,950)	(877,792)	302,511	
Total Comprehensive Income (Loss)	10,187,871	9,005,149	10,403,619	31,440,280	12,046,789	
Net Income Attributable to Owners of the Parent	9,090,462	8,238,993	9,836,690	31,017,094	10,206,388	
Net Income Attributable to Non-Controlling Interests	1,157,698	1,203,461	1,301,879	1,300,978	1,537,890	
Total Comprehensive Income Attributable to Owners of the Parent	9,031,143	7,877,866	9,235,021	30,272,245	10,631,150	
Total Comprehensive Income Attributable to Non-Controlling Interests	1,156,728	1,127,283	1,168,598	1,168,035	1,415,639	
Earnings per Share (NT\$)	8.74	7.92	9.46	29.83	9.82	

Note : Starting from January 1, 2015, the Company has adopted the 2013 version of IFRS, to adjust retrospectively the effect item of 2014 financial statements.

(5) Names and opinions of external auditors over the past five years

Year	Auditing Firm	Auditor Names		Audit Opinions
2014	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Chou, Chien-Hung	Modified Unqualified
2015	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Chou, Chien-Hung	Modified Unqualified
2016	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Chou, Chien-Hung	Unqualified
2017	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Chou, Chien-Hung	Unqualified
2018	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Chou, Chien-Hung	Unqualified

(6) Changes of independent auditors in the past five years: None.

2. Five year financial analysis

(1) Financial analysis (Parent Company only)

Item	Year	Financial information for the most recent five years				
		2014	2015	2016	2017	2018
Financial Structure	Debt to Assets Ratio (%)(Note 3)	55.22	55.85	57.41	49.76	60.50
	Long-Term Capital to Property, Plant and Equipment Ratio (%)(Note 3)	324.02	360.20	395.68	668.33	494.94
Liquidity	Current Ratio (%) (Note 3)	94.86	98.34	97.83	96.90	61.10
	Quick Ratio (%) (Note 3)	74.26	76.67	79.12	78.68	42.48
	Interest Coverage (Note 3)	366.70	282.36	362.33	1198.11	290.35
Operating Performance	Accounts Receivable Turnover (times) (Note 1)	—	—	—	—	—
	Average Collection Days (Note 1)	—	—	—	—	—
	Inventory Turnover (times)	17.07	15.19	15.18	14.22	13.28
	Accounts Payable Turnover (times)	7.28	7.03	6.60	6.40	6.74
	Average Inventory Turnover Days	21.39	24.03	24.05	25.67	27.48
	Property, Plant and Equipment Turnover (times)	13.49	14.28	16.28	16.46	17.06
Profitability	Total Assets Turnover (times)	2.22	2.21	2.09	1.72	1.62
	ROA (%)(Note 3)	15.62	13.71	15.34	36.97	10.78
	ROE (%)(Note 3)	36.16	30.73	35.30	78.30	23.77
	Ratio of Pre-tax Profit to Paid-in Capital (%)(Note 3)	99.14	92.02	106.89	351.10	119.60
	Net Margin (%)(Note 3)	6.92	6.18	7.02	21.47	6.62
Cash Flow	Earnings per Share (NT\$) (Note 3)	8.74	7.92	9.46	29.83	9.82
	Cash Flow Ratio (%)(Note 3)	34.81	39.63	52.83	28.46	38.20
	Cash Flow Adequacy (%)	130.06	126.93	130.55	119.15	96.54
Leverage	Cash Flow Reinvestment Ratio (%) (Note 3)	8.02	9.86	21.74	4.63	(15.67)
	Operating Leverage	1.98	1.96	1.98	2.15	1.84
	Financial Leverage	1.00	1.01	1.00	1.00	1.01

Note 1: Not applicable, as PCSC is a retail business.

Note 2: The calculations of the above financial ratios utilize the formulas listed on page 68, which are based on IFRS.

Note 3: The reasons for changes in financial ratios over the past two years:

- Debt to Assets Ratio: The change was primarily caused by increased in liability and short-term debt due to dividend pay-out.
- Long-Term Capital to Property, Plant and Equipment Ratio: The change was primarily caused by increased in Net income and Equity in 2017 which mainly from Starbucks Transaction.
- Current Ratio and Quick Ratio: The change was primarily caused by increased in liability and short-term borrowing due to dividend pay-out.
- Interest Coverage, ROA, ROE, Ratio of Pre-tax Profit to Paid-in Capital, Net Margin, and Earnings per Share: The change was primarily caused by increased in net income before tax and net income in 2017 which mainly from Starbucks Transaction
- Cash Flow Ratio: The change was primarily caused by increased in cash dividends and short-term borrowing.
- Cash Flow Reinvestment Ratio: The change was primarily caused by increased in payment of cash dividends in 2018.

(2) Financial analysis (Consolidated)

Item	Year	Financial information for the most recent five years				
		2014	2015	2016	2017	2018
Financial Structure	Debt to Assets Ratio (%)	65.50	65.22	65.03	57.46	65.52
	Long-Term Capital to Property, Plant and Equipment Ratio (%)(Note 3)	168.60	177.70	190.44	297.26	235.57
Liquidity	Current Ratio (%)	99.11	98.67	103.29	134.72	111.06
	Quick Ratio (%) (Note 3)	73.98	72.96	77.75	112.16	86.89
	Interest Coverage (Note 3)	123.87	110.05	141.86	438.85	107.47
Operating Performance	Accounts Receivable Turnover (times)(Note 1)	—	—	—	—	—
	Average Collection Days (Note 1)	—	—	—	—	—
	Inventory Turnover (times)	13.31	12.47	12.27	11.62	11.28
	Accounts Payable Turnover (times)	6.84	6.81	6.81	6.51	6.67
	Average Inventory Turnover Days	27.42	29.27	29.74	31.41	32.35
	Property, Plant and Equipment Turnover (times)	9.07	9.25	9.64	9.35	9.74
	Total Assets Turnover (times)	2.37	2.35	2.33	1.88	1.83
Profitability	ROA (%)(Note 3)	12.05	10.88	12.16	27.57	8.86
	ROE (%)(Note 3)	35.44	30.76	34.62	69.68	22.69
	Ratio of Pre-tax Profit to Paid-in Capital (%)(Note 3)	121.29	112.37	128.53	398.05	148.15
	Net Margin (%)(Note 3)	4.92	4.60	5.17	14.61	4.80
	Earnings per Share (NT\$) (Note 3)	8.74	7.92	9.46	29.83	9.82
Cash Flow	Cash Flow Ratio (%)	32.86	32.92	44.95	31.44	26.31
	Cash Flow Adequacy (%)(Note 3)	131.32	121.06	128.10	125.71	98.19
	Cash Flow Reinvestment Ratio (%)(Note 3)	16.06	12.98	22.94	12.01	(11.48)
Leverage	Operating Leverage	2.27	2.24	2.16	2.23	2.01
	Financial Leverage	1.01	1.01	1.01	1.01	1.01

Note 1: Not applicable, as PCSC is a retail business.

Note 2: The calculations of the above financial ratios utilize the formulas listed on page 68, which are based on IFRS.

Note 3: The reasons for changes in financial ratios over the past two years:

- Long-Term Capital to Property, Plant and Equipment Ratio: The change was primarily caused by increased in Net income and Equity in 2017 which mainly from Starbucks Transaction.
- Quick Ratio: The change was primarily caused by increased in Accounts receivable and current assets in 2017 which mainly from Starbucks Transaction.
- Interest Coverage, ROA, ROE, Ratio of Pre-tax Profit to Paid-in Capital, Net Margin, and Earnings per Share: The change was primarily caused by increased in net income before tax and net income in 2017 which mainly from Starbucks Transaction
- Cash Flow Adequacy: The change was primarily caused by increased in payment of cash dividends in 2018.
- Cash Flow Reinvestment Ratio: The change was primarily caused by increased in payment of cash dividends in 2018.

※Calculations based on IFRS:

※Financial Structure

- (1) Debt to Assets Ratio = total liabilities / total assets
- (2) Long-term Capital to Property, Plant and Equipment Ratio = (total shareholders' equity + non-current liabilities) / net property, plant and equipment

※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 arising from business activities) = net sales / average accounts receivable (including accounts receivable and notes receivable arising from 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 arising from business activities) = cost of goods sold / average accounts payable (including accounts payable and notes payable arising from business activities)
- (5) Average Inventory Turnover Days = 365 / inventory turnover ratio
- (6) Property, Plant and Equipment Turnover = net sales / net property, plant and equipment
- (7) Total Asset Turnover = net sales / average total assets

※Profitability

- (1) Return on Assets = [net income + interest expense × (1 – effective tax rate)] / average total assets
- (2) Return on Equity = net income / average shareholders' equity
- (3) Net Margin = net income / net sales
- (4) Earnings per Share = (net income attributable to owners of the parent – preferred stock dividends) / weighted average number of shares outstanding

※Cash Flow

- (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 property, plant and equipment / long-term investments + other non-current assets + working capital)

※Leverage

- (1) Operating Leverage = (net sales – variable operating costs and expenses) / operating profit
- (2) Financial Leverage = operating profit / (operating profit – interest expenses)

3. The Audit Committee report regarding the most recent annual financial report: Please refer to page 82.
4. The audited consolidated financial report for the most recent fiscal year: Please refer to pages 83–148.
5. The audited parent company only financial report for the most recent fiscal year: Please refer to pages 149–213.
6. Any cash flow difficulties with the Company and its affiliates during the most recent year and as of the date of publication of the annual report: None

Financial Status, Financial Performance and Risk Management

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1. Financial position analysis (consolidated)

Unit: NT\$ 1,000

Item	Year	2017	2018	Variance	
				Difference	%
Current Assets		88,404,260	75,642,868	(12,761,392)	-14.44%
Property, Plant and Equipment		24,982,342	25,292,763	310,421	1.24%
Intangible Assets		10,656,713	10,393,880	(262,833)	-2.47%
Other Assets		15,837,945	16,365,569	527,624	3.33%
Total Assets		139,881,260	127,695,080	(12,186,180)	-8.71%
Current Liabilities		65,619,920	68,112,215	2,492,295	3.80%
Non-current Liabilities		14,754,930	15,557,838	802,908	5.44%
Total Liabilities		80,374,850	83,670,053	3,295,203	4.10%
Capital		10,396,223	10,396,223	0	0.00%
Capital Surplus		43,875	45,059	1,184	2.70%
Retained Earnings		40,573,023	24,757,163	(15,815,860)	-38.98%
Equity Attributable to the Parent Company		50,614,262	35,252,050	(15,362,212)	-30.35%
Total Equities		59,506,410	44,025,027	(15,481,383)	-26.02%

1. Reasons for variance over the past two years:

Decreases in Retained Earnings, Equity Attributable to the Parent Company, and Total Equities: primarily due to the Starbucks transaction in 2017.

2. Effect of said variance: none

3. Future strategy: The working capital generated from operations and utilization of bank financing is sufficient to support the needs of the Company's operations.

2. Financial performance analysis (consolidated)

Unit: NT\$ 1,000

Item	Year	2017	2018	Variance	
				Difference	%
Operating Revenue		221,132,082	244,887,853	23,755,771	10.74%
Gross Profit		73,434,010	84,076,692	10,642,682	14.49%
Operating Profit		10,422,160	12,834,824	2,412,664	23.15%
Total Non-operating Income (Expenses)		30,959,528	2,567,523	(28,392,005)	-91.71%
Net Pre-tax Income		41,381,688	15,402,347	(25,979,341)	-62.78%
Net Income		32,318,072	11,744,278	(20,573,794)	-63.66%
Other consolidated profit and loss		(877,792)	302,511	1,180,303	Increases 1,180,303
Total comprehensive income		31,440,280	12,046,789	(19,393,491)	-61.68%
Net Income Attributable to the Parent Company		31,017,094	10,206,388	(20,810,706)	-67.09%
Total Comprehensive Income Attributable to the Parent Company		30,272,245	10,631,150	(19,641,095)	-64.88%

1. Explanation of variance:

- Increases in Operating Profit: primarily due to operating revenue and gross profit increased.
- Decreases in Total Non-operating Income, Net Pre-tax Income, Net Income, Total comprehensive income, Net Income Attributable to the Parent Company, and Total Comprehensive Income Attributable to the Parent Company: primarily due to the Starbucks transaction in 2017
- Increases in Other consolidated profit and loss: primarily due to appreciation of US dollars.

2. Factors that may impact the Company's sales and financial status over the coming year and proposed responses:

The Company expects that by developing innovative and differentiated products and services, we can maintain steady growth.

3. Cash flow analysis

(1) Cash flow analysis for the past fiscal year:

Unit: NT\$1,000

Cash Balance at the Beginning of 2018	Net Cash Inflow from Operating Activities in 2018	Net Cash Outflows in 2018	Cash Surplus (Shortage)	Remedies for Cash Shortage	
				Investment Plan	Financial Plan
35,783,291	17,917,929	(5,170,572)	48,530,648	-	-

1. Operating activities: The net cash inflow from operating activities was NT\$17.9 billion. The cash inflow remained steady primarily due to stable profits.
2. Investing activities: The net cash inflow from investing activities totaled about NT\$15.6 billion, which was primarily due to disposal gains from investment accounted for using equity method and purchases of operations-related fixed assets.
3. Financing activities: The net cash outflow from financing activities totaled about NT\$21.4 billion, mainly resulting from distribution of cash dividends.

(2) Remedies for cash shortfall and liquidity analysis: Not applicable to PCSC.

(3) Cash flow analysis for the coming year:

Unit: NT\$1,000

Cash Balance at the Beginning of 2019	Estimated Yearly Net Cash Inflow from Operating Activities	Estimated Yearly Net Cash Outflow	Anticipated Cash Surplus (Shortage)	Remedies for Cash Shortage	
				Investment Plan	Financial Plan
48,530,648	15,812,993	(21,327,686)	43,015,955	-	-

1. Operating activities: Stable revenue is expected in 2019, which should bring in a net cash inflow.
2. Investing activities: Investing outflows will primarily include the purchase of fixed assets.
3. Financing activities: Financing outflows are primarily expected to be the payment of cash dividends.

4. Major capital expenditures in recent years and their impact

(1) Major capital expenditures and sources of capital:

1. 7-ELEVEN Taiwan

Unit: NT\$1,000

Project	Actual or Planned Source of Capital	Actual or Planned Date of Project Completion	Total Capital Required	Actual or Planned Capital Expenditures				
				2016	2017	2018	2019	2020
Investments in new stores and POS Equipment	Working capital and loans	Annual	6,122,608	1,033,137	1,043,669	1,331,700	1,357,051	1,357,051
Remodeling of Existing Stores	Working capital and loans	Annual	1,576,908	294,408	518,621	202,031	280,924	280,924
Store Equipment Purchases / Replacement	Working capital and loans	Annual	5,560,370	690,239	1,218,549	497,388	1,577,097	1,577,097

2. Major subsidiaries

Unit: NT\$1,000

Project	Actual or Planned Source of Capital	Actual or Planned Date of Project Completion	Total Capital Required	Actual or Planned Capital Expenditures		
				2018	2019	2020
Investments in new stores	Working capital and loans	Annual	5,845,910	1,700,185	2,157,900	1,987,825
Remodeling of existing stores	Working capital and loans	Annual	1,931,790	473,281	791,384	667,125
Store equipment purchases / replacement	Working capital and loans	Annual	1,570,613	432,975	569,354	568,284
Investments in IT equipment (including purchases of hardware, software and POS equipment)	Working capital and loans	Annual	2,000,806	600,730	800,315	599,761
Purchase and replacement of logistics system or related equipment	Working capital and loans	Annual	2,402,507	805,441	917,572	679,494
Other (e.g., establishment of fresh food processing plants and logistics centers and distribution centers)	Working capital and loans	Annual	999,007	653,868	192,530	152,608

(2) Estimated benefits:

1. Anticipated increase in sales and gross profits:

Unit: NT\$1,000

Year	Item	Sales Value	Gross Profit
2019	Investments in new and existing stores	3,746,117	1,187,894
2020	Investments in new and existing stores	3,858,500	1,227,201
2021	Investments in new and existing stores	3,974,255	1,267,809
2022	Investments in new and existing stores	4,093,483	1,309,761
2023	Investments in new and existing stores	4,216,287	1,353,101

2. Other potential benefits:

The year's capital expenditures were primarily used to introduce new stores, expand store space, and set up new IT equipment, which we expect to have the following benefits:

Expanding to larger format stores provides space for additional seating and creates an inviting shopping experience. Extra room gives customers a place away from home, school, or the office where they can enjoy a comfortable space to eat or relax. IT equipment optimization, on the other hand, will improve operational efficiency.

5. Analysis of investments in subsidiaries in recent years

(1) Investment policy and plan:

PCSC invests in a wide array of business including convenience stores, food and beverages, cosmetics and pharmacies, department stores, super and hypermarkets, and an online shopping website. The Company oversees operations in Taiwan, Mainland China, the Philippines, and Japan. In order to provide customers with a rich, varied shopping experience, PCSC continually expands into new areas. At the end of 2018, PCSC and its subsidiaries boasted a total of 9,341 retail locations, 2,550 of which are 7-ELEVEN branches in the Philippines. PCSC continues to increase its presence in the nation. Starbucks Taiwan have now exceeded 454 locations. They are working hard to make their stores unique as they continue to maintain their brand name's leading position. In the future, we will continue to focus on core business operations to enhance the effectiveness of long-term investments.

(2) Reasons for profits or losses at affiliated enterprises:

Major long-term investments in 2018 include the following:

Unit: NT\$1,000

Company	Description	Amount of Investment in 2018	Main reasons for profit / loss
	President Chain Store (Zhejiang) Ltd. (Note 1)	357,228	Enrich working capital.
	Beauty Wonder (Zhejiang) Trading Co., Ltd. (Note 1)	133,961	Newly established company.
	President (Shanghai) Health Product Trading Company Ltd. (Note 2)	89,307	Enrich working capital.
	President Logistic ShanDong Co., Ltd. (Note 2)	137,210	Currently in the development stage; the affiliate operated at a loss.

Note 1: Funded by Uni-President Hong Kong Holdings Ltd.

Note 2: Funded by President Pharmaceutical (Hong Kong) Holdings Limited.

(3) Improvement Plan for Investments in Affiliated Enterprises and Investment Plans for the Coming Year

To improve performance at affiliated enterprises currently showing a loss, the Company will adjust the business model, improve the product mix offered to enhance the efficiency and performance.

6. Risk management policies and organizational structure and risk assessment**(1) Risk management policies and structure**

PCSC endeavors to maintain a comprehensive risk management system that works to manage risks for the entire organization including consolidated subsidiaries. The Board of Directors, managers at all levels, and employees work together to promote proper implementation of risk management.

In addition to observing relevant regulations, PCSC identifies, analyzes, measures, monitors, responds to, reports, and mitigates all potential risks that could arise from operating activities based on the characteristics and impact of such risks. While working to achieve PCSC's strategic goals, we can also effectively maintain and control potential risk.

The Company's primary risk management structure and the various business units responsible for risk management and its implementation are discussed below:

- (1) Strategic and operational risks: Each business unit and subsidiary is responsible for the planning and risk assessment of any new investments or operational decisions. PCSC's Office of the President regularly conducts related indicator analysis and tracks performance at the PCSC and affiliated enterprises quarterly meetings and regularly scheduled themed project operation reviews for key affiliated enterprises. Appropriate adjustments to operational strategy are made in accordance with changes in market competition and consumer trends to ensure each business entity's strategy is in line with its operational goals and strategic vision.
- (2) Financial, liquidity, and credit risks: To respond to changes in related regulations, policies, and the market, PCSC's Finance Office defines a range of strategies, procedures, and indicators to perform regularly-scheduled analysis and evaluation of changes in risk status and respond appropriately in order to mitigate potential risks for the entire company.
- (3) Market risks: Each business unit analyses and assesses major government policies, laws, and technological advances both in Taiwan and abroad and formulates appropriate response measures to reduce potential future risks. In addition, PCSC established an inter-division Regulation Identification Team and holds regular Regulation Identification Meetings to track the latest changes in Taiwan laws and regulations and formulate appropriate responses. Also, the Crisis Management Team, made up of division managers, was established effectively control and manage any potential or existing market risks and crises.
- (4) Through risk assessment and regulatory reviews, the Internal Audit Office draws up an annual audit plan and self-inspection procedures and methods, which, when implemented, help to control aforementioned risks. The results of these inspections shall be reported periodically to the Board of Directors.

(2) Risk Assessment and Analysis

1. Impact on company profits of and responses to fluctuations in interest rates, foreign exchange rates, and inflation:

- (1) Interest rate fluctuation: Considering the global economy were slowing down, and the rising uncertainty of international economic and financial prospects. In 2019, domestic economic growth slowed down, the negative output gap was

slightly expanded, and the inflation outlook was moderate and was expected to be below 2018. The Central Bank estimates Taiwan's economic growth rate will reach 2.33% in 2019, Taiwan's Central Bank will therefore maintain a moderately loose monetary policy.

Response: By continuing to observe interest rate trends and effectively negotiating with financial institutions and utilizing other fundraising channels, the Company ensures that financing costs are in line with the current low interest rates.

(2) Exchange rate fluctuation:

Most Company purchases and sales are settled in NT dollars. As imports account for just a marginal portion of its total sales, exchange rate fluctuation does not have a significant impact on Company profits.

(3) Inflation:

The CPI increase rate in 2018 was 1.35%. Looking forward to 2019, international institutions predict that international oil prices will be slightly lower than 2018, and input inflationary pressures will be reduced; domestic demand will be moderate, and the effect of tobacco taxation will disappear. Taiwan's Central Bank predicts 2019's CPI increase rate will decrease to 1.05%, and inflation rate will be moderate.

Response: The Company has made efforts to adjust our product portfolio, improve gross margins, and pursue a diversified marketing strategy to minimize the cost pressure resulting from inflation and mitigate its effects on the Company's operations.

2. Policies regarding engagement in highly risky or highly leveraged investments, loans to others, endorsements, or derivatives trading; reasons for profits or losses from such activities; and proposed response measures:

(1) Company policy:

PCSC focuses on our retail and distribution business and has not engaged in risky or highly-leveraged investments. However, in order to effectively control and manage business-related risks and enhance the safety of financial operations, 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 Loading of Funds", "Procedures for Acquisitions or Disposals of Assets" and "Procedures for Making of Endorsements". In accordance with the Securities and Futures Bureau's Guidelines Governing Establishment of Internal Control Systems at Publicly Held Companies, PCSC's Internal Audit Office and subsidiaries have defined a set of risk management and assessment procedures.

(2) Status of loans from PCSC and affiliated enterprises to others, endorsements, and derivatives trading and reasons for profit or losses of such activities:

- a. Loans to others: As of December 31, 2018, The Company and its subsidiaries have no loans to others.
- b. Endorsements and guarantees: The Company and its subsidiaries have not offered endorsements.
- c. Derivatives: The Company and its subsidiaries are not engaged in the trade of derivatives.

(3) Future response measures:

- a. The main goal of the risk control and hedging strategy implemented by PCSC is to avoid operational risks. To this end, should the Company utilize derivatives, it should be to establish a hedging position. Financial products shall be selected for the purpose of hedging operational risks resulting from interest expenses, assets, or liabilities.
- b. PCSC's Finance Office is responsible for managing the Company's derivatives trading position and performs routine market evaluations. If the Finance Office discovers unusual trading or losses, it shall take necessary action and report the situation to the Board immediately. In addition, the Company also conducts routine performance evaluations of derivative trades to ensure they are in line with our operating strategy and that the risks are maintained within the Company's risk tolerance.

3. R&D Plans and Projected Investment:

- (1) Member System: Integrate PCSC membership and provide them with one account, so that they can use PCSC channels, facilitating the accumulation and redemption of reward points.
- (2) Reward Point System: Utilize blockchain to enhance system safety and reduce risk. Connect the PCSC reward point platform mechanism with others, thereby increasing reward point value.
- (3) Means of Payment Platform: In response to changes in mobile device and payment models, PCSC shall establish systems to expand means of payment services to facilitate linkages with other platforms, thereby providing customers with convenient payment options.

(4) R&D Plans for 2019 are expected to cost NT\$85.02 million and include the following:

Plan	Current Progress	Additional Funds to be Invested	Expected Date of Completion	Main Factors Determining the Success of Future R&D
Increase member reward point system functions	System in development	NT\$69.11 million	2019/12	In response to member reward points development trends, enhance the service platforms of current relevant transactions.
New EC functions	Process and system in development	NT\$4.72 million	2019/12	To stay on top of developing e-commerce trends, continue the program to implement transaction-related service platform upgrades.
Food and Drug Administration's trace and track data uploading system	Process and system in development	NT\$4.54 million	2019/11	In response to government regulations, establish system that automatically collects, calculates, and organizes data uploaded to the government each day by stores nationwide.
New smart vending machine functions	Process and system in development	NT\$3.68 million	2019/07	Optimize current smart vending machine functions to facilitate store operations.
Advance purchase WEB	Process and system in development	NT\$2.97 million	2019/09	Future online sales promotion campaign shopping guide, providing more flexibility when purchasing products and responds quickly to market demands.

4. Financial impacts of and responses to major changes to domestic and overseas laws and government policies:

(1) PCSC has already taken appropriate measures to respond to recent changes in government policies and laws in Taiwan and overseas, so these changes did not significantly impact the Company's financial operations.

(2) In response to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter announced in March 2011 by the Securities and Futures Bureau, PCSC established the Remuneration Committee in June 2011. In June 2012, PCSC held new elections for the Company's Board of Directors, invited independent directors to the Board, and established the Audit Committee in response to the March 2011 announcement of the Applicable Scope of Appointment of Independent Directors for Publicly Traded Companies and to optimize the Company's corporate governance. In response to amendments to the Company Act, PCSC implemented electronic voting and voting by polls at the General Shareholders' Meeting in 2013. In 2014, PCSC formulated Ethical Best Practice Principles and Corporate Governance Best Practice Principles, and in 2015 further added the Ethical Operating Procedures and Behavior Guidelines and Procedures Governing Applications to Suspend and Resume Trading. In July 2015, Article 235 of the Company Act was revised, while Article 235-1 was added. In response, the General Shareholders' Meeting passed an amendment to the Articles of Incorporation in June 2016 to change the sources and order of employee and director remuneration to comply with the law. PCSC established the interdepartmental Regulations Identification Team, which issues a quarterly report and keeps up to date on the latest regulatory changes.

5. Financial impacts of and responses to technological and industry changes:

(1) As technology advances rapidly, most risks to information safety are caused by network environment and employee behavior, including hacker attacks, traffic flow attacks, software (ransom) virus, phishing, spam, software updates, and access control. Possible effects on the Company include internal data being stolen or altered, account losses, impact on daily operations, and damage to company reputation. The Company has drawn up internal information safety management regulations and regularly conducts inspections to ensure that they are being implemented, regularly performs system information safety testing, utilizes information safety equipment, such as firewalls, to review user behavior, enhance anti-virus mechanisms and encryption mechanisms. Our personal data protection measures have received TPIPAS certification and are tested and evaluated regularly by a third party, and employees receive regular training to enhance information safety awareness.

(2) The benefits of traditional media continue to decline and more and more physical channels provide multiscreen services in an attempt to upgrade stores and equipment into new media platforms. PCSC will continue to evaluate and pay close attention to how this trend develops.

(3) The physical financial services industry will become digitalized and physical bank branches continue to decrease in number, but consumers still need a certain degree of financial services. PCSC will continue to analyze whether or not this trend offers potential opportunities for the retail industry and develop relevant services.

(4) With the five-day work week law now in effect, labor costs and recruiting new personnel for stores will be more of a challenge. PCSC will continue to research labor-saving operations and providing the employee work time management system needed by stores.

6. Impacts of changes in corporate image on corporate crisis management and related response measures:

PCSC does our utmost to provide the public with safe, convenient, high-quality products and services. Our standards are higher than those required by law to best protect the interests of our customers. As a good corporate citizen, PCSC actively takes part in social welfare and environmental protection activities as we work to achieve our goal of sustainable corporate development. In 2018, PCSC was ranked among the top 5% in the fourth Taiwan Corporate Governance Evaluation System and was, again, selected FTSE4Good. The Company was again named to the MSCI Global Sustainability Index.

Furthermore, PCSC has also implemented comprehensive disaster response measures to deal with any natural or manmade event. Should a crisis occur, PCSC headquarters will immediately convene an interdepartmental crisis management team, which is responsible for taking stock of the situation, discussing responses, and rapidly working to minimize the effect of the crisis on the Company. PCSC also holds regular internal regulation identification meetings and has fully implemented Taiwan Personal Information Protection and Administration System (TPIPAS) to keep track of and ensure the Company is in full compliance with all relevant laws, regulations, and requirements. The Company also works closely with government agencies, with our locations functioning as service points. To confront the impacts of increasingly frequent climate disasters, the key is real-time information. In coordination with the Executive Yuan, Water Resources Agency, and Ministry of Transportation, PCSC has become the first private company incorporated into the Disaster Prevention and Rescue System to provide the Taiwanese public with early warning information and communications during disaster relief operations.

7. Anticipated benefits, risks of M&A activity and appropriate responses: Not applicable

8. Anticipated benefits, risks of factory expansion and appropriate responses: Not applicable

9. Anticipated risks of concentrating purchasing and distribution and appropriate responses: Not applicable

10. Possible effects and risks caused by large transfers or changing hands of shares by directors, supervisors, or major shareholders who hold an over 10% stake in the Company and proposed responses: Not applicable

11. Possible benefits and risks to the Company due to a change in operating rights and proposed responses: Not applicable

12. All major litigation, non-litigation disputes, and administrative disputes that involve the Company, the Company's Directors, Supervisors, President, responsible parties, major shareholders with over 10% stake, or affiliated enterprises should be disclosed as long as the outcome may have a significant impact on shareholder equity or share prices, whether said dispute has been settled or is still pending. The disclosure should include the factual matters of the dispute, underlying monetary values, date actions commenced, the main parties involved, and response measures taken as of the Annual Report publication date: Not applicable

13. Other major risks and proposed responses: None

7. Other important items: None

8 Specific Notes

1. Information about affiliated companies:

2018 Consolidated Business Report of Affiliated Companies: Please refer to pages 214 – 226.

2. Private Placement of Securities: None (in the most recent fiscal year and up to the issue date of this Annual Report)

3. PCSC Securities Acquired, Disposed of, or Held by Subsidiaries: None (in the most recent fiscal year and up to the issue date of this Annual Report)

4. Other Supplementary Information Required: None

5. Situations described in Article 36, Paragraph 2, Item 2 of the Securities and Exchange Act: In the most recent fiscal year and up to the issue date of this Annual Report, PCSC has not experienced any events as described in Article 36, Paragraph 2, Item 2 of the Securities and Exchange Act that have had major impacts on shareholders' equity or share prices.

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1 Positions Concurrently Held by Director in Other Companies

As of December 31, 2018

Name	Current Position in Other Companies
Lo, Chih-Hsien	<p>Chairman : Uni-President Enterprises Corp., President Natural Industrial Corp., Ton Yi Industrial Corp., TTET Union Corp., Prince Housing & Development Corp., Prince Corp., Prince Real Estate Co., Ltd., Cheng-Shi Investment Holding Co., Times Square International Holding Co., Time Square International Co., Ltd., Times Square International Stays Corporation, Kai Yu Investment Co., Ltd., President Packaging Corp., President International Development Corp., President Property Corporation, Tong Yu Investment Corp., ScinoPharm Taiwan Ltd., Uni-President Cold-Chain Corp., Presco Netmarketing Inc., Uni-President Dream Parks Corp., Uni-OAO Travel Service Corp., Kai Nan Investment Co., Ltd., President Century Corp., Changjiagang President Nisshin Food Co., Ltd., Uni-President (Philippines) Corp., Uni-President (Thailand) Ltd., Uni-President (Vietnam) Co., Ltd., Uni-President China Holdings Ltd., Uni-President Enterprises (China) Investment Co., Ltd., Tong Ren Corp. Limited</p> <p>Vice Chairman : President Nisshin Corp.</p> <p>Director : President Baseball Team Corp., Presicarre Corp., President Fair Development Corp., Uni-Wonder Corp., Uni-President Organics Corp., PK Venture Capital Corp., Uni-President Glass Industrial Co., Ltd., Kuang Chuan Dairy Co., Ltd., Kuang Chuan Foods Co., Ltd., Uni-President Development Corp., Tait Marketing & Distribution Co., Ltd., Weilih Food Corp., Keng Ting Enterprises Co., Ltd., Prince Property Management Consulting Co., Kao Chyuan Investment Co., Ltd., President Chain Store (BVI) Holdings Ltd., President Chain Store (Labuan) Holdings Ltd., Cayman President Holdings Ltd., Kai Yu (BVI) Investment Co., Ltd., Uni-President Southeast Asia Holdings Ltd., President Packaging Holdings Ltd., President Energy Development (Cayman Islands) Ltd., Uni-President Asia Holdings Ltd., Uni-President Hong Kong Holdings Limited, Hefei President Enterprises Co., Ltd., Zhenzhou President Enterprises Co., Ltd., Nanchang President Enterprises Co., Ltd., Guangzhou President Enterprises Co., Ltd., Fuzhou President Enterprises Co., Ltd., Shenyang President Enterprises Co., Ltd., Changsha President Enterprises Co., Ltd., Nanning President Enterprises Co., Ltd., Zhanjiang President Enterprises Co., Ltd., Chongqing President Enterprises Co., Ltd., Taizhou President Enterprises Co., Ltd., Changchun President Enterprises Co., Ltd., Baiyin President Enterprises Co., Ltd., Hainan President Enterprises Co., Ltd., Guiyang President Enterprises Co., Ltd., Jinan President Enterprises Co., Ltd., Hangzhou President Enterprises Co., Ltd., Xuzhou President Enterprises Co., Ltd., Henan President Enterprises Co., Ltd., Shaanxi President Enterprises Co., Ltd., Jiangsu President Enterprises Co., Ltd., Ningxia President Enterprises Co., Ltd., President Enterprises (Shanghai) Co., Ltd., Shanxi President Enterprises Co., Ltd., Uni-President Enterprises (Tianjin) Co., Ltd., Uni-President Enterprises (Hunan) Co., Ltd., Harbin President Enterprises Co., Ltd., Akesu President Enterprises Co., Ltd., President Enterprises (Inner Mongolia) Co., Ltd., Shijiazhuang President Enterprises Co., Ltd., Xinjiang President Enterprises Food Co., Ltd., Wuhan President Enterprises Food Co., Ltd., Kunshan President Enterprises Food Co., Ltd., Chengdu President Enterprises Food Co., Ltd., Kunming President Enterprises Food Co., Ltd., Beijing President Enterprises Drinks Co., Ltd., Uni-President Enterprises (Shanghai) Drink & Food Co., Ltd., President Enterprise (Kunshan) Food Technology Co., Ltd., Uni-President Trading (Hubei) Co., Ltd., President (Kunshan) Trading Co., Ltd., President (Shanghai) Trading Co., Ltd., Yantai Tongli Beverage Industries Co., Ltd., Bama President Mineral Water Co., Ltd., Wuxue President Mineral Water Co., Ltd., Wuyuan President Enterprises Mineral Water Co., Ltd., Changbaishan Mountain President Enterprises (Jilin) Mineral Water Co., Ltd., Champ Green Capital Co., Limited, Champ Green (Shanghai) Consulting Co., Ltd., Uni-President (Shanghai) Pearly Century Co., Ltd., Uni-President Enterprise (Hutubi) Tomato Products Technology Co., Ltd.</p> <p>President : Presco Netmarketing Inc.</p>
Kao, Shiow-Ling	<p>Chairman : Kao Chyuan Investment Co., Ltd., President Being Corp., President Fair Development Corp., Uni-President Department Store Corp., President Pharmaceutical Corp., President Drugstore Business Corp.</p> <p>Director : Uni-President Enterprises Corp., Ton Yi Industrial Corp., ScinoPharm Taiwan Ltd., President International Development Corp., Uni-President Development Corp., Prince Housing & Development Corp., Time Square International Co., Ltd., Times Square International Holding Co., President (Shanghai) Health Product Trading Co., Ltd., Uni-Wonder Corp., President Century Corp., Beauty Wonder (Zhejiang) Trading Co., Ltd.</p> <p>President : Kao Chyuan Investment Co., Ltd.</p>
Chen, Jui-Tang	<p>Chairman : Uni-Wonder Corp., President Yilan Art and Culture Corp., President Transnet Corp., President Collect Services Co., Ltd., Retail Support International Corp., Uni-President Superior Commissary Corp., Ren-Hui Investment Corp., President Chain Store (Shanghai) Ltd., President Chain Store (Zhejiang) Ltd., President (Shanghai) Health Product Trading Company Ltd., Beauty Wonder (Zhejiang) Trading Co., Ltd.</p> <p>Vice Chairman : Philippine Seven Corp.</p> <p>Director : Uni-President Enterprises Corp., President Drugstore Business Corp., President Being Corp., President Pharmaceutical Corp., Uni-President Department Store Corp., 21 Century Enterprise Co., Ltd., Uni-President Cold-Chain Corp., President Development Corp., President Fair Development Corp., President International Development Corp., Shan Dong President Yinzuo Commercial Limited, President Chain Store (BVI) Holdings Ltd., PCSC (China) Drugstore Limited, President Chain Store (Labuan) Holdings Ltd., President Chain Store (Hong Kong) Holdings Limited, Uni-President Logistics (BVI) Holdings Limited., Nanlien International Corp.</p> <p>President : Ren-Hui Investment Corp.</p>

Name	Current Position in Other Companies
Huang, Jui-Tien	<p>Chairman : Capital Inventory Services Corp., iCASH Corp., Tait Marketing & Distribution Co., Ltd. Director : Uni-Wonder Corp., President Pharmaceutical Corp., Uni-President Cold-Chain Corp., Retail Support International Corp., President Information Corp., Books.com. Co., Ltd., President International Development Corp., PCSC (China) Drugstore Limited, Philippine Seven Corp., Shan Dong President Yinzuo Commercial Limited, President Chain Store (Shanghai) Ltd., President Chain Store (Zhejiang) Ltd., President Chain Store (Hong Kong) Holdings Limited, President Pharmaceutical (Hong Kong) Holdings Limited, Ren-Hui Investment Corp., Ren Hui Holding Co., Ltd., Uni-President Foodstuff (BVI) Holdings Ltd., President Nisshin Corp., Changjiagang President Nisshin Food Co., Ltd., Shanghai Songjiang President Enterprises Co., Ltd., Zhongshan President Enterprises Co., Ltd., Taiwan Millennium Health Foundation, Dr. C. Y. Kao's Non-Profit Foundation of Culture & Education (In Memory of His Mother)</p> <p>President : President Pharmaceutical Corp., President Pharmaceutical (Hong Kong) Holdings Limited, Ton Yi Pharmaceutical Corp.</p>
Wu, Liang-Feng	<p>Chairman : President Entertainment Corp., Master channels corporation, Zhongshan President Enterprises Co., Ltd., Tianjiang President Enterprises Food Co., Ltd., Qingdao President Feed & Livestock Co., Ltd.</p> <p>Director : President Nisshin Corp., TTET Union Corp., Changjiagang President Nisshin Food Co., Ltd., Uni-President (Vietnam) Co., Ltd.</p> <p>President : President Entertainment Corp., Changjiagang President Nisshin Food Co., Ltd.</p>
Su, Tsung-Ming	<p>Chairman : Uni-President Development Corp., President Life Sciences Co., Ltd., AndroSciences Corp. Director : Kai Yu Investment Co., Ltd., Grand Bills Finance Corporation, President Fair Development Corp., President International Development Corp., President Property Corporation, Tong Yu Investment Corp., ScinoPharm Taiwan, Ltd., President Tokyo Corp., President Tokyo Auto Leasing Corp., Tong-Sheng Finance Leasing Co., Ltd., Tong-Sheng (Suzhou) Car Rental Co., Ltd., CDIM & Partners Investment Holding Corp., Kai Nan Investment Co., Ltd., Uni-President China Holdings Ltd. Uni-President Hong Kong Holdings Limited, Xiang Lu Industrial Ltd., President (BVI) International Investment Holdings Ltd., President Energy Development (Cayman Islands) Ltd., President Life Sciences Cayman Co., Ltd., SPT International, Ltd., Tanvex Biologics, Inc.</p> <p>Independent Director : Senao International Co., Ltd.</p> <p>Supervisor : Presicarre Corp., Presco Netmarketing Inc., Uni-President Enterprises (China) Investment Co., Ltd. President : President International Development Corp., ScinoPharm Taiwan Ltd., President Property Corporation</p>
Hwang, Jau-Kai	<p>Chairman : Uni-President Vendor Corp., Tung Ang Enterprises Corp. Director : Ton Yi Industrial Corp., Mech-President Corp., Uni-President Cold-Chain Corp., President Pharmaceutical Corp., Uni-President Marketing Co., Ltd., Uni-President (Vietnam) Co., Ltd.</p>
Wu, Kun-Lin	<p>Chairman : Chang Tung Enterprises Corp., PT.Uni President Indonesia Director : President Nisshin Corp., Uni-President Oven Bakery Corp., Changjiagang President Nisshin Food Co., Ltd.</p>
Wu, Tsung-Pin	<p>Chairman : Ton Yi Pharmaceutical Corp., Uni-President Assets Management Co., Ltd. Director : President International Trade & Investment Corp., Prince Housing & Development Corp., Prince Real Estate Co., Ltd., Cheng-Shi Investment Holding Co., Times Square International Holding Co., Time Square International Co., Ltd., Tone Sang Construction Corp., ScinoPharm Taiwan Ltd., Kai Nan Investment Co., Ltd., Kuang Chuan Dairy Co., Ltd., Kuang Chuan Foods Co., Ltd., Tong Yu Investment Corp., Ltd., Uni-President Hong Kong Holdings Limited, Uni-President (Vietnam) Co., Ltd.</p> <p>Supervisor : President Baseball Team Corp., Nanlien International Corp., President Entertainment Corp., President Kikkoman Inc., Kai Yu Investment Co., Ltd., President International Development Corp., President Century Corp., President Property Corporation, President Life Sciences Co., Ltd., Times Square International Stays Corporation, Ming Da Enterprises Co., Ltd., Kunshan President Kikkoman Biotechnology Co., Ltd., President Kikkoman Zhenji Foods Co., Ltd.</p>
Wu, Wen-Chi	<p>Director : PCSC Restaurant (Cayman) Holdings Limited, Philippine Seven Corp. Supervisor : President Transnet Corp., President Collect Services Co., Ltd., Books.com. Co., Ltd., Uni-Wonder Corp., Ren-Hui Investment Corp.</p>
Wang, Wen-Yeu	<p>Independent Director : Xintec Inc., KGI Bank, Global Unichip Corp.</p>
Hung, Yung-Chen	<p>Director : Vincera Capital Company</p>

2 Positions Concurrently Held by Management in Other Companies

As of December 31, 2018

Name	Current Position in Other Companies
Huang, Jui-Tien	<p>Chairman : Capital Inventory Services Corp., iCASH Corp., Tait Marketing & Distribution Co., Ltd.</p> <p>Director : Uni-Wonder Corp., President Pharmaceutical Corp., Uni-President Cold-Chain Corp., Retail Support International Corp., President Information Corp., Books.com. Co., Ltd., President International Development Corp., PCSC (China) Drugstore Limited, Philippine Seven Corp., Shan Dong President Yinzuo Commercial Limited, President Chain Store (Shanghai) Ltd., President Chain Store (Zhejiang) Ltd., President Chain Store (Hong Kong) Holdings Limited, President Pharmaceutical (Hong Kong) Holdings Limited, Ren-Hui Investment Corp., Ren Hui Holding Co., Ltd., Uni-President Foodstuff (BVI) Holdings Ltd., President Nisshin Corp., Changjiagang President Nisshin Food Co., Ltd., Shanghai Songjiang President Enterprises Co., Ltd., Zhongshan President Enterprises Co., Ltd., Taiwan Millennium Health Foundation, Dr. C. Y. Kao's Non-Profit Foundation of Culture & Education (In Memory of His Mother)</p> <p>President : President Pharmaceutical Corp., President Pharmaceutical (Hong Kong) Holdings Limited, Ton Yi Pharmaceutical Corp.</p>
Chen, Jui-Tang	<p>Chairman : Uni-Wonder Corp., President Yilan Art and Culture Corp., President Transnet Corp., President Collect Services Co., Ltd., Retail Support International Corp., Uni-President Superior Commissary Corp., Ren-Hui Investment Corp., President Chain Store (Shanghai) Ltd., President Chain Store (Zhejiang) Ltd., President (Shanghai) Health Product Trading Company Ltd., Beauty Wonder (Zhejiang) Trading Co., Ltd.</p> <p>Vice Chairman : Philippine Seven Corp.</p> <p>Director : Uni-President Enterprises Corp., President Drugstore Business Corp., President Being Corp., President Pharmaceutical Corp., Uni-President Department Store Corp., 21 Century Enterprise Co., Ltd., Uni-President Cold-Chain Corp., President Development Corp., President Fair Development Corp., President International Development Corp., Shan Dong President Yinzuo Commercial Limited, President Chain Store (BVI) Holdings Ltd., PCSC (China) Drugstore Limited, President Chain Store (Labuan) Holdings Ltd., President Chain Store (Hong Kong) Holdings Limited, Uni-President Logistics (BVI) Holdings Limited., Nanlien International Corp.</p> <p>President : Ren-Hui Investment Corp.</p>
Wu, Kuo-Hsuan	<p>Chairman : Mech-President Corp., Wisdom Distribution Service Corp., President Chain Store Tokyo Marketing Corporation, Retail Support Taiwan Corp., President Logistics International Corp., Chieh-Shuen Logistics International Corp., President Jing Corp.</p> <p>Director : President Transnet Corp., President Collect Services Co., Ltd., Uni-President Cold-Chain Corp., Retail Support International Corp.</p>
Hsieh, Lien-Tang	<p>Chairman : Duskin Serve Taiwan Co., Mister Donut Taiwan Corp.</p> <p>Director : President Transnet Corp., President Collect Services Co., Ltd., Books.com. Co., Ltd., Uni-President Cold-Chain Corp., President Chain Store Tokyo Marketing Corporation, Uni-President Superior Commissary Corp., iCASH Corp., Ren-Hui Investment Corp., Philippine Seven Corp., PCSC Restaurant (Cayman) Holdings Limited, Ren Hui Holding Co., Ltd., President Chain Store Good Neighbor Foundation</p>
Lin, Chi-Chang	<p>Chairman : Cold Stone Creamery Taiwan Ltd., President Chain Store Corporation Insurance Brokers Co., Ltd., President Chain Store Good Neighbor Foundation</p> <p>Director : Capital Inventory Services Corp., iCASH Corp., Philippine Seven Corp.</p> <p>Supervisor : Uni-President Cold-Chain Corp.</p>
Wu, Wen-Chi	<p>Director : PCSC Restaurant (Cayman) Holdings Limited, Philippine Seven Corp.</p> <p>Supervisor : President Transnet Corp., President Collect Services Co., Ltd., Books.com. Co., Ltd., Uni-Wonder Corp., Ren-Hui Investment Corp.</p>
Kuo, Ying-Chih	<p>Director : President Fair Development Corp., Tung Ho Development Corp., President Investment Trust Corp.</p> <p>Supervisor : President Drugstore Business Corp., President Pharmaceutical Corp., Uni-President Department Store Corp., Duskin Serve Taiwan Co., Mister Donut Taiwan Corp., Q-ware Systems & Services Corp., President Information Corp., President Chain Store (Shanghai) Ltd., President Chain Store (Zhejiang) Ltd., President (Shanghai) Health Product Trading Company Ltd.</p>
Lin, Hung-Chun	<p>Chairman : PCSC (Chengdu) Hypermarket Limited, Shanghai Cold Stone Ice Cream Corporation, President Logistic ShanDong Co., Ltd.</p> <p>Director : Shan Dong President Yinzuo Commercial Limited</p> <p>President : PCSC (Chengdu) Hypermarket Limited, Shanghai Cold Stone Ice Cream Corporation, Shan Dong President Yinzuo Commercial Limited</p>
Hsieh, Kuan-Hung	<p>Chairman : Shanghai President Logistics Co., Ltd., President Cosmed Chain Store (Shen Zhen) Co., Ltd., President Chain Store (Taizhou) Ltd., Zhejiang Uni-Champion Logistics Development Co., Ltd.</p> <p>Director : Shanghai Cold Stone Ice Cream Corporation, President Chain Store (Shanghai) Ltd., President Chain Store (Zhejiang) Ltd.</p> <p>President : President Chain Store (Shanghai) Ltd., President Chain Store (Zhejiang) Ltd.</p>
Hsu, Guang-Yu	<p>Director : Uni-Wonder Corp., Uni-President Oven Bakery Corp.</p>
Hsieh Hung, Hui-Tzu	<p>Director : President Securities Corp.</p>

3 Statement of Internal Control System

Statement of Internal Control System of President Chain Store Corporation (translated from Chinese)

Date: February 27, 2019

According to the results of a self-assessment, President Chain Store Corporation (the "Company") states the following with regard to its internal control system during the year 2018:

1. The Company acknowledges that the establishment, implementation and maintenance of internal control system are the responsibility of Board of Directors and management, and the Company has established the system. The internal control system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and safeguard of assets), the reliability, timeliness and transparency of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of achieving the aforementioned three goals. Moreover, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. Nevertheless, the internal control system has self-monitoring mechanism, and the Company will take remedial action in response to any identified deficiencies.
3. The Company evaluates the effectiveness of design and operation of its internal control system based on the judgment items ruled in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (collectively referred herein as "Regulations"). The judgment items of internal control system adopted by the Regulations are the process of management control, and there are five key components of internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes a certain number of items, and seeing the Regulation for the foregoing items.
4. The Company assessed the effectiveness of design and operation of its internal control system according to the aforementioned Regulations.
5. Based on the foregoing results of evaluation, the Company believes that the internal control system (that includes the supervision and management of subsidiaries), to provide reasonable assurance over the aforementioned goals are accomplished, including the effectiveness and the efficiency of operations, the reliability, timeliness and transparency of financial reporting and the compliance of applicable law and regulations.
6. This statement will be the main content of Annual Report and Prospectus, and will be disclosed publicly. If the above contents contain any falsehood, concealment, or illegality, it will involve in legal liability under Article 20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors held on February 27, 2019, and those 13 directors in presence all affirm at the contents of this statement.

President Chain Store Corporation

Chairman : Lo, Chih-Hsien

President : Huang, Jui-Tien

4 Audit Committee's Review Report

President Chain Store Corp. Audit Committee's Review Report (Translation)

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements, and Proposal for Allocation of 2018 profits. The independent auditors, Hsiao, Chun-Yuan and Chou, Chien-Hung, of PRICEWATERHOUSECOOPERS, audited PCSC's Financial Statements and issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and Profit Allocation Proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of President Chain Store Corp.. According to Article 219 of the Company Act, we hereby submit this report.

General Shareholders' Meeting of PRESIDENT CHAIN STORE CORP. 2019

President Chain Store Corp.

Chairman of the Audit Committee Shu, Pei-Gi

Date: April 26, 2019

5 Consolidated Financial Statements and Report of Independent Accountants

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2018, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

Hereby declare,

PRESIDENT CHAIN STORE CORP.

February 27, 2019

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of President Chain Store Corp.

Opinion

We have audited the accompanying consolidated balance sheets of President Chain Store Corp. and its subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity, and of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (which are described in the Other matters section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of President Chain Store Corp. and its subsidiaries as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of President Chain Store Corp. and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with this Code. Based on our audits and the reports of other independent accountants, we believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s consolidated financial statements of the year ended December 31, 2018 are stated as follows:

Completeness and accuracy of retail sales revenue

Description

Please refer to Notes 4(24) and 6(22) to the consolidated financial statements for the accounting policy and the details of accounting relating to this key audit matter.

Retail sales revenue is generated by point-of-sale (POS) terminals, which record the merchandise name, quantity, sales price and total sales amount of each transaction using pre-established merchandise master file data (including merchandise name, cost of inventory, retail price, sales promotions, etc.). After the daily closing

process, each store manager uploads their sales information to the ERP (enterprise resource planning) system, which summarizes all sales and automatically generates sales revenue journal entries. Each store manager also prepares a daily cash report to record the sales information and payment methods (including cash, gift certificates, credit cards and electronic payment devices, etc.) and the cash deposited to the bank.

As retail sales revenue comprises numerous small amount transactions and highly relies on the POS and ERP systems, the process of summarizing and recording sales revenue by these systems is important with regard to the completeness and accuracy of the retail sales revenue, and thus has been identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Inspected whether additions and changes to the merchandise master file data had been properly approved and supported by relevant documents;
2. Inspected whether approved additions and changes to the merchandise master file data had been correctly entered in the merchandise master file;
3. Inspected whether merchandise master file data had been periodically transferred to POS terminals in stores;
4. Inspected whether sales information in POS terminals was periodically and completely transferred to the ERP system and automatically generated sales revenue journal entries;
5. Inspected manual sales revenue journal entries and relevant documents;
6. Inspected daily cash reports and relevant documents;
7. Inspected whether cash deposit amounts recorded in daily cash reports were in agreement with bank remittance amounts.

Cost-to-retail ratio of retail inventory method

Description

Please refer to Notes 4(12) and 6(4) to the consolidated financial statements for the accounting policy and the details of accounting relating to this key audit matter.

As there are various kinds of merchandise, the retail inventory method is used to estimate the cost of inventory and the cost of goods sold. The retail inventory method uses the ratio of the cost of goods purchased to the retail value of goods purchased (known as cost-to-retail ratio) to calculate the cost of inventory and the cost of goods sold. The calculation of the cost-to-retail ratio highly relies on the goods purchased both at cost and retail price, and thus has been identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Interviewed management to understand the calculation of the cost-to-retail ratio under the retail inventory method, and inspected whether it had been consistently applied in the comparative periods of the financial statements;
2. Inspected whether additions and changes to the merchandise master file data (including merchandise name, cost of inventory, retail price, sales promotions, etc.) had been properly approved and the data correctly entered in the merchandise master file;
3. Inspected whether the cost and retail price of inventory purchased as per delivery receipts were in agreement with POS purchase records after acceptance of the inventory;
4. Inspected whether the POS records for the cost and retail price of inventory purchased were periodically and completely transferred to the ERP system and ascertain whether the records could not be changed manually;
5. Calculated the cost-to-retail ratio to verify its accuracy.

Other matter – Using the work of other auditors

We did not audit the financial statements of certain consolidated subsidiaries, which reflect total assets of NT\$10,081,554 thousand and NT\$8,495,128 thousand, representing 7.9% and 6.1% of total consolidated assets as of December 31, 2018 and 2017, respectively, and total operating revenue of NT\$25,801,037 thousand and NT\$22,105,951 thousand, representing 10.5% and 10.0% of total consolidated operating revenue for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on investees disclosed in Note 13 were based solely on the reports of other independent accountants.

Other matters – Parent company-only financial reports

We have audited and expressed an unmodified opinion with an explanatory paragraph on the parent company only financial statements of President Chain Store Corp. as of and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of President Chain Store Corp. and its subsidiaries to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate President Chain Store Corp. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the financial reporting process of President Chain Store Corp. and its subsidiaries.

Auditor' s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor' s report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of President Chain Store Corp. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management' s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of President Chain Store Corp. and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor' s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor' s report. However, future events or conditions may cause President Chain Store Corp. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within President Chain Store Corp. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of President Chain Store Corp. and its subsidiaries audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are, therefore, considered to be the key audit matters. We describe these matters in our auditor's report unless the law or regulations preclude public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chun-Yuan, Hsiao

Chien-Hung, Chou

For and on behalf of PricewaterhouseCoopers, Taiwan

27 February, 2019

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The accompanying non-consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying non-consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

Appendix

Consolidated Financial
Statements and
Report of Independent
Accountants

(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 48,530,648	38	\$ 35,783,291	26
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	844,225	1	1,560,025	1
1170	Accounts receivable, net	6(3) and 7	5,264,573	4	4,868,902	3
1200	Other receivables	6(6)	1,535,507	1	28,412,101	20
1220	Current income tax assets	6(28)	1,139	-	2,097	-
130X	Inventories, net	6(4)	15,121,657	12	13,387,122	10
1410	Prepayments		1,340,225	1	1,417,175	1
1470	Other current assets		3,004,894	2	2,973,547	2
11XX	Total current assets		<u>75,642,868</u>	<u>59</u>	<u>88,404,260</u>	<u>63</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	85,683	-	-	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(5)	845,345	1	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	1,050,734	1
1543	Financial assets measured at cost - non-current	12(4)	-	-	25,721	-
1550	Investments accounted for using equity method	6(6)	9,000,580	7	8,655,722	6
1600	Property, plant and equipment, net	6(7)(23), 7 and 8	25,292,763	20	24,982,342	18
1760	Investment property, net	6(8)(31) and 7	1,502,159	1	1,519,115	1
1780	Intangible assets	6(9)	10,393,880	8	10,656,713	8
1840	Deferred income tax assets	6(28)	1,727,043	1	1,409,184	1
1900	Other non-current assets	6(10) and 8	3,204,759	3	3,177,469	2
15XX	Total non-current assets		<u>52,052,212</u>	<u>41</u>	<u>51,477,000</u>	<u>37</u>
1XXX	Total assets		<u>\$ 127,695,080</u>	<u>100</u>	<u>\$ 139,881,260</u>	<u>100</u>
Liabilities and Equity						
			December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current Liabilities						
2100	Short-term borrowings	6(12) and 8	\$ 7,237,785	6	\$ 965,180	1
2110	Short-term notes and bills payable		-	-	250,000	-
2130	Contract liabilities - current	6(22)	2,843,189	2	-	-
2150	Notes payable	7	1,866,610	2	2,066,511	2
2170	Accounts payable		20,673,579	16	18,849,947	13
2180	Accounts payable - related parties	7	2,475,104	2	2,321,016	2
2200	Other payables	6(13)	27,954,181	22	30,980,251	22
2230	Current income tax liabilities	6(28)	1,801,229	1	4,834,364	3
2300	Other current liabilities	6(14)	3,260,538	3	5,352,651	4
21XX	Total current liabilities		<u>68,112,215</u>	<u>54</u>	<u>65,619,920</u>	<u>47</u>
Non-current liabilities						
2527	Contract liabilities - non-current	6(22)	234,421	-	-	-
2540	Long-term borrowings	6(15) and 8	847,040	1	1,105,451	1
2570	Deferred income tax liabilities	6(28)	5,386,839	4	4,652,948	3
2640	Net defined benefit liability - non-current	6(16)	4,732,549	4	4,574,800	3
2670	Other non-current liabilities	6(17)	4,356,989	3	4,421,731	3
25XX	Total non-current liabilities		<u>15,557,838</u>	<u>12</u>	<u>14,754,930</u>	<u>10</u>
2XXX	Total liabilities		<u>83,670,053</u>	<u>66</u>	<u>80,374,850</u>	<u>57</u>
Equity attributable to owners of the parent						
Share capital						
3110	Share capital - common stock	6(18)	10,396,223	8	10,396,223	8
Capital surplus						
3200	Capital surplus	6(19)	45,059	-	43,875	-
Retained earnings						
3310	Legal reserve	6(20)	12,293,442	10	9,191,733	7
3320	Special reserve		398,859	-	-	-
3350	Unappropriated retained earnings		12,064,862	9	31,381,290	22
Other equity						
3400	Other equity interest	6(21)	53,605	-	(398,859)	(1)
31XX	Equity attributable to owners of the parent		<u>35,252,050</u>	<u>27</u>	<u>50,614,262</u>	<u>36</u>
36XX	Non-controlling interest		<u>8,772,977</u>	<u>7</u>	<u>8,892,148</u>	<u>7</u>
3XXX	Total equity		<u>44,025,027</u>	<u>34</u>	<u>59,506,410</u>	<u>43</u>
3XX	Total liabilities and equity		<u>\$ 127,695,080</u>	<u>100</u>	<u>\$ 139,881,260</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	For the years ended December 31			
		2018		2017	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(22) and 7	\$ 244,887,853	100	\$ 221,132,082	100
5000 Operating costs	6(4)(23) and 7	(160,811,161)	(66)	(147,698,072)	(67)
5900 Gross profit		<u>84,076,692</u>	<u>34</u>	<u>73,434,010</u>	<u>33</u>
Operating expenses	6(23)(24)				
6100 Selling expenses		(62,536,030)	(25)	(53,630,951)	(24)
6200 General and administrative expenses		(8,688,758)	(4)	(9,380,899)	(4)
6450 Expected credit losses	12(2)	(17,080)	-	-	-
6000 Total operating expenses		<u>(71,241,868)</u>	<u>(29)</u>	<u>(63,011,850)</u>	<u>(28)</u>
6900 Operating profit		<u>12,834,824</u>	<u>5</u>	<u>10,422,160</u>	<u>5</u>
Non-operating income and expenses					
7010 Other income	6(25)	2,425,273	1	2,946,735	1
7020 Other gains and losses	6(26)	(137,186)	-	26,313,566	12
7050 Finance costs	6(27)	(144,662)	-	(94,511)	-
7060 Share of profit of associates and joint ventures accounted for using equity method	6(6)	<u>424,098</u>	<u>-</u>	<u>1,793,738</u>	<u>1</u>
7000 Total non-operating income and expenses		<u>2,567,523</u>	<u>1</u>	<u>30,959,528</u>	<u>14</u>
7900 Profit before income tax		15,402,347	6	41,381,688	19
7950 Income tax expense	6(28)	(3,658,069)	(1)	(9,063,616)	(4)
8000 Profit for the year from continuing operations		<u>11,744,278</u>	<u>5</u>	<u>32,318,072</u>	<u>15</u>
8200 Profit for the year		<u>\$ 11,744,278</u>	<u>5</u>	<u>\$ 32,318,072</u>	<u>15</u>
Other comprehensive income (loss)					
8311 Remeasurements of net actuarial loss on defined benefit plan		(\$ 156,420)	-	(\$ 175,995)	-
8316 Unrealized gain on valuation of equity instruments at fair value through other comprehensive income	6(5)	(143,849)	-	-	-
8320 Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(5,526)	-	(24,107)	-
8349 Income tax related to the components of other comprehensive income that will not be reclassified to profit or loss	6(28)	<u>79,842</u>	<u>-</u>	<u>30,087</u>	<u>-</u>
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		<u>(225,953)</u>	<u>-</u>	<u>(170,015)</u>	<u>-</u>
8361 Exchange differences from translation of foreign operations		526,768	-	(837,027)	(1)
8362 Unrealized gain on valuation of available-for-sale financial assets	6(21)	-	-	151,253	-
8367 Unrealized loss on valuation of bond instruments at fair value through other comprehensive income	6(5)	(1,537)	-	-	-
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive loss that will be reclassified to profit or loss	6(21)	3,233	-	(15,720)	-
8399 Income tax relating to the components of other comprehensive loss that will be reclassified to profit or loss	6(21)(28)	<u>-</u>	<u>-</u>	<u>(6,283)</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss		<u>528,464</u>	<u>-</u>	<u>(707,777)</u>	<u>(1)</u>
8300 Total other comprehensive income (loss) for the year		<u>\$ 302,511</u>	<u>-</u>	<u>(\$ 877,792)</u>	<u>(1)</u>
8500 Total comprehensive income for the year		<u>\$ 12,046,789</u>	<u>5</u>	<u>\$ 31,440,280</u>	<u>14</u>
Profit attributable to:					
8610 Owners of the parent		\$ 10,206,388	4	\$ 31,017,094	14
8620 Non-controlling interests		<u>1,537,890</u>	<u>1</u>	<u>1,300,978</u>	<u>1</u>
		<u>\$ 11,744,278</u>	<u>5</u>	<u>\$ 32,318,072</u>	<u>15</u>
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 10,631,150	4	\$ 30,272,245	13
8720 Non-controlling interests		<u>1,415,639</u>	<u>1</u>	<u>1,168,035</u>	<u>1</u>
		<u>\$ 12,046,789</u>	<u>5</u>	<u>\$ 31,440,280</u>	<u>14</u>
9750 Basic earnings per share (in dollars)	6(29)	<u>\$</u>	<u>9.82</u>	<u>\$</u>	<u>29.83</u>
9850 Diluted earnings per share (in dollars)	6(29)	<u>\$</u>	<u>9.79</u>	<u>\$</u>	<u>29.72</u>

The accompanying notes are an integral part of these consolidated financial statements.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Appendix

Consolidated Financial
Statements and
Report of Independent
Accountants

(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent								Total	Non-controlling Interest	Total equity
		Share capital - common stock	Capital surplus	Retained earnings			Other equity interest					
				Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from translation of foreign operations	Unrealized gain or loss on valuation of financial assets at fair value through other comprehensive Income	Equity directly related to non- current assets held for sale			
For the year ended December 31, 2017												
Balance at January 1, 2017		\$ 10,396,223	\$ 1,158	\$ 8,208,064	\$ -	\$ 9,839,244	(\$ 186,228)	\$ -	\$ 357,817	\$ 28,616,278	\$ 4,644,652	\$ 33,260,930
Profit for the year		-	-	-	-	31,017,094	-	-	-	31,017,094	1,300,978	32,318,072
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	(174,401)	(720,080)	-	149,632	(744,849)	(132,943)	(877,792)
Total comprehensive income (loss) for the year		-	-	-	-	30,842,693	(720,080)	-	149,632	30,272,245	1,168,035	31,440,280
Distribution of 2016 earnings:												
Legal reserve		-	-	983,669	-	(983,669)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(8,316,978)	-	-	-	(8,316,978)	-	(8,316,978)
Adjustment of capital surplus due to associates' adjustment of capital surplus		-	(164)	-	-	-	-	-	-	(164)	-	(164)
Adjustment of capital surplus due to change in interests in associates		-	42,881	-	-	-	-	-	-	42,881	-	42,881
Non-controlling interest		-	-	-	-	-	-	-	-	-	3,079,461	3,079,461
Balance at December 31, 2017		\$ 10,396,223	\$ 43,875	\$ 9,191,733	\$ -	\$ 31,381,290	(\$ 906,308)	\$ -	\$ 507,449	\$ 50,614,262	\$ 8,892,148	\$ 59,506,410
For the year ended December 31, 2018												
Balance at January 1, 2018		\$ 10,396,223	\$ 43,875	\$ 9,191,733	\$ -	\$ 31,381,290	(\$ 906,308)	\$ -	\$ 507,449	\$ 50,614,262	\$ 8,892,148	\$ 59,506,410
Adjustments under new standards	3(1)	-	-	-	-	25,463	-	477,996	(507,449)	(3,990)	(5,203)	(9,193)
Adjusted beginning balance		10,396,223	43,875	9,191,733	-	31,406,753	(906,308)	477,996	-	50,610,272	8,886,945	59,497,217
Profit for the year		-	-	-	-	10,206,388	-	-	-	10,206,388	1,537,890	11,744,278
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	(57,155)	626,479	(144,562)	-	424,762	(122,251)	302,511
Total comprehensive income (loss) for the year		-	-	-	-	10,149,233	626,479	(144,562)	-	10,631,150	1,415,639	12,046,789
Distribution of 2017 earnings:												
Legal reserve		-	-	3,101,709	-	(3,101,709)	-	-	-	-	-	-
Special reserve		-	-	-	398,859	(398,859)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(25,990,556)	-	-	-	(25,990,556)	-	(25,990,556)
Non-controlling interest		-	-	-	-	-	-	-	-	-	(1,529,607)	(1,529,607)
Overdue unclaimed cash dividend transferred to capital surplus		-	536	-	-	-	-	-	-	536	-	536
Adjustment of capital surplus due to associates' adjustment of capital surplus		-	648	-	-	-	-	-	-	648	-	648
Balance at December 31, 2018		\$ 10,396,223	\$ 45,059	\$ 12,293,442	\$ 398,859	\$ 12,064,862	(\$ 279,829)	\$ 333,434	\$ -	\$ 35,252,050	\$ 8,772,977	\$ 44,025,027

The accompanying notes are an integral part of these consolidated financial statements.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before income tax for the year		\$ 15,402,347	\$ 41,381,688
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Gain on valuation of financial assets at fair value through profit or loss	6(2) and 12(4)	(12,411)	(1,490)
Provision for doubtful accounts	12(4)	-	18,141
Expected credit losses	12(2)	17,080	-
Depreciation on property, plant and equipment	6(7)	5,993,847	5,135,228
Amortization		584,009	356,507
Depreciation on investment property	6(8)	16,956	16,916
Finance costs	6(27)	144,662	94,511
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(424,098)	(1,793,738)
Gain on disposal of investments accounted for using the equity method	6(26) and 7	(59)	(26,637,450)
Loss on disposal of property, plant and equipment, net	6(26)	33,275	53,095
Interest income	6(25)	(699,385)	(172,023)
Dividend income	6(25)	(65,124)	(1,135,332)
Impairment loss on intangible assets	6(9)	819	-
Impairment loss on property, plant and equipment	6(7)	9,969	11,853
Impairment loss on investment property		-	3,813
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		728,211	39,419
Accounts receivable		(326,504)	(578,251)
Other receivables		122,931	(164,774)
Inventories		(1,734,535)	(1,009,533)
Prepayments		76,950	(29,716)
Other current assets		24,955	(381,243)
Net changes in liabilities relating to operating activities			
Contract liabilities - current		(1,092,169)	-
Accounts payable		1,977,720	810,619
Notes payable		(199,901)	(141,754)
Other payables		18,646	3,569,675
Advance receipts		1,678,593	921,293
Contract liabilities - non-current		(111,590)	-
Net defined benefit liabilities - non-current		157,749	132,178
Cash generated from operations		22,322,943	20,499,632
Interest received		697,286	177,703
Income tax paid		(6,194,372)	(2,106,774)
Interest paid		(144,711)	(94,836)
Dividends received		1,236,783	2,155,134
Net cash provided by operating activities		17,917,929	20,630,859

(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments accounted for using the equity method	6(6)and7	\$ 25,644,556	\$ -
Acquisition of subsidiary	6(6)	(3,226,806)	-
Proceeds from disposal of financial assets measured at cost - non-current		-	1,773
Acquisition of property, plant and equipment	6(32)	(6,671,500)	(6,727,782)
Acquisition of investment property	6(8)	-	(149,305)
Proceeds from disposal of property, plant and equipment		81,397	139,989
Return of capital from available-for-sale financial assets - non-current		-	116
Proceeds from business combinations	6(30)	-	700,961
Increase in guarantee deposits paid		(110,493)	(279,932)
Acquisition of intangible assets	6(9)	(196,984)	(313,175)
Decrease (increase) in other non-current assets		83,203	(7,055)
Net cash provided by (used in) investing activities		15,603,373	(6,634,410)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings	6(33)	6,272,605	(695,645)
Decrease in short-term notes and bills payable	6(33)	(250,000)	(24,000)
Increase in long-term borrowings	6(33)	289,511	569,856
Repayment of long-term borrowings	6(33)	(473,646)	(237,687)
Increase in guarantee deposits received	6(33)	58,093	115,984
Increase (decrease) in other non-current liabilities	6(33)	223,176	(114,846)
Change in non-controlling interests		(23,138)	48,109
Payment of cash dividends - the Company	6(20)	(25,990,556)	(8,316,978)
Payment of cash dividends - subsidiaries		(1,506,469)	(841,504)
Net cash used in financing activities		(21,400,424)	(9,496,711)
Effect of foreign exchange rate changes on cash and cash equivalents		626,479	(720,080)
Increase in cash and cash equivalents		12,747,357	3,779,658
Cash and cash equivalents at beginning of year		35,783,291	32,003,633
Cash and cash equivalents at end of year		\$ 48,530,648	\$ 35,783,291

The accompanying notes are an integral part of these consolidated financial statements.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) President Chain Store Corporation (the "Company") was established on June 10, 1987. The main businesses of the Company and its subsidiaries (collectively referred herein as the "Group") are managing convenience stores, restaurants, drugstores, department stores, supermarkets and online shopping stores. Business areas include Taiwan, Mainland China, Philippines and Japan. The common shares of the Company have been listed on the Taiwan Stock Exchange since August 22, 1997. Details of the Group's main operating activities and segment information are provided in Notes 4 and 14.
- (2) The Group's ultimate parent company is Uni-President Enterprises Corp., which holds 45.4% equity interest in the Company.

2. DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorized for issuance by the Board of Directors on February 27, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

A. New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealized'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

- B. Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 9, "Financial instruments"

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an "expected credit loss" approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ("ECL") or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

C. In adopting the new standards endorsed by the FSC effective from 2018, the Group has adopted the modified retrospective approach in IFRS 9 and IFRS 15. The Group also applied transitional provisions of IFRS 15 to incomplete contracts at the date of January 1, 2018. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

Consolidated balance sheet Affected items	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	Remark
<u>January 1, 2018</u>				
Accounts receivable, net	\$ 4,868,902	\$ 69,169	\$ 4,938,071	(a)(b)
Other current assets	83,535,358	56,302	83,591,660	(a)
Financial assets at fair value through profit or loss - non-current	-	85,833	85,833	(c)
Financial assets at fair value through other comprehensive income - non-current	-	990,622	990,622	(d)
Available-for-sale financial assets - non-current	1,050,734	(1,050,734)	-	(c)(d)
Financial assets measured at cost - non-current	25,721	(25,721)	-	(c)
Investment accounted using for equity method	8,655,722	1,696	8,657,418	(e)
Other non-current assets	41,744,823	-	41,744,823	
Total affected assets	\$ 139,881,260	\$ 127,167	\$ 140,008,427	
Current liabilities	\$ 60,267,269	\$ -	\$ 60,267,269	
Other current liabilities	5,352,651	(3,935,358)	1,417,293	(f)
Contract liabilities - current	-	3,935,358	3,935,358	(f)
Refund liabilities	-	136,360	136,360	(a)
Contract liabilities - non-current	-	346,011	346,011	(f)
Other non-current liabilities	14,754,930	(346,011)	14,408,919	(f)
Total affected liabilities	80,374,850	136,360	80,511,210	
Share capital	10,396,223	-	10,396,223	
Capital surplus	43,875	-	43,875	
Retained earnings	40,573,023	25,463	40,598,486	(b)(c)(e)
Other equity interest	(398,859)	(29,453)	(428,312)	(c)(e)
Non-controlling interest	8,892,148	(5,203)	8,886,945	(b)
Total affected equity	59,506,410	(9,193)	59,497,217	
Total affected liabilities and equity	\$ 139,881,260	\$ 127,167	\$ 140,008,427	

Explanation:

- (a) Under IFRS 15, if the customer returns a product, the Group is obliged to refund the purchase price. Therefore, a gross contract liability (refund liability) for the expected refunds to customers is recognized as adjustment to revenue. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognizes an asset and a corresponding adjustment to cost of sales. The asset is measured by reference to the former carrying amount of the product as the products are not material. Liabilities in relation to expected sales discounts and allowances were previously presented as accounts receivable - allowance for sales discounts in the balance sheet. As a result of these changes in accounting policies, accounts receivable was increased by \$80,058, refund liability increased by \$136,360 and other current assets increased by \$56,302 on January 1, 2018.
- (b) In line with the regulations of IFRS 9 on provision for impairment, accounts receivable was reduced by \$10,889, retained earnings and non-controlling interests decreased by \$5,686 and \$5,203, respectively.
- (c) In accordance with IFRS 9, the Group reclassified available-for-sale financial assets and financial assets at cost in the amounts of \$60,112 and \$25,721, respectively, by increasing financial assets at fair value through profit or loss and retained earnings in the amounts of \$85,833 and \$22,498, respectively, and decreasing other equity interest in the amount of \$22,498.
- (d) In accordance with IFRS 9, the Group reclassified available-for-sale financial assets in the amount of \$990,622 and made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of \$990,622.

- (e) The Group's investee accounted for using the equity method made certain reclassifications in accordance with IFRS 9. Accordingly, the Group increased investments accounted for using the equity method and retained earnings in the amounts of \$1,696 and \$8,651, respectively, and decreased other equity interest in the amount of \$6,955.
- (f) Presentation of contract liabilities:
In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet as follows:
- (i) Under IFRS 15, Advance sales receipts in relation to sales of gift cards, and franchise agreements are recognized as contract liabilities, but were previously presented as other current liabilities in the balance sheet. As of January 1, 2018, the balance amounted to \$3,935,358.
- (ii) Under IFRS 15, liabilities in relation to the customer loyalty program are recognized as contract liabilities, but were previously presented as deferred revenue (shown as other non-current liabilities) in the balance sheet. As of January 1, 2018, the balance amounted to \$346,011.
- (g) Please refer to Notes 12(4) and 12(5) for other disclosure(s) in relation to the first application of IFRS 9 and IFRS 15.
- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company
New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, "Leases"

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognize the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by \$51,894,004 and \$52,201,605, respectively.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

A. New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities at fair value through profit or loss.
- (b) Financial assets and liabilities at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less the present value of defined benefit obligations.

B. The preparation of financial statements, in conformity with IFRSs, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. The basis for preparation of consolidated financial statements is as follows:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. The subsidiaries included in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
The Company	President Chain Store (BVI) Holdings Ltd.	Professional investment	100.00	100.00	
The Company	PCSC (China) Drugstore Limited	Professional investment	92.20	92.20	
The Company	Wisdom Distribution Service Corp.	Logistics and warehousing of publication	100.00	100.00	
The Company	President Drugstore Business Corp.	Sales of cosmetics, medicine and daily items	100.00	100.00	
The Company	Ren-Hui Investment Corp.	Professional investment	100.00	100.00	
The Company	Capital Inventory Services Corp.	Enterprise management consultancy	100.00	100.00	
The Company	President Yilan Art and Culture Corp.	Art and cultural exhibition	100.00	100.00	
The Company	Cold Stone Creamery Taiwan Ltd.	Sales of ice cream	100.00	100.00	
The Company	President Chain Store Corporation Insurance Brokers Co., Ltd.	Life and property insurance	100.00	100.00	
The Company	21 Century Enterprise Co., Ltd.	Operation of chain restaurants	100.00	100.00	
The Company	President Being Corp.	Sports and entertainment business	100.00	100.00	
The Company	Uni-President Oven Bakery Corp.	Bread and pastry retailer	100.00	100.00	
The Company	President Chain Store Tokyo Marketing Corp.	Enterprise management consultancy	100.00	100.00	
The Company	ICASH Corp.	Electronic ticketing	100.00	100.00	
The Company	Uni-President Superior Commissary Corp.	Food manufacturing	90.00	90.00	
The Company	Q-ware Systems & Services Corp.	Information software service	86.76	86.76	
The Company	President Information Corp.	Enterprise information management and consultancy	86.00	86.00	
The Company	Mech-President Corp.	Gas station and elevator installation	80.87	80.87	
The Company	President Pharmaceutical Corp.	Sales of various health care products, cosmetics, and pharmaceuticals	73.74	73.74	
The Company	President Collect Services Co., Ltd.	Collection agent	70.00	70.00	
The Company	Uni-President Department Store Corp.	Department stores	70.00	70.00	
The Company	President Transnet Corp.	Delivery service	70.00	70.00	
The Company	Uni-President Cold-Chain Corp.	Low-temperature logistics and warehousing	60.00	60.00	
The Company	Uni-Wonder Corp. (Formerly known as "President Starbucks Coffee Corp.")	Coffee chain store	60.00	60.00	(a)
The Company	Duskin Serve Taiwan Co.	Cleaning instruments leasing and selling	51.00	51.00	
The Company	Afternoon Tea Taiwan Co., Ltd.	Operation of restaurants	51.00	51.00	
The Company	Books.com. Co., Ltd.	Retail business without shop	50.03	50.03	
The Company	Retail Support International Corp.	Room-temperature logistics and warehousing	25.00	25.00	(b)
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Labuan) Holdings Ltd.	Professional investment	100.00	100.00	
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Hong Kong) Holdings Limited	Professional investment	100.00	100.00	
PCSC (China) Drugstore Limited	President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Wholesale of merchandise	100.00	100.00	
Wisdom Distribution Service Corp.	President Logistics International Corp.	Trucking	20.00	20.00	
Wisdom Distribution Service Corp.	Vision Distribution Service Corp.	Magazines and book publishing industry	60.00	60.00	
Uni-President Cold-Chain Corp.	President Logistics International Corp.	Trucking	25.00	25.00	
Uni-President Cold-Chain Corp.	Uni-President Logistics (BVI) Holdings Limited	Professional investment	100.00	100.00	
Retail Support International Corp.	Retail Support Taiwan Corp.	Room-temperature logistics and warehousing	51.00	51.00	
Retail Support International Corp.	President Logistics International Corp.	Trucking	49.00	49.00	
Retail Support Taiwan Corp.	President Logistics International Corp.	Trucking	6.00	6.00	
President Logistics International Corp.	Chieh-Shuen Logistics International Corp.	Trucking	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
Duskin Serve Taiwan Co.	Duskin China (BVI) Holdings Limited	Professional investment	-	-	(c)
Books.com. Co., Ltd.	Books.com. (BVI) Ltd.	Professional investment	100.00	100.00	
Books.com. (BVI) Ltd.	Beijing Bokelai Customer Co.	Enterprise information consulting, network technology development and services	100.00	100.00	
Mech-President Corp.	President Jing Corp.	Gas station	60.00	60.00	
President Pharmaceutical Corp.	President Pharmaceutical (Hong Kong) Holdings Limited	Sales of various health care products, cosmetics, and pharmaceuticals	100.00	100.00	
President Pharmaceutical (Hong Kong) Holdings Limited	President (Shanghai) Health Product Trading Company Ltd.	Sales of various health care products, cosmetics, and pharmaceuticals	100.00	100.00	
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corporation	Operation of chain store	52.22	52.22	
Philippine Seven Corporation	Convenience Distribution Inc.	Logistics and warehousing	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	PCSC (China) Drugstore Limited	Professional investment	7.80	7.80	
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Shanghai) Ltd.	Operation of chain store	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	Shanghai President Logistics Co., Ltd.	Logistics and warehousing	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	PCSC Restaurant (Cayman) Holdings Limited	Professional investment	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	Shan Dong President Yinzuo Commercial Limited	Supermarkets	40.00	40.00	
President Chain Store (Hong Kong) Holdings Limited	PCSC (Chengdu) Hypermarket Limited	Retail hypermarket	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	Shanghai Cold Stone Ice Cream Corporation	Sales of ice cream	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Taizhou) Ltd.	Logistics and warehousing	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Zhejiang) Ltd.	Operation of chain store	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	Beauty Wonder (Zhejiang) Trading Co., Ltd.	Sales of cosmetics and medicine	100.00	-	(d)
Shanghai President Logistics Co., Ltd.	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehousing	50.00	50.00	
Shanghai President Logistics Co., Ltd.	President Logistics Shan Dong Co., Ltd.	Logistics and warehousing	100.00	100.00	
PCSC Restaurant (Cayman) Holdings Limited	Shanghai President Chain Store Corporation Trade Co., Ltd.	Trade of food and commodities	100.00	100.00	
Uni-President Logistics (BVI) Holdings Limited	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehousing	50.00	50.00	
Ren-Hui Investment Corp.	Ren Hui Holding Co., Ltd.	Professional investment	100.00	100.00	
Ren-Hui Holdings Co., Ltd.	Shan Dong President Yinzuo Commercial Limited	Supermarkets	15.00	15.00	

(a) The Company acquired an additional 30% shares of Uni-Wonder Corp. (formerly "President Starbucks Coffee Corp."), in December 2017 having control over it. Please refer to Note 6(6)C.

(b) As the Company controls the financial and operating policies of Retail Support International Corp., the latter is included as a subsidiary in the consolidated financial statements.

(c) The Company liquidated the subsidiary, Duskin China (BVI) Holdings Limited, and the process of cancellation of registration has been completed in January 2018.

(d) The subsidiary of the Company was established in June 2018.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (a) The operating results and financial position of all the subsidiaries, associates and jointly arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or jointly arrangements exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate or jointly arrangements after losing significant influence over the former foreign associate, or losing joint control of the former jointly arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

- (6) Cash equivalents
Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.
- (7) Financial assets at fair value through profit or loss
- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
 - B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
 - C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
 - D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
- (8) Financial assets at fair value through other comprehensive income
- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
 - B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
 - C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
- (9) Accounts and notes receivable
- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
 - B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- (10) Impairment of financial assets
For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.
- (11) Leases (Lessor)
Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.
- (12) Inventories
- A. Inventories are initially recorded at cost. Cost of consolidated entities which manage convenience stores is determined using the retail inventory method while cost of other subsidiaries is determined in accordance with the type of business.
 - B. Ending inventories are stated at the lower of cost and net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method - associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in "capital surplus" in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then "capital surplus" and "investments accounted for using the equity method" shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amount previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) Investment accounted for using the equity method - joint ventures

The Group accounts for its investment interests in joint ventures using the equity method. Unrealized profits and losses arising from transactions between the Group and joint ventures are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realizable value of current assets or an impairment loss, all such losses shall be recognized immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are audited, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	3~50 years
Transportation equipment	3~8 years
Office equipment	1~15 years
Leasehold assets	1~20 years

(16) Leases (Lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10 to 50 years.

(18) Intangible assets

A. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 10 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. License agreement and customer list and other intangible assets

License agreement and customer list acquired in business combination are recognized at fair value at the acquisition date. Other intangible assets are separately acquired trademarks and licenses which are stated at historical cost. The latter has a finite useful life and is amortized on a straight-line basis over its estimated useful life.

(19) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Provisions

The Group's provisions are presented in "Other non-current liabilities". Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Income tax

A. The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

(24) Revenue recognition

A. Sales of goods

- (a) The Group operates a chain of retail stores. Revenue from the sale of goods is recognized when the Group sells a product to the customer.
- (b) Payment of the transaction price is due immediately when the customer purchases the product. It is the Group's policy to sell its products to the end customer with a right of return. Therefore, a refund liability and a right to the returned goods (included in other current assets) are recognized for the products expected to be returned. Accumulated experience is used to estimate such returns using the expected value method. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.
- (c) The Group operates a loyalty program where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. A contract liability is recognized for the transaction price which is allocated to the points and revenue is recognized when the points are redeemed or expire.

B. Sales of services

The Group provides delivery services. Revenue from delivering services is recognized when the services have been provided.

C. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(25) Business Combination

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The Group has no such assumptions and estimates which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

6. DETAILS OF SIGNIFICANT ACCOUNTS**(1) Cash and cash equivalents**

	December 31, 2018	December 31, 2017
Cash on hand and petty cash	\$ 1,958,556	\$ 1,791,733
Checking accounts and demand deposits	12,560,158	14,483,269
Cash equivalents		
Time deposits	25,867,905	10,178,300
Short-term financial instruments	8,144,029	9,329,989
	<u>\$ 48,530,648</u>	<u>\$ 35,783,291</u>

A. The Group transacts with a variety of financial institutions, all with high credit quality, to disperse credit risk, so it considers the probability of counterparty default as remote.

B. Information on time deposits provided as security for performance guarantees and reclassified as "Other non-current assets – guarantee deposits paid" is provided in Note 8.

(2) Financial assets at fair value through profit or loss

	December 31, 2018
Current items:	
Beneficiary certificates	\$ 844,170
Valuation adjustment	55
	<u>\$ 844,225</u>
Non-current items:	
Unlisted stocks	\$ 275,403
Valuation adjustment	(189,720)
	<u>\$ 85,683</u>

A. The Group recognized valuation gain of \$12,411 in relation to financial assets at fair value through profit or loss for the year ended December 31, 2018.

B. No financial assets at fair value through profit or loss of the Group were pledged to others.

C. Information relating to credit risk is provided in Note 12(2).

D. Information on December 31, 2017 is provided in Note 12(4).

(3) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	\$ 5,320,037	\$ 5,010,640
Less: Allowance for sales returns and discounts	-	(93,267)
Allowance for doubtful accounts	(55,464)	(48,471)
	<u>\$ 5,264,573</u>	<u>\$ 4,868,902</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2018
Not past due	\$ 5,144,165
Up to 90 days	149,698
91 to 180 days	18,175
181 to 365 days	2,917
Over 365 days	5,082
	<u>\$ 5,320,037</u>

The above aging analysis was based on past due date. Information on December 31, 2017 is provided in Note 12(4)

B. Details of the Group's notes and accounts receivable pledged to others as collateral are provided in Note 8

C. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$5,264,573 and \$4,868,902, respectively.

D. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials and work in process	\$ 65,446	\$ -	\$ 65,446
Merchandise and finished goods	15,151,897	(95,686)	15,056,211
	<u>\$ 15,217,343</u>	<u>(\$ 95,686)</u>	<u>\$ 15,121,657</u>

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials and work in process	\$ 78,013	\$ -	\$ 78,013
Merchandise and finished goods	13,444,900	(135,791)	13,309,109
	<u>\$ 13,522,913</u>	<u>(\$ 135,791)</u>	<u>\$ 13,387,122</u>

The cost of inventories recognized as expense for the year:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Cost of goods sold	\$ 158,799,134	\$ 145,925,125
Gain on reversal of valuation of inventories	(40,105)	(127,587)
Spoilage	1,775,150	1,657,419
Others	276,982	243,115
	<u>\$ 160,811,161</u>	<u>\$ 147,698,072</u>

The Group reversed a previous inventory write-down because the Group sold certain inventories which were previously provided with allowance during the year ended December 31, 2018 and 2017.

(5) Financial assets at fair value through other comprehensive income - non-current

	December 31, 2018
<u>Debt instruments</u>	
Government bonds	\$ 199,948
Valuation adjustment	783
	<u>200,731</u>
<u>Equity instruments</u>	
Listed stocks	265,606
Unlisted stocks	4,348
	<u>269,954</u>
Valuation adjustment	374,660
	<u>644,614</u>
	<u>\$ 845,345</u>

A. The Group has elected to classify the listed and unlisted stocks that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$644,614 as at December 31, 2018.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the year ended December 31, 2018
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognized in other comprehensive income	(\$ 143,849)
<u>Debt instruments at fair value through other comprehensive income</u>	
Fair value change recognized in other comprehensive income	(\$ 1,537)
Interest income recognized in profit or loss	\$ 2,539

C. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$845,345.

D. No financial assets at fair value through other comprehensive income of the Group were pledged to others.

E. Information relating to credit risk is provided in Note 12(2).

F. Information on December 31, 2017 is provided in Note 12(4).

(6) Investments accounted for using the equity method

	December 31, 2018	December 31, 2017
<u>Associates</u>		
PresiCarre Corp.	\$ 5,518,380	\$ 5,198,249
President Fair Development Corp.	1,984,125	1,954,089
Uni-President Development Corp.	753,904	750,774
President International Development Corp.	461,328	466,885
Tung Ho Development Corp.	114,755	123,504
Uni-President Organics Corp., etc.	60,209	64,989
	<u>8,892,701</u>	<u>8,558,490</u>
<u>Joint ventures</u>		
Mister Donut Taiwan Corp., Ltd.	\$ 107,879	\$ 97,232
	<u>\$ 9,000,580</u>	<u>\$ 8,655,722</u>

A. The investments in associates or joint ventures are not significant to the Group. The details of the Group's share of the operating results in the aforementioned investments are as follows:

(a) The Group's share of the operating results in all individually immaterial associates is summarized below:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Profit for the year from continuing operations	\$ 401,980	\$ 405,845
Other comprehensive loss-net of tax	(3,646)	(37,310)
Total comprehensive income	<u>\$ 398,334</u>	<u>\$ 368,535</u>

(b) The Group's share of the operating results in all individually immaterial joint ventures is summarized below:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Profit for the year from continuing operations	\$ 22,118	\$ 1,387,893
Other comprehensive income (loss)-net of tax	1,353	(2,517)
Total comprehensive income	<u>\$ 23,471</u>	<u>\$ 1,385,376</u>

B. In December 2017, the Group disposed 30% shares of its joint venture – President Coffee (Cayman) Holdings Ltd. for a cash consideration of \$25,642,728 to Starbucks EMEA Holdings Ltd. (shown as 'other receivables' as at December 31, 2017), which was collected in February, 2018.

C. The Group originally held 30% shares of its joint venture using the equity method – Uni-Wonder Corp. (formerly “President Starbucks Coffee Corp.”). In December 2017, the Group acquired an additional 30% shares of Uni-Wonder Corp. for a cash consideration of \$3,226,806, (shown as ‘other payables’ as at December 31, 2017) and obtained control over Uni-Wonder Corp. Relevant cash consideration was fully paid in February, 2018.

D. Information about the Group’s disposal of investments accounted for using equity method in August, 2018 is provided in Note7(3)e.

(7) Property, plant and equipment

A. The details of property, plant and equipment are as follows:

	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Others	Total
At January 1, 2018							
Cost	\$ 2,273,584	\$ 4,296,089	\$ 6,343,845	\$ 20,180,016	\$ 17,259,683	\$ 9,456,005	\$ 59,809,222
Accumulated depreciation and impairment	(16,366)	(1,800,537)	(4,046,383)	(13,384,193)	(10,568,380)	(5,011,021)	(34,826,880)
	<u>\$ 2,257,218</u>	<u>\$ 2,495,552</u>	<u>\$ 2,297,462</u>	<u>\$ 6,795,823</u>	<u>\$ 6,691,303</u>	<u>\$ 4,444,984</u>	<u>\$ 24,982,342</u>
2018							
Opening net book amount as of January 1	\$ 2,257,218	\$ 2,495,552	\$ 2,297,462	\$ 6,795,823	\$ 6,691,303	\$ 4,444,984	\$ 24,982,342
Additions	-	213,509	419,098	2,054,370	2,081,912	1,745,644	6,514,533
Disposals	-	(38)	(21,894)	(36,914)	(42,875)	(12,951)	(114,672)
Reclassifications	-	228,361	134,272	242,063	25,430	(621,446)	8,680
Depreciation charge	-	(190,100)	(558,428)	(2,266,631)	(1,746,149)	(1,232,539)	(5,993,847)
(Impairment loss) reversal of impairment loss	-	-	-	(1,359)	(10,406)	1,796	(9,969)
Net exchange differences	(468)	(4,178)	(3,093)	(14,370)	(28,442)	(43,753)	(94,304)
Closing net book amount as of December 31	<u>\$ 2,256,750</u>	<u>\$ 2,743,106</u>	<u>\$ 2,267,417</u>	<u>\$ 6,772,982</u>	<u>\$ 6,970,773</u>	<u>\$ 4,281,735</u>	<u>\$ 25,292,763</u>
At December 31, 2018							
Cost	\$ 2,273,117	\$ 4,723,111	\$ 6,612,678	\$ 21,159,733	\$ 18,345,784	\$ 9,627,520	\$ 62,742,143
Accumulated depreciation and impairment	(16,367)	(1,980,005)	(4,345,461)	(14,386,751)	(11,375,011)	(5,345,785)	(37,449,380)
	<u>\$ 2,256,750</u>	<u>\$ 2,743,106</u>	<u>\$ 2,267,417</u>	<u>\$ 6,772,982</u>	<u>\$ 6,970,773</u>	<u>\$ 4,281,735</u>	<u>\$ 25,292,763</u>
At January 1, 2017							
Cost	\$ 2,246,915	\$ 4,049,783	\$ 5,833,407	\$ 18,856,770	\$ 12,857,463	\$ 8,330,108	\$ 52,174,446
Accumulated depreciation and impairment	(16,520)	(1,622,614)	(3,721,333)	(12,428,793)	(7,790,593)	(4,265,302)	(29,845,155)
	<u>\$ 2,230,395</u>	<u>\$ 2,427,169</u>	<u>\$ 2,112,074</u>	<u>\$ 6,427,977</u>	<u>\$ 5,066,870</u>	<u>\$ 4,064,806</u>	<u>\$ 22,329,291</u>
2017							
Opening net book amount as of January 1	\$ 2,230,395	\$ 2,427,169	\$ 2,112,074	\$ 6,427,977	\$ 5,066,870	\$ 4,064,806	\$ 22,329,291
Additions	-	117,987	699,970	2,127,853	1,659,439	2,310,334	6,915,583
Acquired through business combinations	-	-	-	286,652	1,120,999	88,235	1,495,886
Disposals	-	(1,741)	(25,417)	(79,491)	(82,219)	(4,216)	(193,084)
Reclassifications	28,822	147,393	94,288	109,184	229,984	(712,898)	(103,227)
Depreciation charge	-	(182,513)	(580,141)	(2,079,863)	(1,199,519)	(1,093,192)	(5,135,228)
(Impairment loss) reversal of impairment loss	153	(11,122)	-	6,723	(6,393)	(1,214)	(11,853)
Net exchange differences	(2,152)	(1,621)	(3,312)	(3,212)	(97,858)	(206,871)	(315,026)
Closing net book amount as of December 31	<u>\$ 2,257,218</u>	<u>\$ 2,495,552</u>	<u>\$ 2,297,462</u>	<u>\$ 6,795,823</u>	<u>\$ 6,691,303</u>	<u>\$ 4,444,984</u>	<u>\$ 24,982,342</u>
At December 31, 2017							
Cost	\$ 2,273,584	\$ 4,296,089	\$ 6,343,845	\$ 20,180,016	\$ 17,259,683	\$ 9,456,005	\$ 59,809,222
Accumulated depreciation and impairment	(16,366)	(1,800,537)	(4,046,383)	(13,384,193)	(10,568,380)	(5,011,021)	(34,826,880)
	<u>\$ 2,257,218</u>	<u>\$ 2,495,552</u>	<u>\$ 2,297,462</u>	<u>\$ 6,795,823</u>	<u>\$ 6,691,303</u>	<u>\$ 4,444,984</u>	<u>\$ 24,982,342</u>

B. Information on the property, plant and equipment acquired from business combinations is provided in Note 6(30).

C. Information on reversal of impairment loss on property, plant and equipment is provided in Note 6(11).

D. Information on property, plant and equipment pledged to others as collateral is provided in Note 8.

(8) Investment property

	Land	Buildings	Total
<u>2018</u>			
January 1, 2018	\$ 1,059,538	\$ 459,577	\$ 1,519,115
Depreciation charge	-	(16,956)	(16,956)
December 31, 2018	<u>\$ 1,059,538</u>	<u>\$ 442,621</u>	<u>\$ 1,502,159</u>

	Land	Buildings	Total
<u>2017</u>			
January 1, 2017	\$ 902,270	\$ 456,919	\$ 1,359,189
Additions	132,700	16,605	149,305
Reclassification	28,047	3,303	31,350
Depreciation charge	-	(16,916)	(16,916)
Impairment loss	(3,479)	(334)	(3,813)
December 31, 2017	<u>\$ 1,059,538</u>	<u>\$ 459,577</u>	<u>\$ 1,519,115</u>

The fair value of the investment property held by the Group as at December 31, 2018 and 2017 ranged from \$4,026,641 to \$4,186,928, which was assessed based on recent settlement prices of similar and comparable properties, as well as the reports of independent appraisers.

(9) Intangible assets

	Software	Goodwill	License agreement and customer list	Others	Total
<u>At January 1, 2018</u>					
Cost	\$ 1,568,017	\$ 2,202,519	\$ 7,524,890	\$ 405,998	\$ 11,701,424
Accumulated amortization and impairment	(975,791)	-	-	(68,920)	(1,044,711)
	<u>\$ 592,226</u>	<u>\$ 2,202,519</u>	<u>\$ 7,524,890</u>	<u>\$ 337,078</u>	<u>\$ 10,656,713</u>
<u>2018</u>					
Opening net book amount as of January 1	\$ 592,226	\$ 2,202,519	\$ 7,524,890	\$ 337,078	\$ 10,656,713
Additions	126,471	-	-	70,513	196,984
Reclassifications	(303)	-	-	(1,117)	(1,420)
Amortization expenses	(248,620)	-	(194,160)	(31,901)	(474,681)
Impairment loss	(819)	-	-	-	(819)
Net exchange differences	15,292	1,765	-	46	17,103
Closing net book amount as of December 31	<u>\$ 484,247</u>	<u>\$ 2,204,284</u>	<u>\$ 7,330,730</u>	<u>\$ 374,619</u>	<u>\$ 10,393,880</u>
<u>At December 31, 2018</u>					
Cost	\$ 1,648,652	\$ 2,204,284	\$ 7,524,890	\$ 469,957	\$ 11,847,783
Accumulated amortization and impairment	(1,164,405)	-	(194,160)	(95,338)	(1,453,903)
	<u>\$ 484,247</u>	<u>\$ 2,204,284</u>	<u>\$ 7,330,730</u>	<u>\$ 374,619</u>	<u>\$ 10,393,880</u>

	Software	Goodwill	License agreement and customer list	Others	Total
<u>At January 1, 2017</u>					
Cost	\$ 1,368,689	\$ 378,673	\$ -	\$ 160,300	\$ 1,907,662
Accumulated amortization and impairment	(774,768)	-	-	(56,718)	(831,486)
	<u>\$ 593,921</u>	<u>\$ 378,673</u>	<u>\$ -</u>	<u>\$ 103,582</u>	<u>\$ 1,076,176</u>
<u>2017</u>					
Opening net book amount as of January 1	\$ 593,921	\$ 378,673	\$ -	\$ 103,582	\$ 1,076,176
Additions	215,774	-	-	97,401	313,175
Additions – acquired through business combinations	-	1,826,565	7,524,890	-	9,351,455
Disposals	(4,382)	-	-	3,702	(680)
Reclassifications	9,222	-	-	161,486	170,708
Amortization expenses	(221,316)	-	-	(28,355)	(249,671)
Net exchange differences	(993)	(2,719)	-	(738)	(4,450)
Closing net book amount as of December 31	<u>\$ 592,226</u>	<u>\$ 2,202,519</u>	<u>\$ 7,524,890</u>	<u>\$ 337,078</u>	<u>\$ 10,656,713</u>
<u>At December 31, 2017</u>					
Cost	\$ 1,568,017	\$ 2,202,519	\$ 7,524,890	\$ 405,998	\$ 11,701,424
Accumulated amortization and impairment	(975,791)	-	-	(68,920)	(1,044,711)
	<u>\$ 592,226</u>	<u>\$ 2,202,519</u>	<u>\$ 7,524,890</u>	<u>\$ 337,078</u>	<u>\$ 10,656,713</u>

A. Information on the intangible assets acquired from business combinations is provided in Note 6(30).

B. Amortization expenses on intangible assets are recognized as operating expenses.

(10) Other non-current assets

	December 31, 2018	December 31, 2017
Guarantee deposits paid	\$ 2,766,913	\$ 2,656,420
Others	437,846	521,049
	<u>\$ 3,204,759</u>	<u>\$ 3,177,469</u>

(11) Impairment of non-financial assets

A. The Group recognized impairment loss for the years ended December 31, 2018 and 2017 amounting to \$10,788 and \$15,666, respectively. Details of impairment loss are as follows:

	For the year ended December 31, 2018		For the year ended December 31, 2017	
	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
<u>Impairment loss</u>				
Property, plant and equipment	\$ 9,969	\$ -	\$ 11,853	\$ -
Investment property	-	-	3,813	-
Intangible assets -Software	819	-	-	-
	<u>\$ 10,788</u>	<u>\$ -</u>	<u>\$ 15,666</u>	<u>\$ -</u>

B. Goodwill is allocated to the Group's cash-generating units based on operating segments. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations, which use pre-tax cash flow projections based on five-year financial budgets approved by the management. The Group performs impairment testing annually.

(12) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
<u>Bank borrowings</u>			
Credit loan	\$ 7,237,785	0.65%~7.00%	None
Type of borrowings	December 31, 2017	Interest rate range	Collateral
<u>Bank borrowings</u>			
Credit loan	\$ 965,180	0.94%~4.35%	None

There was no capitalisation of borrowing costs for the years ended December 31, 2018 and 2017. Relevant interest expense on borrowings is recognized as "finance costs".

(13) Other payables

	December 31, 2018	December 31, 2017
Store collections	\$ 12,750,758	\$ 11,947,975
Wages, salaries and bonus payable	5,033,232	4,399,047
Sales receipt on behalf of others	1,176,154	1,134,831
Incentive bonus payable to franchisees	1,047,674	930,996
Payables for acquisition of property, plant and equipment	914,557	1,071,524
Employees' compensation and remuneration for directors and supervisors	879,671	1,612,325
Rent payable	848,049	803,066
Payables for labor and health insurance	238,255	240,769
Payables for equity investments (See Note 6(6)C)	-	3,226,806
Others	5,065,831	5,612,912
	<u>\$ 27,954,181</u>	<u>\$ 30,980,251</u>

(14) Other current liabilities

	December 31, 2018	December 31, 2017
Advance receipts for gift certificates	\$ 1,338,984	\$ 1,240,616
Advance receipts of deposits in icash cards	1,199,455	1,064,779
Current portion of long-term liabilities	335,860	273,754
Advance receipts of members' deposits	-	1,059,753
Advance receipts for gift cards	-	737,431
Advance receipts for franchise fee	-	231,312
Others	386,239	745,006
	<u>\$ 3,260,538</u>	<u>\$ 5,352,651</u>

Advance receipts of members' deposits, gift cards, and franchise fee are recognized as contract liabilities in accordance with IFRS 15 from January 1, 2018. Please refer to Notes 3(1) C and 6(22).

(15) Long-term borrowings

Type of borrowings	Interest rate range	Collateral	December 31, 2018
<u>Long-term bank borrowings</u>			
Credit loan	0.80%~6.298%	None	\$ 741,157
Secured borrowings	1.79%~1.96%	Transportation equipment	441,743
			<u>1,182,900</u>
Less: Current portion			(335,860)
			<u>\$ 847,040</u>

Type of borrowings	Interest rate range	Collateral	December 31, 2017
Long-term bank borrowings			
Credit loan	0.85%~3.643%	None	\$ 1,018,506
Secured borrowings	1.77%~1.98%	Property, plant and equipment	360,699
			1,379,205
Less: Current portion			(273,754)
			<u>\$ 1,105,451</u>

There was no capitalization of borrowing costs for the years ended December 31, 2018 and 2017.

Relevant interest expense on borrowings is recognized as "finance costs".

(16) Pensions

A. The Company and its domestic subsidiaries operate a defined benefit pension plan, in accordance with the Labor Standards Law, which covers all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2%-8% of employees' monthly salaries and wages to a retirement fund at the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. Furthermore, the subsidiary, Philippine Seven Corporation, operates an employer matching pension plan, under which the employer contributes the same amount as employees' to the employee's individual pension accounts.

(a) The amounts recognized in the balance sheet are as follows

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	(\$ 7,616,936)	(\$ 7,319,158)
Fair value of plan assets	2,884,387	2,744,358
Net defined benefit liability	<u>(\$ 4,732,549)</u>	<u>(\$ 4,574,800)</u>

(b) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2018			
Balance at January 1	(\$ 7,319,158)	\$ 2,744,358	(\$ 4,574,800)
Current service cost	(91,136)	-	(91,136)
Interest (expense) income	(97,628)	36,958	(60,670)
Past service cost	(70)	-	(70)
	<u>(7,507,992)</u>	<u>2,781,316</u>	<u>(4,726,676)</u>
Remeasurements:			
Return on plan assets (not including the amount included in interest income or expense)	-	69,722	69,722
Change in demographic assumptions	(6,614)	-	(6,614)
Change in financial assumptions	(181,662)	-	(181,662)
Experience adjustments	(37,866)	-	(37,866)
	<u>(226,142)</u>	<u>69,722</u>	<u>(156,420)</u>
Pension fund contribution	-	148,001	148,001
Paid pension	117,198	(114,652)	2,546
	<u>117,198</u>	<u>33,349</u>	<u>150,547</u>
Balance at December 31	<u>(\$ 7,616,936)</u>	<u>\$ 2,884,387</u>	<u>(\$ 4,732,549)</u>

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	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2017			
Balance at January 1	(\$ 6,851,392)	\$ 2,585,420	(\$ 4,265,972)
Current service cost	(92,250)	-	(92,250)
Interest (expense) income	(104,593)	40,040	(64,553)
Past service cost	4,944	-	4,944
	(7,043,291)	2,625,460	(4,417,831)
Remeasurements:			
Return on plan assets (not including the amount included in interest income or expense)	-	(13,939)	(13,939)
Change in demographic assumptions	(8,122)	-	(8,122)
Change in financial assumptions	(175,119)	-	(175,119)
Experience adjustments	21,185	-	21,185
	(162,056)	(13,939)	(175,995)
Pension fund contribution	-	159,256	159,256
Paid pension	135,711	(111,246)	24,465
Effect of business combination	(249,522)	84,827	(164,695)
	(113,811)	132,837	19,026
Balance at December 31	(\$ 7,319,158)	\$ 2,744,358	(\$ 4,574,800)

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Discount rate	1.00%~7.53 %	1.00%~5.05%
Future salary increases	2.00%~5.50 %	2.00%~5.50%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ 234,734)	\$ 245,789	\$ 240,476	(\$ 230,362)
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ 234,327)	\$ 245,304	\$ 240,403	(\$ 230,421)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once.

The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (e) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amounts to \$165,526.
- (f) As of December 31, 2018, the weighted average duration of the retirement plan is 9 to 24 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	149,536
1-2 year(s)		207,355
2-5 years		693,565
Over 5 years		12,174,736
	\$	<u>13,225,192</u>

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (a) The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC.) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2018 and 2017 was 14%~22% and 14%~25%, respectively. Other than the monthly contributions, the Group has no further obligations.
- (b) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were \$929,308 and \$828,204, respectively.

(17) Other non-current liabilities

	December 31, 2018	December 31, 2017
Guarantee deposit received	\$ 3,413,265	\$ 3,355,171
Provision for decommissioning liability	421,966	392,807
Deferred income	71,060	365,868
Others	450,698	307,885
	<u>\$ 4,356,989</u>	<u>\$ 4,421,731</u>

(18) Share capital

As of December 31, 2018, the Company's authorized capital was \$10,500,000, consisting of 1,050,000,000 shares of ordinary stock, and the paid-in capital was \$10,396,223 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's outstanding ordinary shares was both 1,039,622,255 shares as of December 31, 2018 and 2017.

(19) Capital surplus

In accordance with the Company Act of the Republic of China, any capital surplus arising from paid-in capital in excess of the par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the Securities and Exchange Law of the Republic of China requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. Capital surpluses should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, must first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount is to be set aside as a legal reserve. After setting aside or reversing a special reserve, in accordance with related laws, the remaining amount is distributable for the given period. The appropriation of the total distributable amount (that is, the distributable amount for the period along with accumulated unappropriated earnings from prior years) should be proposed by the Board of Directors and voted on by the shareholders at the shareholders' meeting. The dividends and bonus to be distributed to shareholders may be 50%-100% of the total distributable amount, and 50%-100% of dividends are to be distributed as cash dividends, and the remaining undistributed amount to set aside as unappropriated retained earnings.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside a special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.
- D. The appropriations for 2017 and 2016 as resolved by the shareholders on June 12, 2018 and June 13, 2017, respectively, are as follows:

	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 3,101,709		\$ 983,669	
Special reserve	398,859		-	
Cash dividends	25,990,556	\$ 25.00	8,316,978	\$ 8.00

E. The appropriations for 2018 as resolved by the Board of Directors on February 27, 2019 are as follows:

	2018	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 1,020,639	
Cash dividends	9,148,676	\$ 8.80

F. See Note 6(24) for information on employees' compensation and directors' and supervisors' remuneration.

(21) Other equity items

	For the year ended December 31, 2018			
	Exchange differences from translation of foreign operations	Unrealized gains/(losses) on valuation of financial assets at fair value through other comprehensive income	Unrealized gains/(losses) on available-for-sale financial assets	Total
At January 1, 2018	(\$ 906,308)	\$ -	\$ 507,449	(\$ 398,859)
Adjustments under new standards	-	477,996	(507,449)	(29,453)
Adjusted beginning balance	(906,308)	477,996	-	(428,312)
Revaluation:				
-Group	-	(145,386)	-	(145,386)
-Associates	-	(2,842)	-	(2,842)
Revaluation-tax	-	3,666	-	3,666
Currency translation differences:				
-Group	620,123	-	-	620,123
-Associates	6,356	-	-	6,356
At December 31, 2018	(\$ 279,829)	\$ 333,434	\$ -	\$ 53,605

	For the year ended December 31, 2017		
	Exchange differences from translation of foreign operations	Unrealized gains/(losses) on available-for-sale financial assets	Total
At January 1, 2017	(\$ 186,228)	\$ 357,817	\$ 171,589
Revaluation:			
–Group	-	151,253	151,253
–Associates	-	4,662	4,662
Revaluation-tax	-	(6,283)	(6,283)
Currency translation differences:			
–Group	(699,698)	-	(699,698)
–Associates	(20,382)	-	(20,382)
At December 31, 2017	<u>(\$ 906,308)</u>	<u>\$ 507,449</u>	<u>(\$ 398,859)</u>

(22) Operating revenue

	For the year ended December 31, 2018
Revenue from contracts with customers	<u>\$ 244,887,853</u>

A. Disaggregation of revenue from contracts with customers

The Group operates a chain of retail stores and derives revenue from the transfer of goods and services over time and at a point in time. The operating revenue is categorized based on operating departments and goods or services recognition timing as follows:

For the year ended December 31, 2018	Convenience stores	Retail business group	Logistics business group	Others	Total
Total segment revenue	\$ 154,074,731	\$ 71,688,324	\$ 15,113,788	\$ 26,673,796	\$ 267,550,639
Inter-segment revenue	(661,980)	(2,229,011)	(13,091,717)	(6,680,078)	(22,662,786)
Revenue from external customer contracts	<u>\$ 153,412,751</u>	<u>\$ 69,459,313</u>	<u>\$ 2,022,071</u>	<u>\$ 19,993,718</u>	<u>\$ 244,887,853</u>
Timing of revenue recognition					
–At a point in time	\$ 152,882,351	\$ 58,123,140	\$ 1,791,172	\$ 19,146,737	\$ 231,943,670
–Over time	530,400	11,335,903	230,899	846,981	12,944,183
	<u>\$ 153,412,751</u>	<u>\$ 69,459,313</u>	<u>\$ 2,022,071</u>	<u>\$ 19,993,718</u>	<u>\$ 244,887,853</u>

B. Contract liabilities

(a) The Group has recognized the following revenue-related contract liabilities:

	December 31, 2018
Contract liabilities – advance receipts of gift certificates and gift cards	\$ 1,392,390
Contract liabilities – members' deposits	764,782
Contract liabilities – franchise fee	230,812
Contract liabilities – customer loyalty programs	344,970
Contract liabilities – others	344,656
	<u>\$ 3,077,610</u>

	December 31, 2018
Contract liabilities- current	\$ 2,843,189
Contract liabilities- non-current	234,421
	<u>\$ 3,077,610</u>

(b) Revenues recognized that were included in the contract liabilities balance at the beginning was \$1,969,390 for the year ended December 31, 2018.

C. Related disclosures on operating revenue for the year ended December 31, 2017 are provided in Note 12(5) B.

(23) Expenses by nature

	For the year ended December 31, 2018	For the year ended December 31, 2017
Cost of goods sold	\$ 143,437,684	\$ 130,527,303
Employee benefit expense	25,533,260	23,348,191
Incentive bonuses for franchisees	20,904,939	19,604,749
Operating lease payments	12,433,194	10,697,568
Depreciation and amortization	6,577,856	5,491,735
Utilities expense	4,230,128	3,847,338
Other costs and expenses	18,935,968	17,193,038
Total operating costs and operating expenses	\$ 232,053,029	\$ 210,709,922

(24) Employee benefit expense

	For the year ended December 31, 2018	For the year ended December 31, 2017
Wages and salaries	\$ 21,058,795	\$ 19,408,418
Labor and health insurance fees	1,952,864	1,692,115
Pension costs	1,081,184	980,063
Other personnel expenses	1,440,417	1,267,595
	\$ 25,533,260	\$ 23,348,191

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at \$576,995 and \$985,057, respectively; while directors' and supervisors' remuneration was accrued at \$192,772 and \$549,159, respectively.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 4.37% and 1.46% of profit of the current year distributable for the year ended December 31, 2018. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$576,995 and \$192,772 and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2017 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2017 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Other income

	For the year ended December 31, 2018	For the year ended December 31, 2017
Grants income	\$ 606,034	\$ 582,706
Interest income	699,385	172,023
Rental revenue	136,430	168,858
Dividend income	65,124	1,135,332
Others	918,300	887,816
	\$ 2,425,273	\$ 2,946,735

(26) Other gains and losses

	For the year ended December 31, 2018	For the year ended December 31, 2017
Gain on disposal of investments (See Note 6(6))	\$ 59	\$ 26,641,776
Loss on disposal of property, plant and equipment	(33,275)	(53,095)
Impairment loss	(10,788)	(15,666)
Other expenses	(93,182)	(259,449)
	<u><u>\$ 137,186</u></u>	<u><u>\$ 26,313,566</u></u>

(27) Finance cost

	For the year ended December 31, 2018	For the year ended December 31, 2017
Interest expense	<u><u>\$ 144,662</u></u>	<u><u>\$ 94,511</u></u>

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Current tax:		
Current tax on profits for the year	\$ 3,013,928	\$ 5,757,845
Tax on undistributed surplus earnings	135,159	36,045
Over provision of prior year's income tax	13,108	(3,993)
Total current tax	<u>3,162,195</u>	<u>5,789,897</u>
Deferred tax:		
Origination and reversal of temporary differences	(144,430)	3,273,719
Impact of change in tax rate	640,304	-
Total deferred tax	<u>495,874</u>	<u>3,273,719</u>
Income tax expense	<u><u>\$ 3,658,069</u></u>	<u><u>\$ 9,063,616</u></u>

(b) The income tax (charge)/credit relating to the components of other comprehensive income is as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Fair value gains/losses on available-for-sale financial assets	\$ -	\$ 6,283
Remeasurement of defined benefit obligations	(25,881)	(30,087)
Changes in fair value of financial assets at fair value through other comprehensive income	(6,984)	-
Impact of change in tax rate	(46,977)	-
	<u><u>\$ 79,842</u></u>	<u><u>\$ 23,804</u></u>

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2018		For the year ended December 31, 2017	
Tax calculated based on profit before tax and statutory tax rate	\$	3,727,941	\$	10,019,101
Expenses disallowed by tax regulation	(	800,533)	(	783,607)
Capital reduction plan to offset accumulated deficit	(	8,302)	(	151,165)
Additional 10% tax on undistributed earnings		135,159		36,045
Over provision of prior year's income tax		13,108	(	3,993)
Effect from loss carryforwards	(	49,608)	(	52,765)
Effect from changes in tax regulation		640,304		-
Income tax expense	\$	3,658,069	\$	9,063,616

The difference between the Group's accounting income and taxable income in 2018 and 2017 was mainly due to the dividend income, investment tax credits and the operating profit of subsidiaries.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	For the year ended December 31, 2018				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Effect from changes in tax regulation	December 31
<u>Deferred tax assets</u>					
Allowance for doubtful accounts	\$ 13,261	(\$ 975)	\$ -	\$ 2,453	\$ 14,739
Unrealized sales allowance	14,828	(7,382)	-	2,783	10,229
Loss on inventory market value decline	27,106	(4,454)	-	2,796	25,448
Unrealized expenses	403,819	62,319	-	45,138	511,276
Book-tax difference of pension	82,532	(238)	-	72,426	154,720
Remeasurements of the defined benefit plan	718,129	-	25,881	50,391	794,401
Tax losses	86,867	(8,515)	-	15,329	93,681
Others	62,642	23,461	-	36,446	122,549
	<u>1,409,184</u>	<u>64,216</u>	<u>25,881</u>	<u>227,762</u>	<u>1,727,043</u>
<u>Deferred tax liabilities</u>					
Unrealized gain	(1,308,068)	35,835	6,984	(230,816)	(1,496,065)
Foreign investment income	(3,344,880)	44,379	-	(590,273)	(3,890,774)
	<u>(4,652,948)</u>	<u>80,214</u>	<u>6,984</u>	<u>(821,089)</u>	<u>(5,386,839)</u>
	<u>(\$ 3,243,764)</u>	<u>\$ 144,430</u>	<u>\$ 32,865</u>	<u>(\$ 593,327)</u>	<u>(\$ 3,659,796)</u>

	For the year ended December 31, 2017				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	December 31
Deferred tax assets					
Allowance for doubtful accounts	\$ 24,586	(\$ 11,325)	\$ -	\$ -	\$ 13,261
Unrealized sales allowance	16,240	(1,412)	-	-	14,828
Loss on inventory market value decline	43,193	(16,087)	-	-	27,106
Unrealized expenses	267,811	83,812	-	52,196	403,819
Book-tax difference of pension	71,442	(2,031)	-	13,121	82,532
Remeasurements of the defined benefit plan	665,790	-	30,087	22,252	718,129
Tax losses	82,300	4,567	-	-	86,867
Others	36,670	13,458	12,514	-	62,642
	<u>1,208,032</u>	<u>70,982</u>	<u>42,601</u>	<u>87,569</u>	<u>1,409,184</u>
Deferred tax liabilities					
Unrealized gain	(10,219)	179	(18,797)	(1,279,231)	(1,308,068)
Foreign investment income	-	(3,344,880)	-	-	(3,344,880)
	<u>(10,219)</u>	<u>(3,344,701)</u>	<u>(18,797)</u>	<u>(1,279,231)</u>	<u>(4,652,948)</u>
	<u>\$ 1,197,813</u>	<u>(\$ 3,273,719)</u>	<u>\$ 23,804</u>	<u>(\$ 1,191,662)</u>	<u>(\$ 3,243,764)</u>

D. Expiration dates of unused taxable loss and amounts of unrecognized deferred tax assets are as follows:

December 31, 2018				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Usable until
2009~2018	\$ 2,620,037	\$ 2,620,037	\$ 2,151,633	2019~2028
December 31, 2017				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Usable until
2008~2017	\$ 4,383,344	\$ 4,383,344	\$ 3,872,364	2018~2027

E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Deductible temporary differences	<u>\$ 116,691</u>	<u>\$ 150,516</u>

F. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(29) Earnings per share

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 10,206,388	1,039,622	\$ 9.82
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 10,206,388	1,039,622	
Assumed conversion of all dilutive potential ordinary shares employees' bonus	-	2,437	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 10,206,388	1,042,059	\$ 9.79
	For the year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 31,017,094	1,039,622	\$ 29.83
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 31,017,094	1,039,622	
Assumed conversion of all dilutive potential ordinary shares employees' bonus	-	3,848	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 31,017,094	1,043,470	\$ 29.72

(30) Business combinations

- The Group acquired additional an 30% shares of President Starbucks Coffee Corp. for cash consideration of \$3,226,806 in December 2017 and obtained the control over President Starbucks Coffee Corp., primarily engaged in the variety of foods, sales of coffee beans, and the operation of coffee shops.
- The following table summarizes the consideration paid for President Starbucks Coffee Corp. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	December 31, 2017
Cash-paid	\$ 3,226,806
Fair value of equity previously held on the acquisition date	2,582,478
Fair value of non-controlling interests	3,872,856
	<u>9,682,140</u>
Fair value of identifiable assets and liabilities	
Cash and cash equivalents	700,961
Other current assets	1,462,227
Other non-current assets	1,838,829
Other identifiable intangible assets	7,524,890
Other current liabilities	(2,088,442)
Other non-current liabilities	(1,582,890)
Total identifiable net assets	<u>7,855,575</u>
Goodwill	\$ <u>1,826,565</u>

(3) The Group recognized a gain of \$2,099,503 (shown as gain on disposal of investments) as a result of measuring at fair value its 30% equity interest in President Starbucks Coffee Corp. held before the business combination. Please refer to Note 6(26).

(4) The fair value of the non-controlling interest in President Starbucks Coffee Corp. was estimated by considering the implied control premium deducted from the purchase price paid for the acquisition.

(31) Operating leases

Lessor

A. The Group leases its investment property and shopping centres to others under operating lease agreements on terms between two and ten years. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 90,898	\$ 94,376
Over one year but less than five years	224,263	292,261
Over five years	6,195	51,674
	<u>\$ 321,356</u>	<u>\$ 438,311</u>

Lessee

A. The Group leases business premises for its stores. The lease terms are between one and twenty years, and certain lease agreements are renewable at the end of the lease period. Rents are paid in accordance with the agreements. Partial leases incur extra rent based on the operating revenue of stores or changes in local price indices. Rental expenses recognized in profit and loss for the years ended December 31, 2018 and 2017 are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Rental expenses	\$ 11,594,263	\$ 10,206,762
Contingent rents	\$ 838,931	\$ 490,806

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 10,955,633	\$ 9,765,924
Over one year but less than five years	36,200,668	30,324,865
Over five years	22,658,778	15,732,948
	<u>\$ 69,815,079</u>	<u>\$ 55,823,737</u>

B. The Group has sub-leased certain business premises to others. Sublease revenues recognized in profit and loss for the years ended December 31, 2018 and 2017 are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Sublease revenues	\$ 272,051	\$ 257,336
Contingent rents	\$ 1,212,481	\$ 1,199,375

In accordance with non-cancellable sub-lease agreements as of December 31, 2018, sub-lease payments totalling \$387,765 are expected to be collected between 2019 and 2028.

(32) Supplemental cash flow information

Investing activities with partial cash payments	December 31, 2018	December 31, 2017
Purchase of property, plant and equipment	\$ 6,514,533	\$ 6,915,583
Add: Opening balance of payable on equipment	1,071,524	883,723
Less: Ending balance of payable on equipment	(914,557)	(1,071,524)
Cash paid during the year	<u>\$ 6,671,500</u>	<u>\$ 6,727,782</u>

(33) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings	Other non-current liabilities-guarantee deposits received	Other non-current liabilities-other	Liabilities from financing activities-gross
January 1, 2018	\$ 965,180	\$ 250,000	\$ 1,105,451	\$ 3,355,172	\$ 1,066,559	\$ 6,742,362
Changes in cash flow from financing activities	6,272,605	(250,000)	(184,135)	58,093	223,176	6,119,739
Impact of changes in foreign exchange rate	-	-	(12,170)	-	-	(12,170)
Changes in other non-cash items	-	-	(62,106)	-	(346,011)	(408,117)
December 31, 2018	\$ 7,237,785	\$ -	\$ 847,040	\$ 3,413,265	\$ 943,724	\$ 12,441,814

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's parent company and the Group's ultimate parent company is Uni-President Enterprises Corp. which holds a 45.4% equity interest in the Company as of December 31, 2018.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Uni-President Enterprises Corp.	Ultimate parent company
Uni-President Organics Corp.	Investee of the Group accounted for using the equity method
Presicarre Corp.	"
President Technology Corp.	"
President Fair Development Corp.	"
Mister Donut Taiwan Co., Ltd.	"
Presco Netmarketing Inc.	Subsidiary of ultimate parent company
Uni-President (Kunshan) Trading Co., Ltd.	"
Tait Marketing & Distribution Co., Ltd.	"
Tung Ang Enterprises Corp.	"
Lien-Bo Enterprises Corp.	"
President Packaging Corp.	"
President Tokyo Corp.	"
Shanghai Songjiang President Enterprises Co., Ltd.	"
Kuang Chuan Dairy Corp.	Investees of ultimate parent company accounted for using the equity method
Weilih Food Industrial Co., Ltd.	"
Kang Na Hsiung Enterprises Co., Ltd.	Investees of subsidiaries of ultimate parent company accounted for using the equity method
Tung Chan Enterprises Corp.	"
Koasa Yamako Corp.	The Company is a director of Koasa Yamako Corp.
Zhenzhou President Enterprises Co., Ltd.	Subsidiary of parent company's sub-subsidiary
Wei Kuon Co., Ltd.	Subsidiaries of investee of ultimate parent company accounted for using the equity method

(3) Significant related party transactions and balances

A. Operating revenue

	For the year ended December 31, 2018	For the year ended December 31, 2017
<u>Sales of goods</u>		
Ultimate parent	\$ 578,394	\$ 558,127
Associates	146,634	1,165,505
Sister companies	302,624	247,093
Other related parties	71,926	83,659
<u>Sales of services</u>		
Ultimate parent	11,421	8,014
Associates	39,491	153,513
Sister companies	12,048	11,334
Other related parties	4,909	2,924
	<u>\$ 1,167,447</u>	<u>\$ 2,230,169</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases

	For the year ended December 31, 2018	For the year ended December 31, 2017
Ultimate parent	\$ 15,352,392	\$ 14,869,457
Associates	286,086	456,768
Sister companies	3,927,299	3,959,122
Other related parties	2,139,641	950,419
	<u>\$ 21,705,418</u>	<u>\$ 20,235,766</u>

Goods are purchased from related parties on normal commercial terms and conditions.

C. Receivables from related parties

	December 31, 2018	December 31, 2017
Ultimate parent	\$ 201,321	\$ 190,171
Associates	73,101	68,686
Sister companies	85,384	72,400
Other related parties	4,722	8,725
	<u>\$ 364,528</u>	<u>\$ 339,982</u>

Receivables from related parties mainly arise from sales transactions. Receivables are unsecured in nature and bear no interest. There are no provisions for receivables from related parties.

D. Payables to related parties

	December 31, 2018	December 31, 2017
Ultimate parent	\$ 1,631,289	\$ 1,558,451
Associates	63,739	68,577
Sister companies	442,907	406,713
Other related parties	3 70,822	327,697
	<u>\$ 2,508,757</u>	<u>\$ 2,361,438</u>

Payables to related parties mainly arise from purchase transactions. Payables bear no interest.

E. Property transactions

(a) Acquisition of property, plant and equipment and investment property:

	Accounts	For the year ended December 31, 2018
Associates	Property, plant and equipment	<u>\$ 38,384</u>

	Accounts	For the year ended December 31, 2017
Sister companies	Property, plant and equipment	\$ 32,215
	Investment property	179,669
		<u>\$ 211,884</u>

(b) Disposal of financial assets:

	Accounts	No. of shares	Objects	For the year ended December 31, 2018	
				Proceeds	Gain
Sister companies	Investments accounted for using equity method	108,160	Grand Bills Finance Corp.	\$ 1,828	\$ 59

(4) Key management compensation

	For the year ended December 31, 2018	For the year ended December 31, 2017
Salaries and other short-term employee benefits	\$ 675,400	\$ 1,041,158

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2018	December 31, 2017	
Accounts receivable	\$ 20,000	\$ -	Performance guarantee
Land	128,643	368,869	Long-term and short-term borrowings and guarantee facilities
Buildings	50,230	187,884	Long-term and short-term borrowings and guarantee facilities
Transportation equipment	586,353	493,134	Long-term borrowings and long-term installment payable
Pledged time deposits (Recognized as "Other non-current assets - guarantee deposits paid")	56,495	49,665	Performance guarantee
	<u>\$ 841,721</u>	<u>\$ 1,099,552</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS**(1) Capital management**

The Group's objectives in this area are to retain the confidence of investors and the market, to fund future capital expenditures and stable dividend flows for ordinary shares, and to maintain the most appropriate capital structure to maximize the equity interest of shareholders.

(2) Financial instruments**A. Financial instruments by category**

	December 31, 2018	December 31, 2017
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss	\$ 929,908	\$ -
Financial assets held for trading	-	1,560,025
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	644,614	-
Qualifying equity instrument	200,731	-
Available-for-sale financial assets	-	1,050,734
Financial assets measured at cost	-	25,721
Financial assets at amortized cost/Loans and receivables		
Cash and cash equivalents	48,530,648	35,783,291
Accounts receivable	5,264,573	4,868,902
Other receivables	1,535,507	28,412,101
Guarantee deposits paid	2,766,913	2,656,420
	<u>\$ 59,872,894</u>	<u>\$ 74,357,194</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 7,237,785	\$ 965,180
Short-term notes and bills payable	-	250,000
Notes payable	1,866,610	2,066,511
Accounts payable	23,148,683	21,170,963
Other payables	27,954,181	30,980,251
Long-term borrowings (including current portion)	1,182,900	1,379,205
Guarantee deposits received	3,413,265	3,355,171
	<u>\$ 64,803,424</u>	<u>\$ 60,167,281</u>

B. Risk management policies

(a) The Group's risk management and hedging policies mainly focus on hedging business risk. The Group also establishes hedge positions when trading derivative financial instruments. The choice of instruments should hedge risks relating to interest expense, assets or liabilities arising from business operations.

(b) For managing derivative instruments, the treasury department is responsible for managing trading positions of derivative instruments and assesses market values periodically. If transactions and gains (losses) are abnormal, the treasury will respond accordingly and report to the Board of Directors immediately.

(c) There is no related transaction about derivative financial instruments that are used to hedge certain exchange rate risk.

C. Significant financial risks and degrees of financial risks**(a) Market risk**Foreign exchange risk

1. The Group operates internationally and is exposed to foreign exchange risk arising from of the Company and its subsidiaries used in various functional currency, the transactions primarily with respect to the USD and RMB. Exchange risk arises from future commercial transactions and recognized assets and liabilities.

- II. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currencies.
- III. The Company's and certain subsidiaries' functional currency is the New Taiwan dollar (NTD), and for other certain subsidiaries, the functional currency is the Renminbi (RMB). The details of assets and liabilities denominated in foreign currencies whose values would be materially affected by exchange rate fluctuations are as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 739	30.7150	\$ 22,698	\$ 3,610	29.7600	\$ 107,434
RMB : NTD	1,742	4.4654	7,779	507,009	4.5737	2,318,907
JPY : NTD	8,522	0.2782	2,371	104,720	0.2642	27,667
HKD : NTD	-	-	-	4,410	3.8085	16,795
<u>Non-monetary items</u>						
JPY : NTD	\$ 721,500	0.2782	\$ 200,721	\$ 891,900	0.2642	\$ 235,640
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 3,745	30.7150	\$ 115,028	\$ 99,814	29.7600	\$ 2,970,465
JPY : NTD	80,786	0.2782	22,475	63,542	0.2642	16,788
RMB : NTD	1,152	4.4654	5,144	-	-	-

- IV. Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Group amounted to \$57,437 and \$3,037 for the years ended December 31, 2018 and 2017, respectively.
- V. Analysis of foreign currency market risk arising from significant foreign exchange variation. Foreign exchange risk with respect to USD primarily arises from the exchange gain or loss resulting from foreign currency translation of cash and cash equivalents, accounts receivable and accounts payable denominated in USD. As of December 31, 2018 and 2017, if the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's profit for the years ended December 31, 2018 and 2017 would increase/decrease by \$4,616 and \$143,151, respectively. Foreign exchange risk with respect to JPY primarily arises from the exchange gain or loss resulting from foreign currency translation of cash and cash equivalents, financial assets at fair value through other comprehensive income - non-current and accounts payable denominated in JPY. If the NTD:JPY exchange rate appreciates/depreciates by 5%, with all other factors remaining constant, the Group's profit for the years ended December 31, 2018 and 2017 would increase/decrease by \$9,031 and \$12,326, respectively.

Price risk

- I. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- II. The Group's investments in equity securities comprise shares and open-ended funds issued by the domestic companies. The prices of equity securities would change due to change of the future value of investee companies. If the prices of these equity securities increase / decrease by 5%, and open-ended funds increase / decrease by 0.25%, with all other variables held constant, the post-tax profit for the years ended December 31, 2018 and 2017 would have increased/ decreased by \$6,395 and \$3,900, respectively, as a result of gains/losses on equity securities and open-ended funds classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$32,231 and \$39,206, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income and available-for-sale equity investment.

Cash flow and fair value interest rate risk

- I. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which are partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. For the years ended December 31, 2018 and 2017, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and Philippine Peso.
- II. If the borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have increased/decreased by \$2,332 and \$2,698, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.
- III. If the government bond yield rate had increased/decreased by 0.25% with all other variables held constant, other comprehensive income for the years ended December 31, 2018 and 2017 would have decreased by \$254 and \$754 or increased by \$245 and \$747, respectively. The main factor is that changes in market interest rates would affect the fair value of fixed interest rate bond investments held by the Group classified as financial assets at fair value through other comprehensive income.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- II. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- III. The Group operates a chain of retail stores, thus the ratio of accounts receivable to total asset is low. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis and using the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the year ended December 31, 2018
	Accounts receivable
At January 1_IAS 39	\$ 48,471
Adjustments under new standards	10,889
At January 1_IFRS 9	59,360
Provision for impairment	17,080
Reversal of impairment	3,873
Write-offs	(21,509)
Effect of foreign exchange	(3,340)
At December 31	\$ 55,464

- IV. The Group's investment in debt instrument is the government bond, which was issued by R.O.C, the risk of expected credit loss is low. The Group has no unrecognized allowance for investment in debt instrument at fair value through other comprehensive income for the year ended December 31, 2018.
- V. The Group has no written-off financial assets that are still under recourse procedures on December 31, 2018.
- VI. Credit risk information for the year ended December 31, 2017 is provided in Note 12(4).

(c) Liquidity risk

- I. Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group's finance department. It monitors rolling forecasts of liquidity requirements to ensure the Group has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities, at all times, so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

- II. The Group invests surplus cash in interest bearing current accounts, time deposits, money market fund and marketable securities, and chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the aforementioned forecasting. The Group held money market funds of \$844,225 and \$1,560,025 as at December 31, 2018 and 2017, respectively, which are expected to readily generate cash inflows for the purpose of managing liquidity risk.
- III. The Group has undrawn borrowing facilities of \$14,006,462 and \$11,302,389 as of December 31, 2018 and 2017, respectively.
- IV. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Short-term borrowings	\$ 7,286,725	\$ -	\$ -	\$ -
Short-term notes and bills payable	-	-	-	-
Notes payable	1,866,610	-	-	-
Accounts payable	23,148,683	-	-	-
Other payables	27,954,181	-	-	-
Long-term borrowings (including current portion)	372,094	264,270	189,983	407,867

Non-derivative financial liabilities:

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Short-term borrowings	\$ 986,476	\$ -	\$ -	\$ -
Short-term notes and bills payable	250,000	-	-	-
Notes payable	2,066,511	-	-	-
Accounts payable	21,170,963	-	-	-
Other payables	30,980,251	-	-	-
Long-term borrowings (including current portion)	304,830	510,498	95,568	554,210

(3) Fair value information

A. The different levels of the inputs used in valuation techniques to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates and on-the-run Taiwan central government bonds is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investments without an active market is included in Level 3.

B. Fair value information of the Group's investment property at cost is provided in Note 6(8).

C. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	December 31, 2018			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Guarantee deposit paid	\$ 2,766,913	\$ -	\$ -	\$ 2,748,262
Financial liabilities:				
Guarantee deposit received	\$ 3,413,265	\$ -	\$ -	\$ 3,384,951

	December 31, 2017			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Guarantee deposit paid	\$ 2,656,420	\$ -	\$ -	\$ 2,639,566
Financial liabilities:				
Guarantee deposit received	\$ 3,355,171	\$ -	\$ -	\$ 3,327,231

(b) Guarantee deposits paid/received are measured at fair value, which is calculated based on the discounted future cash flow.

D. The related information for financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) Classification according to the nature of assets and liabilities, relevant information is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Open-ended funds	\$ 844,225	\$ -	\$ -	\$ 844,225
Equity securities	-	-	85,683	85,683
	844,225	-	85,683	929,908
Financial assets at fair value through other comprehensive income				
Equity securities	640,266	-	4,348	644,614
Debt securities	200,731	-	-	200,731
	840,997	-	4,348	845,345
	\$ 1,685,222	\$ -	\$ 90,031	\$ 1,775,253

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Open-ended funds	\$ 1,560,025	\$ -	\$ -	\$ 1,560,025
Available-for-sale financial assets				
Equity securities	784,115	-	64,460	848,575
Government bond	202,159	-	-	202,159
	986,274	-	64,460	1,050,734
	\$ 2,546,299	\$ -	\$ 64,460	\$ 2,610,759

(b) The methods and assumptions the Group used to measure fair value are as follows:

I. The instruments the Group uses market quoted prices as their fair values (that is, Level 1) are listed below:

	Listed shares	Open-ended fund	Government bond
Market quoted price	Closing price	Net asset value	Closing price

II. Except for financial instruments with active markets, the fair value of other financial instruments is measured using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, by discounted cash flow method or other valuation methods, including calculations by applying models using market information available at the consolidated balance sheet date.

E. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2018 and 2017, there was no significant transfer in or out of Level 3.

G. The Group is in charge of valuation procedures for fair value measurements being categorized within Level 3, which to verify the independent fair value of financial instruments. Such assessments are to ensure the valuation results are reasonable by applying independent information to compare the results to current market conditions, confirming the information resources are independent, reliable and in line with other resources, and represented as the exercisable price, and frequently making any other necessary adjustments to the fair value. Investment property is assessed by independent appraisers or based on recent closing prices of similar property in the neighbouring area.

H. The qualitative information on significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement are provided below:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 90,031	Market comparable companies	Price to book ratio multiplier	2.61	The higher the multiplier, the higher the fair value
		Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value
	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative Equity instrument:					
Unlisted shares	\$ 64,460	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, the use of different valuation models or assumptions may result in different measurements. If net assets from financial assets and liabilities categorized within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of December 31, 2018, and 2017.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in the third quarter of 2017:

(a) Financial assets at fair value through profit or loss

- I. They are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.
- II. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- III. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(b) Available for sale financial assets

- I. They are non-derivatives that are either designated in this category or not classified in any of the other categories.
- II. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- III. They are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

- I. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- II. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
- (i) Significant financial difficulty of the issuer or debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (iii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- III. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (i) Financial assets at amortized cost
The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.
 - (ii) Financial assets at cost
The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.
 - (iii) Available-for-sale financial assets
The amount of the impairment loss is measured as the difference between the asset's acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Accounts receivable, net	Measured at fair value through profit or loss – non current	Available-for sale-equity	Available-for sale-liability	Measured at amortized cost	Total	Effects		
			Measured at fair value through other comprehensive income-equity	Measured at fair value through other comprehensive income-liability			Retained earnings	Other equity	Non-controlling interest
IAS 39	\$ 4,868,902	\$ -	\$ 848,575	\$ 202,159	\$ 25,721	\$ 5,945,357	\$ -	\$ -	\$ -
Transferred into and measured at fair value through profit or loss	-	85,833	(60,112)	-	(25,721)	-	22,498	(22,498)	-
Recognized the IFRS 9 effects through investment accounted for using equity method	-	-	-	-	-	-	8,651	(6,955)	-
Impairment loss adjustment	(10,889)	-	-	-	-	(10,889)	(5,686)	-	(5,203)
IFRS 9	<u>\$ 4,858,013</u>	<u>\$ 85,833</u>	<u>\$ 788,463</u>	<u>\$ 202,159</u>	<u>\$ -</u>	<u>\$ 5,934,468</u>	<u>\$ 25,463</u>	<u>(\$ 29,453)</u>	<u>(\$ 5,203)</u>

- (a) Under IAS 39, because the cash flows of debt instruments, which were classified as available-for-sale financial assets, amounting to \$202,159, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, and the Group held these assets for the purpose of receiving cash inflow and sale, thus were reclassified as "financial assets at fair value through other comprehensive income (debt instruments)" on initial application of IFRS 9.
- (b) Under IAS 39, the equity instruments, which were classified as available-or-sale financial assets and financial assets at cost, amounting to \$60,112 and \$25,721, respectively, were reclassified as "financial assets at fair value through profit or loss (equity instruments)", increased retained earnings and decreased other equity interest in the amounts of \$22,498 and \$22,498, respectively, under IFRS 9.
- (c) The Group's investee accounted for using the equity method made certain reclassifications in accordance with IFRS 9. Accordingly, the Group increased investments accounted for using the equity method and retained earnings in the amounts of \$1,696 and \$8,651, respectively, and decreased other equity interest in the amount of \$6,955.
- (d) The Group's accounts receivable for impairment and provision which were impaired under IAS 39, is converted to expected credit losses under IFRS 9. In line with the regulation of IFRS 9 on provision for impairment, accounts receivable were reduced by \$10,889, decreased retained earnings and non-controlling interests in the amounts of \$5,686 and \$5,203, respectively.

C. The significant accounts as of December 31, 2017 are as follows:

- (a) Financial assets at fair value through profit or loss

	December 31, 2017
Financial assets held for trading	
Open-ended fund	\$ 1,554,463
Valuation adjustment of financial assets held for trading	5,562
	<u>\$ 1,560,025</u>

The Group recognized net gain of \$5,816 on financial assets held for trading for the year ended December 31, 2017.

- (b) Available-for-sale financial assets - non-current

	December 31, 2017
Listed stocks	\$ 265,606
Unlisted stocks	41,963
Government bonds	199,840
	507,409
Valuation adjustment	543,325
	<u>\$ 1,050,734</u>

- I. The Group recognized \$151,253 in other comprehensive gain in relation to fair value changes for the year ended December 31, 2017.
- II. The counterparties of the Group's investments in debt instruments have good credit quality.
- (c) Financial assets at cost
- I. According to the Group's intention, its investment objectives should be classified as 'available-for-sale financial assets'. However, as the investment objectives are not traded in active market, and no sufficient industry information of companies similar to their financial information cannot be obtained, the fair value of the investment objectives cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.
- II. As of December 31, 2017, no financial assets measured at cost held by the Group were pledged to others.
- D. Credit risk information as of December 31, 2017 and for the year ended December 31, 2017 are as follows:
- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- (b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The Group's accounts receivable that are neither past due nor impaired are fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.

(d) The ageing analysis of financial assets that were past due but not impaired is as follows:

	December 31, 2017
Up to 90 days	\$ 119,587
91 to 180 days	11,421
181 to 365 days	2,062
Over 365 days	11
	<u>\$ 133,081</u>

(e) Movements in the provision for impairment of accounts receivable for year ended December 31, 2017 are as follows:

	For the year ended December 31, 2017
At January 1	\$ 112,649
Provision for impairment	18,141
Write-offs	(76,881)
Reversal of impairment	(5,438)
At December 31	<u>\$ 48,471</u>

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below:

(a) Sales of goods

- I. The Group's revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity.
- II. The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Allowance for such liabilities are recorded when the sales are recognized.
- III. The Group has customer loyalty programs where the Group grants loyalty award credits (such as 'points'; the award credits can be used to exchange for free or discounted goods) to customers as part of a sales transaction. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the initial sale of goods and the award credits. The amount of proceeds allocated to the award credits is measured by reference to the fair value of goods that can be redeemed by using the award credits and the proportion of award credits that are expected to be redeemed by customers. The Group recognizes the deferred portion of the proceeds allocated to the award credits as revenue only when it has fulfilled its obligations in respect of the award credits.

(b) Sales of services

The Group provides delivering services. Revenue from delivering services is recognized when the services is completed and the outcome of services provided can be estimated reliably. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable.

B. The revenue recognized by using above accounting policies for the 2017 are as follows:

	For the year ended December 31, 2017
Sales revenue	\$ 196,057,358
Service revenue	12,566,609
Other operating revenue	12,508,115
Total	<u>\$ 221,132,082</u>

C. The effects and description of current balance sheet items if the Group continues adopting above accounting policies are as follows and no significant effects on current comprehensive income statement.

Balance sheet items	Description	December 31, 2018		
		Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Accounts receivable, net	(a)	\$ 5,264,573	\$ 5,196,657	\$ 67,916
Other current assets	(a)	3,004,894	2,970,264	34,630
Other current liabilities	(a)(b)	3,260,538	6,001,181	(2,740,643)
Contract liabilities-current	(b)	2,843,189	-	2,843,189
Contract liabilities-non-current	(b)	234,421	-	234,421
Other non-current liabilities	(b)	4,356,989	4,591,410	(234,421)

(a) Under IFRS 15, liability in relation to expected discounts and refunds to customers is recognized as refund liability in the amount of \$102,546. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognizes as current asset (shown as 'other current assets') in the amount of \$34,630. But were previously presented as accounts receivable - allowance for sales discounts in the balance sheet.

(b) Under IFRS 15, liabilities in relation to sales of gift cards, and franchise agreements are recognized as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of December 31, 2018, the balance amounted to \$2,843,189. Liabilities in relation to the customer loyalty program are recognized as contract liabilities, but were previously presented as deferred revenue in the balance sheet. As of December 31, 2018, the balance amounted to \$234,421 and was presented as non-current liability.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 1.

D. Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please refer to Table 2.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 3.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 4.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to Table 5.

(2) Information on investments in Mainland China

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on reports reviewed by the chief operating decision-maker and used to make strategic decisions.

There was no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during the year.

The Chief Operating Decision-Maker considers the business from industry and geographic perspectives. By industry, the Group focuses on convenience stores, retail business groups, logistics business groups and others. Geographically, the Group focuses on Taiwan and mainland China where most of its business premises are located. As the operation of convenience stores in Taiwan is the focus of the Group, it is classified as a single operating segment. The whole of mainland China is considered the same operating segment.

The revenue of the Group's reportable segments is derived from the operations of convenience stores, retail business group and logistics business group. Other operating segments include a restaurant-related business group, supporting business group and China business. The supporting business group mainly provides services relating to the Group's business, such as system maintenance and development and food manufacturing and supply.

(2) Measurement of segment information

The Chief Operating Decision-Maker evaluates the performance of the operating segments based on operating revenue and profit before income tax, which are the basis for measuring performance.

(3) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	For the year ended December 31, 2018					
	Convenience stores	Retail business group	Logistics business group	Other operating segments	Adjustment and elimination	Total
External revenue (net)	\$ 153,412,751	\$ 69,459,313	\$ 2,022,071	\$ 19,993,718	\$ -	\$ 244,887,853
Internal department revenue	661,980	2,229,011	13,091,717	6,680,078	(22,662,786)	-
Total segment revenue	\$ 154,074,731	\$ 71,688,324	\$ 15,113,788	\$ 26,673,796	(\$ 22,662,786)	\$ 244,887,853
Segment income	\$ 12,433,791	\$ 3,718,428	\$ 1,164,775	\$ 2,159,858	(\$ 4,074,505)	\$ 15,402,347
Depreciation and amortization	(\$ 1,994,987)	(\$ 2,241,246)	(\$ 781,950)	(\$ 1,365,513)	(\$ 194,160)	(\$ 6,577,856)
Gain (loss) on investments accounted for using equity method	\$ 3,473,458	(\$ 47,676)	\$ 113,275	\$ 706,423	(\$ 3,821,382)	\$ 424,098
Income tax expense	(\$ 2,227,402)	(\$ 771,310)	(\$ 199,521)	(\$ 272,922)	(\$ 186,914)	(\$ 3,658,069)
Interest income	\$ 83,534	\$ 29,573	\$ 8,896	\$ 577,382	\$ -	\$ 699,385
Interest expense	(\$ 42,971)	(\$ 44,110)	(\$ 10,158)	(\$ 47,423)	\$ -	(\$ 144,662)

	For the year ended December 31, 2017					
	Convenience stores	Retail business group	Logistics business group	Other operating segments	Adjustment and elimination	Total
External revenue (net)	\$ 143,873,316	\$ 65,295,956	\$ 2,633,747	\$ 9,329,063	\$ -	\$ 221,132,082
Internal department revenue	606,564	2,171,020	12,885,352	6,133,809	(21,796,745)	-
Total segment revenue	\$ 144,479,880	\$ 67,466,976	\$ 15,519,099	\$ 15,462,872	(\$ 21,796,745)	\$ 221,132,082
Segment income	\$ 36,501,051	\$ 3,369,954	\$ 1,082,975	\$ 50,901,952	(\$ 50,474,244)	\$ 41,381,688
Depreciation and amortization	(\$ 2,036,658)	(\$ 2,088,475)	(\$ 728,676)	(\$ 637,926)	\$ -	(\$ 5,491,735)
Gain (loss) on investments accounted for using equity method	\$ 26,930,861	(\$ 114,447)	\$ 127,707	\$ 25,531,756	(\$ 50,682,139)	\$ 1,793,738
Income tax expense	(\$ 5,483,957)	(\$ 693,780)	(\$ 168,649)	(\$ 2,717,230)	\$ -	(\$ 9,063,616)
Interest income	\$ 104,826	\$ 30,152	\$ 7,595	\$ 30,547	(\$ 1,097)	\$ 172,023
Interest expense	(\$ 30,491)	(\$ 42,052)	(\$ 9,396)	(\$ 14,402)	\$ 1,830	(\$ 94,511)

(4) Reconciliation of segment income (loss)

Revenue from external customers and segment income (loss) reported to the Chief Operating Decision-Maker are measured using the same method as for revenue and profit before tax in the financial statements. Thus, no reconciliation is needed.

(5) Information on products and services

Revenue from external customers is mainly from retail services and services provided. Details of revenue is as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Convenience stores	\$ 181,384,121	\$ 167,813,140
Sales of daily items	24,200,568	24,562,300
Gas station	10,801,643	9,870,474
Delivery service	10,640,153	10,948,622
Logistics service	2,022,071	2,633,747
Restaurants	12,040,722	1,569,884
Others	3,798,575	3,733,915
	<u>\$ 244,887,853</u>	<u>\$ 221,132,082</u>

(6) Geographical information

As of and for the years ended December 31, 2018 and 2017, the information on geographic area is as follows:

	2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 211,270,304	\$ 34,681,923	\$ 191,271,714	\$ 36,004,968
Others	33,617,549	5,711,638	29,860,368	5,739,855
	<u>\$ 244,887,853</u>	<u>\$ 40,393,561</u>	<u>\$ 221,132,082</u>	<u>\$ 41,744,823</u>

(7) Major customer information

No customers constituted more than 10% of the Group's total revenue for the years ended December 31, 2018 and 2017.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Table 1

December 31, 2018
Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Stock:								
President Chain Store Corp.	President Investment Trust Corp.	Director of President Investment Trust Corp.	Financial assets at fair value through profit or loss - non-current	2,667,600	\$ 45,298	7.60	\$ 45,298	
President Chain Store Corp.	Career Consulting Co. Ltd.	None	"	837,753	14,663	5.37	14,663	
President Chain Store Corp.	Kaohsiung Rapid Transit Corp.	"	"	2,572,127	25,722	0.92	25,722	
President Chain Store Corp.	PK Venture Capital Corp.	Director of PK Venture Capital Corp.	"	321,300	-	6.67	-	
Mech-President Corp.	Yamay International Development Corp.	None	"	9	-	-	-	
President Chain Store Corp.	President Securities Corp.	Investees of Uni-President Enterprises Corp. under the equity method	Financial assets at fair value through other comprehensive income - non-current	38,221,259	439,544	2.75	439,544	
President Chain Store Corp.	Duskin Co., Ltd.	None	"	300,000	200,722	0.56	200,722	
President Chain Store Corp.	Koasa Yamako Corp.	Director of Koasa Yamako Corp.	"	650,000	4,348	10.00	4,348	
Open ended funds:								
Books.com. Co., Ltd.	Yuanta De-Li Money Market Fund	None	Financial assets at fair value through profit or loss - current	1,843,148	\$ 30,008	-	\$ 30,008	
Chieh-Shuen Logistics International Corp.	UPAMC James Bond Money Market Fund	"	"	2,037,832	34,002	-	34,002	
Chieh-Shuen Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	1,730,169	23,503	-	23,503	
Uni-Wonder Corp.	Union Money Market Fund	"	"	15,170,478	200,000	-	200,000	
Uni-Wonder Corp.	Allianz Global Investors Taiwan Money Market Fund	"	"	3,996,323	50,000	-	50,000	
Uni-Wonder Corp.	Taishin 1699 Money Market Fund	"	"	2,220,988	30,000	-	30,000	
President Information Corp.	Prudential Financial Money Market Fund	"	"	7,643,267	120,716	-	120,716	
President Logistics International Corp.	UPAMC James Bond Money Market Fund	"	"	3,266,653	54,506	-	54,506	
President Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	2,429,553	33,004	-	33,004	
President Pharmaceutical Corp.	Jih Sun Money Market Fund	"	"	112,825	1,669	-	1,669	
President Pharmaceutical Corp.	Taishin 1699 Money Market Fund	"	"	3,036,177	41,011	-	41,011	
Retail Support Taiwan Corp.	FSITC Money Market Fund	"	"	38,207	6,806	-	6,806	
Q-ware Systems & Services Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	16,121,671	219,000	-	219,000	
Bond:								
ICASH Corp.	Government bond	None	Financial assets at fair value through other comprehensive income - non-current	-	\$ 200,731	-	\$ 200,731	

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital

Table 2

For the year ended December 31, 2018
Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Type and name of securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2018		Addition		Disposal				Other increase (decrease)		Balance as at December 31, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	Number of shares	Amount
Open ended funds:																
Books Co., Ltd.	Jih Sun Money Market Fund	Note 1	Not applicable	Not applicable	1,358,373	\$ 20,005	88,163,118	\$ 1,300,000	89,521,491	\$ 1,320,528	\$ 1,320,000	\$ 528	- (\$ 5)	-	\$ -	-
Books Co., Ltd.	Yuanta De-Li Money Market Fund	"	"	"	-	-	49,194,595	800,000	47,351,447	770,193	770,000	193	-	8	1,843,148	30,008
Chieh-Shuen Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	"	5,250,222	71,007	55,345,735	750,000	58,865,788	797,675	797,500	175	- (4)	1,730,169	23,503	
Uni-Wonder Corp.	Union Money Market Fund	"	"	"	6,855,158	90,000	56,210,346	740,000	47,895,026	630,569	630,000	569	-	-	15,170,478	200,000
Uni-Wonder Corp.	FSITC Taiwan Money Market Fund	"	"	"	13,151,752	200,000	42,667,230	650,000	55,818,982	850,603	850,000	603	-	-	-	-
Uni-Wonder Corp.	Taishin 1699 Money Market Fund	"	"	"	3,718,301	50,000	48,240,853	650,000	49,738,166	670,296	670,000	296	-	-	2,220,988	30,000
Uni-Wonder Corp.	Nomura Taiwan Money Market Fund	"	"	"	12,328,480	200,000	46,138,977	750,000	58,467,457	950,406	950,000	406	-	-	-	-
Uni-Wonder Corp.	Allianz Global Investors Taiwan Money Market Fund	"	"	"	2,408,497	30,000	35,233,545	440,000	33,645,719	420,182	420,000	182	-	-	3,996,323	50,000
President Drugstore Business Corp.	Jih Sun Money Market Fund	"	"	"	-	-	65,155,152	961,000	65,155,152	961,135	961,000	135	-	-	-	-
President Drugstore Business Corp.	FSITC Taiwan Money Market Fund	"	"	"	-	-	91,027,726	1,388,000	91,027,726	1,388,223	1,388,000	223	-	-	-	-
President Information Corp.	Jih Sun Money Market Fund	"	"	"	9,323,901	137,318	40,572,270	598,800	49,896,170	736,582	736,118	464	-	-	-	-
President Information Corp.	Prudential Financial Money Market Fund	"	"	"	5,474,517	86,074	27,857,708	439,216	25,688,958	405,166	404,574	592	-	-	7,643,267	120,716
President Logistics International Corp.	UPAMC James Bond Money Market Fund	"	"	"	-	-	21,726,534	362,000	18,459,881	307,563	307,500	63	-	6	3,266,653	54,506
President Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	"	2,810,047	38,004	51,773,619	702,000	52,154,113	707,132	706,999	133	- (1)	2,429,553	33,004	
President Pharmaceutical Corp.	Jih Sun Money Market Fund	"	"	"	5,968,302	87,898	57,797,690	853,000	63,653,167	939,519	939,203	316	- (26)	112,825	1,669	
Q-ware Systems & Services Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	"	17,449,813	236,000	225,576,138	3,059,000	226,904,280	3,077,260	3,076,000	1,260	-	-	16,121,671	219,000
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Zhejiang) Ltd.	Note 2	Issuance of common stock for cash	Parent company to subsidiary	-	\$ 187,329	-	\$ 357,228	-	\$ -	\$ -	\$ -	-	- (\$ 131,610)	-	\$ 412,947

Note 1: The security was recognized as "Financial assets at fair value through profit or loss-current".

Note 2: The security was recognized as "Investments accounted for using equity method".

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

Table 3

For the year ended December 31, 2018
Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
President Chain Store Corp.	Uni-President Enterprises Corp.	Ultimate parent company	Purchases	\$ 14,923,741	15	Net 30-40 days from the end of the month when invoice is issued	No significant differences	No significant differences	\$ 1,177,885	(8)	
	Uni-President Superior Commissary Corp.	Subsidiary	"	3,566,700	4	Net 45 days from the end of the month when invoice is issued	"	"	(622,404)	(4)	
	Tung Ang Enterprises Corp.	Sister company	"	1,908,658	2	Net 30 days from the end of the month when invoice is issued	"	"	(136,637)	(1)	
	Lien-Bo Enterprises Corp.	"	"	647,614	1	Net 10-54 days from the end of the month when invoice is issued	"	"	(103,372)	(1)	
	Vision Distribution Service Corp.	Subsidiary	Purchases returns	(149,679)	-	Net 30-60 days from the end of the month when invoice is issued	"	"	-	-	
	Tait Marketing & Distribution Co., Ltd.	Sister company	Purchases	381,636	-	Net 20-70 days from the end of the month when invoice is issued	"	"	(76,213)	-	
	Q-ware Systems & Services Corp.	Subsidiary	"	632,058	1	Net 40 days from the end of the month when invoice is issued	"	"	(107,036)	(1)	
	President Packaging Corp.	Sister company	"	335,435	-	Net 15-60 days from the end of the month when invoice is issued	"	"	(67,993)	-	
	Kuang Chuan Dairy Corp.	Other related party	"	398,310	-	Net 30-65 days from the end of the month when invoice is issued	"	"	(88,129)	(1)	
	President Transnet Corp.	Subsidiary	"	224,880	-	Net 60 days from the end of the month when invoice is issued	"	"	(23,798)	-	
	Weilih Food Industrial Co., Ltd.	Other related party	"	267,673	-	Net 30-60 days from the end of the month when invoice is issued	"	"	(57,714)	-	
	21 Century Enterprise Co., Ltd.	Subsidiary	"	277,271	-	Net 30-60 days from the end of the month when invoice is issued	"	"	(64,673)	-	
	Mister Donut Taiwan Corp., Ltd.	Associate	"	159,797	-	Net 55-60 days from the end of the month when invoice is issued	"	"	(29,185)	-	
	President Pharmaceutical Corp.	Subsidiary	"	101,850	-	Net 60-70 days from the end of the month when invoice is issued	"	"	(124,435)	(1)	
Capital Inventory Services Corp.	President Chain Store Corp.	Parent company	Service revenue	(170,565)	(68)	Net 45-60 days from the end of the month when invoice is issued	"	"	33,902	57	
Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary of President Chain Store Corp.	Delivery revenue	(708,839)	(40)	Net 40 days from the end of the month when invoice is issued	"	"	129,144	59	
	President Logistics International Corp.	Parent company	"	(969,846)	(60)	Net 20 days from the end of the month when invoice is issued	"	"	85,555	39	
Duskin Serve Taiwan Co.	President Chain Store Corp.	"	Service revenue	(282,209)	(23)	Net 15-60 days from the end of the month when invoice is issued	"	"	78,425	37	
Uni-Wonder Corp.	Uni-President Enterprises Corp.	Ultimate parent company	Purchases	270,060	6	Net 30 days from the end of the month when invoice is issued	"	"	(33,063)	(6)	
	Tung Chan Enterprise Corp.	Other related party	"	1,041,904	25	Net 25 days from the end of the month when invoice is issued	"	"	(112,967)	(21)	
	Retail Support International Corp.	Subsidiary of President Chain Store Corp.	"	195,552	5	Net 30 days from the end of the month when invoice is issued	"	"	(18,200)	(3)	
President Information Corp.	President Chain Store Corp.	Parent company	Service revenue	(772,627)	(67)	Net 45 days from the end of the month when invoice is issued	"	"	243,134	69	
President Logistics International Corp.	Retail Support International Corp.	Parent company	Delivery revenue	(751,640)	(24)	Net 20 days from the end of the month when invoice is issued	"	"	69,244	24	
	Uni-President Cold-Chain Corp.	Subsidiary of President Chain Store Corp.	"	(1,035,971)	(33)	Net 20 days from the end of the month when invoice is issued	"	"	89,672	31	

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Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
President Logistics International Corp.	Wisdom Distribution Service Corp.	Subsidiary of President Chain Store Corp.	Delivery revenue	\$ 1,064,345	(33)	Net 20 days from the end of the month when invoice is issued	No significant differences	No significant differences	\$ 103,177	35	
	Chieh-Shuen Logistics International Corp.	Subsidiary	Service cost	969,846	32	Net 20 days from the end of the month when invoice is issued	"	"	(85,555)	(31)	
Uni-President Superior Commissary Corp.	President Chain Store Corp.	Parent company	Sales revenue	(3,566,700)	(99)	Net 45 days from the end of the month when invoice is issued	"	"	622,404	100	
President Transnet Corp.	President Chain Store Corp.	"	"	(224,880)	(44)	Net 60 days from the end of the month when invoice is issued	"	"	23,798	2	
	Chieh-Shuen Logistics International Corp.	Subsidiary of President Chain Store Corp.	Service cost	708,839	8	Net 40 days from the end of the month when invoice is issued	"	"	(129,144)	(8)	
Retail Support Taiwan Corp.	Retail Support International Corp.	Parent company	Delivery revenue	(305,169)	(85)	Net 15-20 days from the end of the month when invoice is issued	"	"	27,199	79	
Q-ware Systems & Services Corp.	President Chain Store Corp.	"	Service revenue	(632,058)	(69)	Net 40 days from the end of the month when invoice is issued	"	"	107,036	78	
Wisdom Distribution Service Corp.	Books.com. Co., Ltd.	Subsidiary of President Chain Store Corp.	"	(283,188)	(9)	Net 30 days from the end of the month when invoice is issued	"	"	26,449	28	
	President Logistics International Corp.	"	Service cost	1,064,345	44	Net 20 days from the end of the month when invoice is issued	"	"	(103,177)	(38)	
President Drugstore Business Corp.	President Pharmaceutical Corp.	"	Purchases	668,736	7	Net 70 days from the end of the month when invoice is issued	"	"	(26,941)	(1)	
President Pharmaceutical Corp.	President Drugstore Business Corp.	"	Sales revenue	(668,736)	(37)	Net 70 days from the end of the month when invoice is issued	"	"	26,941	7	
	President Chain Store Corp.	Parent company	"	(101,850)	(4)	Net 60-70 days from the end of the month when invoice is issued	"	"	124,435	31	
21 Century Enterprise Co., Ltd.	President Chain Store Corp.	"	"	(277,271)	(33)	Net 30-60 days from the end of the month when invoice is issued	"	"	64,673	47	
Vision Distribution Service Corp.	President Chain Store Corp.	"	Sales returns	149,679	-	Net 30-60 days from the end of the month when invoice is issued	"	"	-	-	
Retail Support International Corp.	President Logistics International Corp.	Subsidiary	Service cost	751,640	42	Net 20 days from the end of the month when invoice is issued	"	"	(69,244)	(45)	
	Retail Support Taiwan Corp.	"	"	305,169	17	Net 15-20 days from the end of the month when invoice is issued	"	"	(27,199)	(18)	
	Uni-Wonder Corp.	Subsidiary of President Chain Store Corp.	Delivery revenue	(195,552)	(7)	Net 30 days from the end of the month when invoice is issued	"	"	18,200	6	
Uni-President Cold-Chain Corp.	President Logistics International Corp.	"	Service cost	1,035,971	37	Net 20 days from the end of the month when invoice is issued	"	"	(89,672)	(2)	
Zhejiang Uni-Champion Logistics Development Co., Ltd.	Shanghai President Logistic Co., Ltd.	Parent company	Delivery revenue	(199,852)	(30)	Net 60 days from the end of the month when invoice is issued	"	"	52,590	47	
Shanghai President Logistic Co., Ltd.	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Subsidiary	Service cost	199,852	34	Net 60 days from the end of the month when invoice is issued	"	"	(52,590)	(37)	
ICASH Corp.	President Chain Store Corp.	Parent company	Service revenue	(116,273)	(32)	Net 45 days from the end of the month when invoice is issued	"	"	20,326	36	
President Logistic ShanDong Co., Ltd.	Shan Dong President Yinzuo Commercial Limited	Subsidiary of President Chain Store Corp.	Delivery revenue	(120,713)	(99)	Net 30 days from the end of the month when invoice is issued	"	"	11,136	99	
Shan Dong President Yinzuo Commercial Limited	President Logistic ShanDong Co., Ltd.	"	Service cost	120,713	5	Net 30 days from the end of the month when invoice is issued	"	"	(11,136)	(2)	

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

Table 4

December 31, 2018
Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as of December 31, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
President Information Corp.	President Chain Store Corp.	Parent company	\$ 243,134	3.52	\$ -	None	\$ 191,194	\$ -
Uni-President Superior Commissary Corp.	President Chain Store Corp.	"	622,404	6.02	-	"	622,401	-
Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary of President Chain Store Corp.	129,144	5.21	-	"	78,796	-
President Logistics International Corp.	Wisdom Distribution Service Corp.	"	103,177	9.69	-	"	94,415	-

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Table 5

For the year ended December 31, 2018
Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Company name	Counterparty	Relationship	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	President Chain Store Corp.	Books.com. Co., Ltd.	Parent company to subsidiary	Other operating income	(\$ 170,172)	Net 60 days from the end of the month when invoice is issued	0.07
0	President Chain Store Corp.	President Transnet Corp.	Parent company to subsidiary	Other operating income	(169,894)	Net 60 days from the end of the month when invoice is issued	0.07
1	President Information Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	243,134	Net 45 days from the end of the month when invoice is issued	0.19
1	President Information Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	(772,627)	Net 45 days from the end of the month when invoice is issued	0.32
2	Q-ware Systems & Services Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	(632,058)	Net 40 days from the end of the month when invoice is issued	0.26
3	Duskin Serve Taiwan Co.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	(282,209)	Net 15-60 days from the end of the month when invoice is issued	0.12
4	Uni-President Cold-Chain Corp.	President Chain Store Corp.	Subsidiary to parent company	Other operating income	(343,690)	Net 20 days from the end of the month when invoice is issued	0.14
5	Capital Inventory Services Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	(170,565)	Net 45-60 days from the end of the month when invoice is issued	0.07
6	Chieh-Shuen Logistics International Corp.	President Logistics International Corp.	Subsidiary to subsidiary	Delivery revenue	(969,846)	Net 20 days from the end of the month when invoice is issued	0.40
6	Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary to subsidiary	Delivery revenue	(708,839)	Net 40 days from the end of the month when invoice is issued	0.29
6	Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary to subsidiary	Accounts receivable	129,144	Net 40 days from the end of the month when invoice is issued	0.10
7	President Logistics International Corp.	Retail Support International Corp.	Subsidiary to subsidiary	Delivery revenue	(751,640)	Net 20 days from the end of the month when invoice is issued	0.31
7	President Logistics International Corp.	Uni-President Cold-Chain Corp.	Subsidiary to subsidiary	Delivery revenue	(1,035,971)	Net 20 days from the end of the month when invoice is issued	0.42
7	President Logistics International Corp.	Wisdom Distribution Service Corp.	Subsidiary to subsidiary	Delivery revenue	(1,064,345)	Net 20 days from the end of the month when invoice is issued	0.44
7	President Logistics International Corp.	Wisdom Distribution Service Corp.	Subsidiary to subsidiary	Accounts receivable	103,177	Net 20 days from the end of the month when invoice is issued	0.08
8	President Logistic ShanDong Co., Ltd.	Shan Dong President Yinzuo Commercial Limited	Subsidiary to subsidiary	Delivery revenue	(120,713)	Net 30 days from the end of the month when invoice is issued	0.05
9	President Pharmaceutical Corp.	President Drugstore Business Corp.	Subsidiary to subsidiary	Sales revenue	(668,736)	Net 70 days from the end of the month when invoice is issued	0.27
10	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Shanghai President Logistic Co., Ltd.	Subsidiary to subsidiary	Sales revenue	(199,852)	Net 60 days from the end of the month when invoice is issued	0.08
11	Uni-President Superior Commissary Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	622,404	Net 45 days from the end of the month when invoice is issued	0.49
11	Uni-President Superior Commissary Corp.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	(3,566,700)	Net 45 days from the end of the month when invoice is issued	1.46
12	21 Century Enterprise Co., Ltd.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	(277,271)	Net 30-60 days from the end of the month when invoice is issued	0.11
13	Wisdom Distribution Service Corp.	Books.com. Co., Ltd.	Subsidiary to subsidiary	Service revenue	(283,188)	Net 30 days from the end of the month when invoice is issued	0.12
14	Retail Support Taiwan Corp.	Retail Support International Corp.	Subsidiary to subsidiary	Delivery revenue	(305,169)	Net 15-20 days from the end of the month when invoice is issued	0.13
15	Vision Distribution Service Corp.	President Chain Store Corp.	Subsidiary to parent company	Sales returns	149,679	Net 30-60 days from the end of the month when invoice is issued	0.06
16	Retail Support International Corp.	Uni-Wonder Corp.	Subsidiary to subsidiary	Delivery revenue	(195,552)	Net 30 days from the end of the month when invoice is issued	0.08

Note: Transaction among the company and subsidiaries with amount over NTD\$100,000, only one side of the transactions are disclosed.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Names, locations and other information of investee companies
(not including investees in Mainland China)

Table 6

For the year ended December 31, 2018
Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
President Chain Store Corp.	President Chain Store (BV) Holdings Ltd.	British Virgin Islands	Professional investment	\$ 6,712,138	\$ 6,712,138	171,589,586	100.00	\$ 25,850,474	\$ 611,941	\$ 615,496	Subsidiary
President Chain Store Corp.	President Drugstore Business Corp.	Taiwan	Sales of cosmetics, medicines and daily items	288,559	288,559	78,520,000	100.00	1,367,838	290,300	290,300	Subsidiary
President Chain Store Corp.	President Transnet Corp.	Taiwan	Delivery service	711,576	711,576	103,496,399	70.00	1,518,487	490,073	343,051	Subsidiary
President Chain Store Corp.	Mech-President Corp.	Taiwan	Gas station, installment and maintenance of elevators	904,475	904,475	55,858,815	80.87	694,277	99,980	80,855	Subsidiary
President Chain Store Corp.	President Pharmaceutical Corp.	Taiwan	Sales of various health care products, cosmetics, and pharmaceuticals	330,216	330,216	22,121,962	73.74	756,001	227,432	167,956	Subsidiary
President Chain Store Corp.	Uni-President Department Store Corp.	Taiwan	Department stores	840,000	840,000	27,999,999	70.00	566,145	333,022	233,115	Subsidiary
President Chain Store Corp.	Uni-President Superior Commissary Corp.	Taiwan	Fresh food manufacture	520,141	520,141	48,519,890	90.00	467,659	17,497	15,747	Subsidiary
President Chain Store Corp.	Uni-President Cold-Chain Corp.	Taiwan	Low-temperature logistics and warehousing	237,437	237,437	23,605,042	60.00	645,440	341,444	204,866	Subsidiary
President Chain Store Corp.	President Information Corp.	Taiwan	Enterprise information management and consultancy	320,741	320,741	25,714,475	86.00	489,299	76,172	65,508	Subsidiary
President Chain Store Corp.	Q-ware Systems & Services Corp.	Taiwan	Information software services	332,482	332,482	24,382,921	86.76	372,945	80,643	69,965	Subsidiary
President Chain Store Corp.	Wisdom Distribution Service Corp.	Taiwan	Logistics and storage of publication and e-commerce	50,000	50,000	10,847,421	100.00	506,392	271,711	271,711	Subsidiary
President Chain Store Corp.	Books.com. Co., Ltd.	Taiwan	Retail business without shop	100,400	100,400	9,999,999	50.03	417,935	422,359	211,285	Subsidiary
President Chain Store Corp.	President Yilan Art and Culture Corp.	Taiwan	Art and cultural exhibition	20,000	200,000	2,000,000	100.00	51,328	676	676	Subsidiary
President Chain Store Corp.	Duskin Serve Taiwan Co.	Taiwan	Cleaning instruments leasing and selling	102,000	102,000	10,199,999	51.00	194,788	133,258	67,941	Subsidiary
President Chain Store Corp.	ICASH Corp.	Taiwan	Electronic ticketing services	500,000	500,000	50,000,000	100.00	356,073	5,787	5,787	Subsidiary
President Chain Store Corp.	Uni-President Development Corp.	Taiwan	Construction, development and operation of an MRT station	720,000	720,000	72,000,000	20.00	753,904	116,093	23,219	Note 1
President Chain Store Corp.	Uni-Wonder Corp.	Taiwan	Coffee chain store	3,286,206	3,286,206	21,382,674	60.00	5,289,524	711,814	198,444	Subsidiary
President Chain Store Corp.	Retail Support International Corp.	Taiwan	Room-temperature logistics and warehousing	91,414	91,414	6,429,999	25.00	174,830	216,951	54,238	Subsidiary
President Chain Store Corp.	Presicare Corp.	Taiwan	Management of retail department store	7,112,028	7,112,028	130,801,027	19.50	5,518,380	1,677,876	327,178	Note 1
President Chain Store Corp.	President Fair Development Corp.	Taiwan	Operation of shopping mall, department store, international trade, etc.	3,191,700	3,191,700	190,000,000	19.00	1,984,125	158,079	30,035	Note 1
President Chain Store Corp.	President International Development Corp.	Taiwan	Professional investment	500,000	500,000	44,100,000	3.33	461,328	475,420	16,591	Note 1
President Chain Store Corp.	Tung Ho Development Corp.	Taiwan	Management of entertainment business	861,696	861,696	19,930,000	12.46	114,755	(68,624)	(8,691)	Note 1
President Chain Store Corp.	Ren-Hui Investment Corp.	Taiwan	Professional investment	637,231	637,231	6,500,000	100.00	82,833	7,452	7,452	Subsidiary
President Chain Store Corp.	Capital Inventory Services Corp.	Taiwan	Enterprise management consultancy	9,506	9,506	2,500,000	100.00	59,241	31,630	31,630	Subsidiary
President Chain Store Corp.	PCSC (China) Drugstore Limited	British Virgin Islands	Professional investment	277,805	277,805	8,746,008	92.20	64,995	1,764	1,626	Subsidiary
President Chain Store Corp.	President Chain Store Corporation Insurance Brokers Co., Ltd.	Taiwan	Life and property insurance	213,000	213,000	1,500,000	100.00	22,808	6,651	6,651	Subsidiary
President Chain Store Corp.	Cold Stone Creamery Taiwan Ltd.	Taiwan	Sales of ice cream	170,000	170,000	12,244,390	100.00	(9,454)	14,507	14,507	Subsidiary
President Chain Store Corp.	President Being Corp.	Taiwan	Sports and entertainment business	170,000	170,000	1,500,000	100.00	(42,731)	18,558	18,558	Subsidiary
President Chain Store Corp.	21 Century Enterprise Co., Ltd.	Taiwan	Operation of chain restaurants	160,680	160,680	10,000,000	100.00	34,523	24,027	24,027	Subsidiary
President Chain Store Corp.	President Chain Store Tokyo Marketing Corp.	Japan	Enterprise management consultancy	35,648	35,648	9,800	100.00	76,331	3,114	3,114	Subsidiary
President Chain Store Corp.	Uni-President Oven Bakery Corp.	Taiwan	Bread and pastry retailer	391,300	391,300	6,511,963	100.00	(29,439)	(14,764)	(14,764)	Subsidiary

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Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
President Chain Store Corp.	President Collect Services Co., Ltd.	Taiwan	Collection agent	\$ 10,500	\$ 10,500	1,049,999	70.00	\$ 73,621	\$ 85,542	\$ 59,878	Subsidiary
President Chain Store Corp.	Afternoon Tea Taiwan Co., Ltd.	Taiwan	Operation of restaurants	147,900	147,900	14,789,999	51.00	41,659	(509)	(260)	Subsidiary
President Chain Store Corp.	Mister Donut Taiwan Corp., Ltd.	Taiwan	Bakery retailer	200,000	200,000	7,500,049	50.00	107,879	41,756	22,118	Note 1
President Chain Store Corp.	Uni-President Organics Corp.	Taiwan	Health care products and organic food	47,190	47,190	1,833,333	36.67	38,862	21,446	7,863	Note 1
President Chain Store Corp.	President Technology Corp.	Taiwan	Software development and call center service	7,500	7,500	750,000	15.00	21,347	38,142	5,718	Note 1
President Chain Store Corp.	Grand Bills Finance Corp.	Taiwan	Securities trading	-	1,050	-	-	-	568,805	67	Note 1
Books.com. Co., Ltd.	Books.com. (BVI) Ltd.	British Virgin Islands	Professional investment	1,478	1,478	500	100.00	592	2	3	Subsidiary of a subsidiary
Mech-President Corp.	President Jing Corp.	Taiwan	Gas station	9,600	9,600	960,000	60.00	26,003	16,339	9,803	Subsidiary of a subsidiary
President Chain Store (Hong Kong) Holdings Limited	PCSC Restaurant (Cayman) Holdings Limited	Cayman Islands	Professional investment	159,966	159,966	8,880,000	100.00	31,162	80	80	Subsidiary of a subsidiary
President Chain Store (Hong Kong) Holdings Limited	PCSC (China) Drugstore Limited	British Virgin Islands	Professional investment	22,729	22,729	740,000	7.80	5,499	1,764	138	Subsidiary of a subsidiary
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Hong Kong) Holdings Limited	Hong Kong	Professional investment	4,784,073	4,784,073	134,603,354	100.00	4,160,454	86,522	86,522	Subsidiary of a subsidiary
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Labuan) Holdings Ltd.	Malaysia	Professional investment	895,752	895,752	29,163,337	100.00	2,211,268	385,752	385,752	Subsidiary of a subsidiary
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corp.	Philippines	Operation of chain stores	894,891	894,891	394,970,516	52.22	2,210,541	887,060	399,934	Subsidiary of a subsidiary
President Logistics International Corp.	Chieh-Shuen Logistics International Corp.	Taiwan	Trucking	180,000	180,000	26,670,000	100.00	310,438	19,473	19,473	Subsidiary of a subsidiary
President Pharmaceutical Corp.	President Pharmaceutical (Hong Kong) Holdings Limited	Hong Kong	Sales of various health care products, cosmetics, and pharmaceuticals	178,024	89,415	5,935,900	100.00	72,393	(28,202)	(28,202)	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Books.com. Co., Ltd.	Taiwan	Retail business without shop	-	-	1	-	-	422,359	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Uni-President Department Store Corp.	Taiwan	Department stores	-	-	1	-	-	333,022	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Mech-President Corp.	Taiwan	Gas station, installment and maintenance of elevators	-	-	1	-	-	99,980	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	President Information Corp.	Taiwan	Enterprise information management and consultancy	-	-	1	-	-	76,172	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	President Transnet Corp.	Taiwan	Delivery service	-	-	1	-	-	490,073	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Q-ware Systems & Services Corp.	Taiwan	Information software services	-	-	1	-	-	80,643	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Duskin Serve Taiwan Co.	Taiwan	Cleaning instruments leasing and selling	-	-	1	-	-	133,258	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	President Pharmaceutical Corp.	Taiwan	Sales of various health care products, cosmetics, and pharmaceuticals	-	-	1	-	-	227,432	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Mister Donut Taiwan Corp., Ltd.	Taiwan	Bakery retailer	-	-	1	-	-	41,756	-	Note 1
Ren-Hui Investment Corp.	Uni-President Superior Commissary Corp.	Taiwan	Fresh food manufacture	-	-	1	-	-	17,497	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Uni-President Cold-Chain Corp.	Taiwan	Low-temperature logistics and warehousing	-	-	1	-	-	341,444	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Retail Support International Corp.	Taiwan	Room-temperature logistics and warehousing	-	-	1	-	-	216,951	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	President Collect Services Co., Ltd.	Taiwan	Collection agent	-	-	1	-	-	85,542	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Afternoon Tea Taiwan Co., Ltd.	Taiwan	Operation of restaurants	-	-	1	-	(509)	-	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Ren Hui Holding Co., Ltd.	British Virgin Islands	Professional investment	60,374	60,374	2,000,000	100.00	70,287	4,024	4,024	Subsidiary of a subsidiary
Retail Support International Corp.	Retail Support Taiwan Corp.	Taiwan	Room-temperature logistics and warehousing	15,300	15,300	2,871,300	51.00	74,413	45,403	23,156	Subsidiary of a subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Retail Support International Corp.	President Logistics International Corp.	Taiwan	Trucking	\$ 44,975	\$ 44,975	9,481,500	49.00	\$ 161,679	\$ 75,685	\$ 37,086	Subsidiary of a subsidiary
Retail Support Taiwan Corp.	President Logistics International Corp.	Taiwan	Trucking	5,425	5,425	1,161,000	6.00	19,797	75,685	4,413	Subsidiary of a subsidiary
Uni-President Cold-Chain Corp.	President Logistics International Corp.	Taiwan	Trucking	23,850	23,850	4,837,500	25.00	82,489	75,685	18,921	Subsidiary of a subsidiary
Uni-President Cold-Chain Corp.	Uni-President Logistics (BV) Holdings Limited	British Virgin Islands	Professional investment	87,994	87,994	2,990	100.00	103,772	12,628	12,628	Subsidiary of a subsidiary
Wisdom Distribution Service Corp.	President Logistics International Corp.	Taiwan	Trucking	18,850	18,850	3,870,000	20.00	65,991	75,685	15,137	Subsidiary of a subsidiary
Wisdom Distribution Service Corp.	Vision Distribution Service Corp.	Taiwan	Publishing Industry	-	60,000	-	-	(31,023)	(17,539)	(17,539)	Subsidiary of a subsidiary
Philippine Seven Corp.	Convenience Distribution Inc.	Philippines	Logistics and warehousing	26,299	26,299	4,500,000	100.00	26,299	23,046	-	Subsidiary of a subsidiary
Philippine Seven Corp.	Store Sites Holding, Inc.	Philippines	Professional investment	28,486	28,486	40,000	40.00	28,486	1,262	-	Subsidiary of a subsidiary

Note 1: The investee was recognized using equity method by the company.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Information on investments in Mainland China

Table 7

For the year ended December 31, 2018
Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai President Chain Store Corporation Trade Co., Ltd.	Trade of food and commodities	\$ 272,749	Note 1	\$ 158,815	\$ -	\$ -	\$ 158,815	\$ 266	100.00	\$ 266	\$ 31,093	\$ -	Note 2
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Wholesale of merchandise	446,536	Note 1	289,252	-	-	289,252	1,855	100.00	1,855	69,725	-	Note 2
President Chain Store (Shanghai) Ltd.	Operation of chain stores	2,232,680	Note 1	2,373,578	-	-	2,373,578	(155,505)	100.00	(155,507)	68,214	-	Note 2
Shanghai President Logistic Co., Ltd.	Logistics and warehousing	61,430	Note 1	61,430	-	-	61,430	75,487	100.00	76,970	420,437	-	Note 2
Shanghai Cold Stone Ice Cream Corporation	Sales of ice cream	993,737	Note 1	1,005,579	-	-	1,005,579	(4,323)	100.00	(4,323)	47,631	-	Note 2
PCSC (Chengdu) Hypermarket Limited	Retail hypermarket	589,428	Note 1	546,000	-	-	546,000	(21,399)	100.00	(21,696)	54,972	-	Note 2
Shan Dong President Yinzuo Commercial Limited	Supermarkets	267,922	Note 1	125,267	-	-	125,267	34,356	55.00	17,331	195,037	-	Note 2
President (Shanghai) Health Product Trading Company Ltd.	Sales of various health care products, cosmetics, and pharmaceuticals	174,851	Note 1	85,544	89,307	-	174,851	(29,280)	73.74	(21,591)	28,837	56,866	Note 2
Zhejiang Uni-Champion Logistics Development Co., Ltd. Co., Ltd.	Logistics and warehouse	178,614	Note 1	174,654	-	-	174,654	25,610	80.00	21,953	159,862	13,946	Note 2
Beijing Bokelai Customer Co.	Enterprise information consulting, network technology development and services	461	Note 1	-	-	-	-	-	50.03	-	17	-	Note 2
President Chain Store (Taizhou) Ltd.	Logistics and warehousing	267,922	Note 1	267,922	-	-	267,922	25,872	100.00	25,863	331,098	-	Note 2
President Logistic ShanDong Co., Ltd.	Logistics and warehousing	223,268	Note 1	223,268	-	-	223,268	6,904	100.00	6,447	200,347	-	Note 2
President Chain Store (Zhejiang) Ltd.	Operation of chain stores	625,150	Note 1	267,922	357,228	-	625,150	(129,811)	100.00	(129,813)	412,947	-	Note 2
Beauty Wonder (Zhejiang) Trading Co., Ltd.	Sales of cosmetics and daily items	133,961	Note 1	-	133,961	-	133,961	(20,741)	100.00	(20,741)	113,642	-	Note 2

Note 1: Indirect investment in PRC through the existing company located in the third area.

Note 2: The financial statements were reviewed by the CPA of parent company in Taiwan.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
President Chain Store Corp.	\$ 4,734,350	\$ 8,488,824	\$ 26,415,016
President Pharmaceutical Corp.	174,851	174,851	485,926
Uni-President Cold-Chain Corp.	91,144	91,144	633,116
Ren-Hui Investment Corp.	52,931	52,931	80,000

6 Parent Company Only Financial Statements and Report of Independent Accountants

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of President Chain Store Corp.

Opinion

We have audited the accompanying parent company only balance sheets of President Chain Store Corp. as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity, and of cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (which are described in the Other matters section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of President Chain Store Corp. as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” .

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of President Chain Store Corp. in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with this Code. Based on our audits and the reports of other independent accountants, we believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s parent company only financial statements of the year ended December 31, 2018 are stated as follows:

Completeness and accuracy of retail sales revenue

Description

Please refer to Notes 4(22) and 6(19) to the parent company only financial statements for the accounting policy and the details of accounting relating to this key audit matter.

Retail sales revenue is generated by point-of-sale (POS) terminals, which record the merchandise name, quantity, sales price and total sales amount of each transaction using pre-established merchandise master file data (including merchandise name, cost of inventory, retail price, sales promotions, etc.). After the daily closing process, each store manager uploads the sales information to the ERP (enterprise resource planning) system, which summarizes all sales and automatically generates sales revenue journal entries. Each store manager also prepares a daily cash report to record the sales information and payment methods (including cash, gift certificates, credit cards and electronic payment devices, etc.) and the cash deposited to the bank.

As retail sales revenue comprises numerous small amount transactions and highly relies on the POS and ERP systems, the process of summarizing and recording sales revenue by these systems is important with regard to the completeness and accuracy of the retail sales revenue, and thus has been identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Inspected whether additions and changes to the merchandise master file data had been properly approved and supported by relevant documents;
2. Inspected whether approved additions and changes to the merchandise master file data had been correctly entered in the merchandise master file;
3. Inspected whether merchandise master file data had been periodically transferred to POS terminals in stores;
4. Inspected whether sales information in POS terminals was periodically and completely transferred to the ERP system and automatically generated sales revenue journal entries;

5. Inspected manual sales revenue journal entries and relevant documents;
6. Inspected daily cash reports and relevant documents;
7. Inspected whether cash deposit amounts recorded in daily cash reports were in agreement with bank remittance amounts.

Cost-to-retail ratio of retail inventory method

Description

Please refer to Notes 4(11) and 6(3) to the parent company only financial statements for the accounting policy and the details of accounting relating to this key audit matter.

As there are various kinds of merchandise, the retail inventory method is used to estimate the cost of inventory and the cost of goods sold. The retail inventory method uses the ratio of the cost of goods purchased to the retail value of goods purchased (known as cost-to-retail ratio) to calculate the cost of inventory and the cost of goods sold. The calculation of the cost-to-retail ratio highly relies on the goods purchased both at cost and retail price, and thus has been identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Interviewed management to understand the calculation of the cost-to-retail ratio under the retail inventory method, and inspected whether it had been consistently applied in the comparative periods of the financial statements;
2. Inspected whether additions and changes to the merchandise master file data (including merchandise name, cost of inventory, retail price, sales promotions, etc.) had been properly approved and the data correctly entered in the merchandise master file;
3. Inspected whether the cost and retail price of inventory purchased as per delivery receipts were in agreement with POS purchase records after acceptance of the inventory;
4. Inspected whether the POS records for the cost and retail price of inventory purchased were periodically and completely transferred to the ERP system and ascertain whether the records could not be changed manually;
5. Calculated the cost-to-retail ratio to verify its accuracy.

Other matter –Using the work of other auditors

We did not audit the financial statements of certain investee companies. The balance of these investments accounted for using equity method amounted to NT\$2,210,541 thousand and NT\$1,920,960 thousand, representing 2.5% and 1.9% of total assets as of December 31, 2018 and 2017, respectively, and the related total comprehensive net income (including share of profit of subsidiaries, associates and joint ventures accounted for using equity method and share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method) amounted to NT\$ 415,363 thousand and NT\$401,705 thousand, representing 3.9% and 1.3% of total comprehensive net income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on investees disclosed in Note 13 were based solely on the reports of other independent accountants.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal controls as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability of President Chain Store Corp. to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate President Chain Store Corp. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the financial reporting process of President Chain Store Corp.

Auditor’s responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these

parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement in the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of President Chain Store Corp.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of President Chain Store Corp. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause President Chain Store Corp. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within President Chain Store Corp. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2018 and are, therefore, considered to be the key audit matters. We describe these matters in our auditor's report unless the law or regulations preclude public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chun-Yuan, Hsiao

Chien-Hung, Chou

For and on behalf of PricewaterhouseCoopers, Taiwan
27 February, 2019

The accompanying Parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying Parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

PRESIDENT CHAIN STORE CORP.
PARENT COMPANY ONLY BALANCE SHEETS

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
Current assets					
1100 Cash and cash equivalents	6(1)	\$ 14,070,715	16	\$ 22,422,981	22
1170 Accounts receivable, net	6(2)	603,890	-	600,671	1
1200 Other receivables	7(3)	2,515,131	3	7,556,281	7
130X Inventories, net	6(3)	8,020,368	9	7,194,707	7
1410 Prepayments		196,990	-	267,738	-
1470 Other current assets		1,560,262	2	1,646,623	2
11XX Total current assets		26,967,356	30	39,689,001	39
Non-current assets					
1510 Financial assets at fair value through profit or loss - non-current	6(4)	85,683	-	-	-
1517 Financial assets at fair value through other comprehensive income -non-current	6(5)	644,614	1	-	-
1523 Available-for-sale financial assets - non-current	12(4)	-	-	848,575	1
1543 Financial assets measured at cost - non-current	12(4)	-	-	25,721	-
1550 Investments accounted for using equity method	6(6)	49,094,402	55	47,983,892	48
1600 Property, plant and equipment, net	6(7)	9,114,219	10	8,946,459	9
1760 Investment property, net	6(8)	1,189,454	1	1,196,819	1
1780 Intangible assets	6(9)	119,019	-	211,865	-
1840 Deferred income tax assets	6(25)	800,458	1	673,959	1
1900 Other non-current assets	6(10)	1,231,311	2	1,176,722	1
15XX Total non-current assets		62,279,160	70	61,064,012	61
1XXX Total assets		\$ 89,246,516	100	\$ 100,753,013	100

Liabilities and Equity	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
Current liabilities					
2100 Short-term borrowings	6(11) and 8	\$ 6,000,000	7	\$ -	-
2130 Contract liabilities - current	6(19)	1,293,149	1	-	-
2150 Notes payable		1,331,853	1	1,488,293	2
2160 Notes payable - related parties	7(3)	4,705,638	5	4,251,017	4
2170 Accounts payable		1,437,022	2	1,662,063	2
2180 Accounts payable - related parties	7(3)	8,028,624	9	7,099,859	7
2200 Other payables	6(12)	18,827,308	21	22,286,764	22
2230 Current income tax liabilities	6(25)	1,049,737	1	1,713,191	2
2300 Other current liabilities	6(13)	1,463,092	2	2,459,527	2
21XX Total current liabilities		44,136,423	49	40,960,714	41
Non-current liabilities					
2527 Contract liabilities - non-current	6(19)	151,550	-	-	-
2570 Deferred income tax liabilities	6(25)	3,916,979	4	3,373,090	3
2640 Net defined benefit liability	6(14)	2,860,605	3	2,842,380	3
2645 Guarantee deposit received		2,533,958	3	2,435,662	2
2670 Other non-current liabilities		394,951	1	526,905	1
25XX Total non-current liabilities		9,858,043	11	9,178,037	9
2XXX Total liabilities		53,994,466	60	50,138,751	50
Equity					
Share capital					
3110 Share capital - common stock	6(15)	10,396,223	12	10,396,223	10
Capital surplus					
3200 Capital surplus	6(16)	45,059	-	43,875	-
Retained earnings					
3310 Legal reserve	6(17)	12,293,442	14	9,191,733	9
3320 Special reserve		398,859	-	-	-
3350 Unappropriated retained earnings		12,064,862	14	31,381,290	31
Other equity					
3400 Other equity interest	6(18)	53,605	-	(398,859)	-
3XXX Total equity		35,252,050	40	50,614,262	50
3X2X Total liabilities and equity		\$ 89,246,516	100	\$ 100,753,013	100

The accompanying notes are an integral part of these parent company only financial statements.

PRESIDENT CHAIN STORE CORP.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	For the years ended December 31			
		2018		2017	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(19) and 7(3)	\$ 154,074,731	100	\$ 144,479,880	100
5000 Operating costs	6(3)(23) and 7(3)	(101,062,364)	(66)	(93,840,583)	(65)
5900 Gross profit		53,012,367	34	50,639,297	35
Operating expenses	6(23)(24)				
6100 Selling expenses		(41,041,167)	(26)	(39,193,337)	(27)
6200 General and administrative expenses		(4,314,519)	(3)	(5,199,235)	(4)
6450 Expected credit losses	12(2)	(2,100)	-	-	-
6000 Total operating expenses		(45,357,786)	(29)	(44,392,572)	(31)
6900 Operating profit		7,654,581	5	6,246,725	4
Non-operating income and expenses	7(3)				
7010 Other income	6(20)	1,417,538	1	1,374,192	1
7020 Other gains and losses	6(21)	(68,816)	-	1,979,764	1
7050 Finance costs	6(22)	(42,971)	-	(30,491)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	3,473,458	2	26,930,861	19
7000 Total non-operating income and expenses		4,779,209	3	30,254,326	21
7900 Profit before income tax		12,433,790	8	36,501,051	25
7950 Income tax expense	6(25)	(2,227,402)	(1)	(5,483,957)	(4)
8200 Profit for the year		\$ 10,206,388	7	\$ 31,017,094	21
Other comprehensive loss	6(18)				
8311 Remeasurements of net actuarial loss on defined benefit plan	6(14)	(\$ 29,219)	-	(\$ 180,212)	-
8316 Unrealized gain on valuation of equity instruments at fair value through other comprehensive income	6(5)(18)	(143,849)	-	-	-
8330 Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(73,714)	-	(24,825)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	49,725	-	30,636	-
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		(197,057)	-	(174,401)	-
8361 Exchange differences from translation of foreign operations	6(18)	619,530	-	(697,337)	-
8362 Unrealized gain (loss) on valuation of available-for-sale financial assets	6(18)	-	-	152,186	-
8380 Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		2,289	-	(19,014)	-
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(25)	-	-	(6,283)	-
8360 Components of other comprehensive loss that will be reclassified to profit or loss		621,819	-	(570,448)	-
8300 Total other comprehensive income (loss) for the year		\$ 424,762	-	(\$ 744,849)	-
8500 Total comprehensive income for the year		\$ 10,631,150	7	\$ 30,272,245	21
9750 Basic earnings per share (in dollars)	6(26)	\$	9.82	\$	29.83
9850 Diluted earnings per share (in dollars)	6(26)	\$	9.79	\$	29.72

The accompanying notes are an integral part of these parent company only financial statements.

PRESIDENT CHAIN STORE CORP.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

Appendix

Parent Company Only
Financial Statements and
Report of Independent
Accountants

(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital – common stock	Capital surplus	Retained Earnings			Other Equity Interest			Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from translation of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for- sale financial assets	
For the year ended December 31, 2017										
Balance at January 1, 2017		\$ 10,396,223	\$ 1,158	\$ 8,208,064	\$ -	\$ 9,839,244	(\$ 186,228)	\$ -	\$ 357,817	\$ 28,616,278
Profit for the year		-	-	-	-	31,017,094	-	-	-	31,017,094
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	(174,401)	(720,080)	-	149,632	(744,849)
Total comprehensive income (loss) for the year		-	-	-	-	30,842,693	(720,080)	-	149,632	30,272,245
Distribution of 2016 earnings:	6(17)									
Legal reserve	6(17)	-	-	983,669	-	(983,669)	-	-	-	-
Cash dividends	6(17)	-	-	-	-	(8,316,978)	-	-	-	(8,316,978)
Adjustment of capital surplus due to associates' adjustment of capital surplus		-	(164)	-	-	-	-	-	-	(164)
Adjustment of capital surplus due to change in interests in associates		-	42,881	-	-	-	-	-	-	42,881
Balance at December 31, 2017		\$ 10,396,223	\$ 43,875	\$ 9,191,733	\$ -	\$ 31,381,290	(\$ 906,308)	\$ -	\$ 507,449	\$ 50,614,262
For the year ended December 31, 2018										
Balance at January 1, 2018		\$ 10,396,223	\$ 43,875	\$ 9,191,733	\$ -	\$ 31,381,290	(\$ 906,308)	\$ -	\$ 507,449	\$ 50,614,262
Adjustments under new standards	3(1)	-	-	-	-	25,463	-	477,996	(507,449)	(3,990)
Adjusted beginning balance		10,396,223	43,875	9,191,733	-	31,406,753	(906,308)	477,996	-	50,610,272
Profit for the year		-	-	-	-	10,206,388	-	-	-	10,206,388
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	(57,155)	626,479	(144,562)	-	424,762
Total comprehensive income (loss) for the year		-	-	-	-	10,149,233	626,479	(144,562)	-	10,631,150
Distribution of 2017 earnings:										
Legal reserve		-	-	3,101,709	-	(3,101,709)	-	-	-	-
Special reserve		-	-	-	398,859	(398,859)	-	-	-	-
Cash dividends		-	-	-	-	(25,990,556)	-	-	-	(25,990,556)
Overdue unclaimed cash dividend transferred to capital surplus		-	536	-	-	-	-	-	-	536
Adjustment of capital surplus due to associates' adjustment of capital surplus		-	648	-	-	-	-	-	-	648
Balance at December 31, 2018		\$ 10,396,223	\$ 45,059	\$ 12,293,442	\$ 398,859	\$ 12,064,862	(\$ 279,829)	\$ 333,434	\$ -	\$ 35,252,050

The accompanying notes are an integral part of these parent company only financial statements.

PRESIDENT CHAIN STORE CORP.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax for the year		\$ 12,433,790	\$ 36,501,051
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Provision for doubtful accounts	12(4)	-	422
Expected credit losses	12(2)	2,100	-
Depreciation on property, plant and equipment	6(7)(23)	2,096,300	1,936,919
Amortization	6(9)(23)	92,846	99,475
Finance costs	6(22)	42,971	30,491
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	(3,473,458)	(26,930,861)
Depreciation on investment property	6(8)	7,365	7,414
Gain on disposal of investments accounted for using equity	6(6)(21)	(59)	(2,099,503)
Interest income	6(20)	(83,534)	(104,826)
Dividend income	6(20)	(65,124)	(17,311)
Impairment loss (reversal gain) on property, plant and equipment	6(7)(21)	(2,401)	10,110
Impairment loss on investment property	6(8)	-	3,813
Loss on disposal of property, plant and equipment, net	6(21)	9,632	14,868
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		(4,992)	(87,903)
Other receivables		76,934	(834,668)
Inventories		(825,661)	(1,190,980)
Prepayments		70,748	(71,222)
Other current assets		86,361	(24,690)
Other non-current assets		(54,589)	75,819
Net changes in liabilities relating to operating activities			
Contract liabilities - current		140,135	-
Notes payable		298,181	106,249
Accounts payable		703,724	(446,872)
Other payables		(234,672)	3,824,312
Advance receipts		156,252	38,009
Contract liabilities - non-current		939	-
Net defined benefit liability - non-current		(10,994)	(11,581)
Other non-current liabilities		16,900	(147,704)
Cash generated from operations		11,479,694	10,680,831
Interest received		107,590	104,826
Income tax paid	6(25)	(2,423,741)	(1,109,634)
Interest paid		(32,687)	(20,645)
Dividends received		7,731,235	2,003,782
Net cash provided by operating activities		16,862,091	11,659,160

(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Return of capital from financial assets at fair value through profit or loss – non-current		\$ 151	\$ -
Acquisition of investments accounted for using equity method	6(6)	(3,226,806)	(1,065,434)
Proceeds from disposal of investments accounted for using equity method	6(6)and7(3)	1,828	-
Return of capital from investments accounted for using equity method		180,000	-
Return of capital from available-for-sale financial assets - non-current		-	116
Acquisition of property, plant and equipment	6(28)	(2,303,297)	(2,279,236)
Proceeds from disposal of property, plant and equipment		26,027	44,579
Acquisition of intangible assets	6(9)	-	(33,020)
Net cash used in investing activities		(5,322,097)	(3,332,995)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividends	6(17)	(25,990,556)	(8,316,978)
Increase in short term borrowings	6(29)	6,000,000	-
Increase in guarantee deposit received	6(29)	98,296	121,625
Net cash flows used in financing activities		(19,892,260)	(8,195,353)
(Decrease) increase in cash and cash equivalents		(8,352,266)	130,812
Cash and cash equivalents at beginning of year		22,422,981	22,292,169
Cash and cash equivalents at end of year		\$ 14,070,715	\$ 22,422,981

The accompanying notes are an integral part of these parent company only financial statements.

PRESIDENT CHAIN STORE CORP.

NOTES TO THE PARENT COMPANY ONLY

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) President Chain Store Corporation (the "Company") was established on June 10, 1987. The Company is primarily engaged in the investment and operation of convenience store chains. Business items included sales of food, beverages, coffee, daily commodities of cosmetics and health care products. The common shares of the Company have been listed on the Taiwan Stock Exchange since August 22, 1997.
- (2) The Group's ultimate parent company is Uni-President Enterprises Corp., which holds 45.4% equity interest in the Company.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorized for issuance by the Board of Directors on February 27, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC").

A. New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealized'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

- B. Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and operating results based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime expected credit losses ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

C. In adopting the new standards endorsed by the FSC effective from 2018, the Company has adopted the modified retrospective approach in IFRS 9 and IFRS 15. The Company also applied transitional provisions of IFRS 15 to incomplete contracts at the date of January 1, 2018. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

Balance sheet Affected items	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	Remark
<u>January 1, 2018</u>				
Accounts receivable, net	\$ 600,671	\$ 327	\$ 600,998	(a)
Other current assets	39,088,330	-	39,088,330	
Financial assets at fair value through profit or loss - non-current	-	85,833	85,833	(b)
Financial assets at fair value through other comprehensive income - non-current	-	788,463	788,463	(c)
Available-for-sale financial assets - non-current	848,575	(848,575)	-	(b)(c)
Financial assets at cost - non-current	25,721	(25,721)	-	(b)
Investments accounted for using equity method	47,983,892	(3,990)	47,979,902	(d)
Other non-current assets	12,205,824	-	12,205,824	
Total affected assets	\$ 100,753,013	(\$ 3,663)	\$ 100,749,350	

Balance sheet Affected items	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	Remark
<u>January 1, 2018</u>				
Advance receipts	\$ 2,459,527	(\$ 2,393,630)	\$ 65,897	(e)
Contract liabilities - current	-	2,393,630	2,393,630	(e)
Refund liabilities	-	327	327	(a)
Other current liabilities	38,501,187	-	38,501,187	
Contract liabilities - non-current	-	150,611	150,611	(e)
Other non-current liabilities	9,178,037	(150,611)	9,027,426	(e)
Total affected liabilities	50,138,751	327	50,139,078	
Share capital	10,396,223	-	10,396,223	
Capital surplus	43,875	-	43,875	
Retained earnings	40,573,023	25,463	40,598,486	(b)(d)
Other equity interest	(398,859)	(29,453)	(428,312)	(b)(d)
Total affected equity	50,614,262	(3,990)	50,610,272	
Total affected liabilities and equity	\$ 100,753,013	(\$ 3,663)	\$ 100,749,350	

Explanation:

(a) Under IFRS 15, if the customer returns a product, the Company is obliged to refund the purchase price. Therefore, a gross contract liability (refund liability) for the expected refunds to customers is recognized as adjustment to revenue. At the same time, the Company has a right to recover the product from the customer where the customer exercises his right of return and recognizes an asset and a corresponding adjustment to cost of sales. The asset is measured by reference to the former carrying amount of the product as the products are not material.

Liabilities in relation to expected sales discounts and allowances were previously presented as accounts receivable - allowance for sales discounts in the balance sheet. As a result of these changes in accounting policies, accounts receivable will have to be increased by \$327, and refund liability increased by \$327 on January 1, 2018.

(b) In accordance with IFRS 9, the Company reclassified available-for-sale financial assets and financial assets at cost in the amounts of \$60,112 and \$25,721, respectively, by increasing financial assets at fair value through profit or loss and retained earnings in the amounts of \$85,833 and \$22,498, respectively and decreasing other equity interest in the amount of \$22,498.

- (c) In accordance with IFRS 9, the Company reclassified available-for-sale financial assets in the amount of \$788,463 and made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of \$788,463.
- (d) The Company's investee accounted for using equity method made certain reclassifications in accordance with IFRS 9. Accordingly, the Company decreased investments accounted for using equity method and other equity interest in the amounts of \$3,990 and \$6,955, respectively and increased retained earnings in the amount of \$2,965 on January 1, 2018.
- (e) Presentation of contract assets and contract liabilities
In line with IFRS 15 requirements, the Company changed the presentation of certain accounts in the balance sheet as follows:
- (i) Under IFRS 15, liabilities in relation to sales of gift certificates and gift cards, and franchise agreements are recognized as contract liabilities, but were previously presented as advance receipts in the balance sheet. As of January 1, 2018, the balance would amount to \$2,393,630.
- (ii) Under IFRS 15, liabilities in relation to the customer loyalty program are recognized as contract liabilities, but were previously presented as deferred revenue in the balance sheet. As of January 1, 2018, the balance would amount to \$150,611.
- (f) Please refer to Notes 12(4) and 12(5) for other disclosure(s) in relation to the first application of IFRS 9 and IFRS 15.
- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group
New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company expects to recognize the lease contract of lessees in line with IFRS 16. However, the Company does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that "right-of-use asset" and lease liability will be increased by \$27,293,202 and \$27,486,853, respectively.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

A. New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less the present value of defined benefit obligations.

B. The preparation of financial statements, in conformity with IFRSs, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 was not restated. The financial statements for the year ended December 31, 2017 was prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.
- B. Translation of foreign operations
 - (a) The operating results and financial position of all the group entities, associates and jointly arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
 - (b) When the foreign operation partially disposed of or sold is an associate or jointly arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Company retains partial interest in the former foreign associate or jointly arrangements after losing significant influence over the former foreign associate, or losing joint control of the former jointly arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.
 - (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
 - (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.
- (4) Classification of current and non-current items
 - A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
 - B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

- (5) Cash equivalents
Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.
- (6) Financial assets at fair value through profit or loss
- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
 - B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
 - C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
 - D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
- (7) Financial assets at fair value through other comprehensive income
- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
 - B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
 - C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
- (8) Accounts and notes receivable
- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
 - B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- (9) Impairment of financial assets
For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.
- (10) Leases (lessor)
Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(11) Inventories

- A. Purchases are initially recorded at cost. Cost is determined using the retail inventory method.
- B. Ending inventories are stated at the lower of cost and net realizable value, and the item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for using equity method – subsidiaries, associates and joint ventures

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owner. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

- J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- K. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- L. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- M. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- N. The Company accounts for its interest in a joint venture using equity method. Unrealized profits and losses arising from the transactions between the Company and its joint venture are eliminated to the extent of the Company's interest in the joint venture. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. However, when the transaction provides evidence of a reduction in the net realizable value of current assets or an impairment loss, all such losses shall be recognized immediately. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.
- O. According to "Rules Governing the Preparation of Financial Statements by Securities Issuers", profit for the year and other comprehensive income for the year reported in the parent company only financial statements, shall be equal to profit for the year and other comprehensive income attributable to owners of the parent reported in the consolidated financial statements, equity reported in the parent company only financial statements shall be equal to equity attributable to owners of parent reported in the consolidated financial statements.
- (13) Property, plant and equipment
- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment are measured subsequently using the cost model. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	50 years
Office equipment	4-7 years
Leasehold improvements	7 years

(14) Leases (Lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(16) Intangible assets

Computer software and copyright are stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 15 years.

(17) Impairment of non-financial assets

A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Provisions

The Company's provisions are presented in 'Other non-current liabilities'. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Income tax

A. The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- (22) Revenue recognition
- A. Sale of goods
- (a) The Company operates a chain of retail stores. Revenue from the sale of goods is recognized when the Company sells a product to the customer.
- (b) Payment of the transaction price is due immediately when the customer purchases the product. It is the Company's policy to sell its products to the end customer with a right of return. Therefore, a refund liability and a right to the returned goods (included in other current assets) are recognized for the products expected to be returned. Accumulated experience is used to estimate such returns using the expected value method. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.
- (c) The Company operates a loyalty program where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. A contract liability is recognized for the transaction price which is allocated to the points and revenue is recognized when the points are redeemed or expire.
- B. Sales of services
- The Company provides delivery services. Revenue from delivering services is recognized when the services have been provided.
- C. Financing components
- The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The Company has no such assumptions and estimates which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and petty cash	\$ 1,072,918	\$ 1,310,407
Checking accounts and demand deposits	8,198,849	9,543,575
Cash equivalents		
Time deposits	500,000	6,380,000
Short-term financial instruments	4,298,948	5,188,999
	<u>\$ 14,070,715</u>	<u>\$ 22,422,981</u>

A. The Company transacts with a variety of financial institutions, all with high credit quality, to disperse credit risk, so it considers the probability of counterparty default as remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	\$ 605,322	\$ 607,324
Less: Allowance for sales returns and discounts	-	(327)
Allowance for doubtful accounts	(1,432)	(6,326)
	<u>\$ 603,890</u>	<u>\$ 600,671</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2018
Not past due	\$ 427,682
Up to 90 days	175,793
91 to 120 days	684
Over 121 days	1,163
	<u>\$ 605,322</u>

The above aging analysis was based on past due date. Information on December 31, 2017 is provided in Note 12(4).

B. No accounts receivable of the Company were pledged to others.

C. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$603,890 and \$600,671 respectively.

D. Information relating to credit risk is provided in Note 12(2).

(3) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 8,035,682	(\$ 15,314)	\$ 8,020,368

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 7,220,698	(\$ 25,991)	\$ 7,194,707

The cost of inventories recognized as expense:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Cost of goods sold	\$ 99,191,826	\$ 92,101,994
Gain on valuation of inventory	(10,677)	(20,062)
Spoilage	1,640,604	1,540,954
Others	240,611	217,697
	\$ 101,062,364	\$ 93,840,583

The Company reversed a previous inventory write-down because the Company sold certain inventories which were previously provided with allowance during the years ended December 31, 2018 and 2017, respectively.

(4) Financial assets at fair value through profit or loss

	December 31, 2018
<u>Non-current items:</u>	
Unlisted stocks	\$ 274,863
Valuation adjustment	(189,180)
	\$ 85,683

A. No financial assets at fair value through profit or loss of the Company were pledged to others.

B. Information relating to credit risk is provided in Note 12(2).

C. Information on December 31, 2017 is provided in Note 12(4).

(5) Financial assets at fair value through other comprehensive income - non-current

	December 31, 2018
<u>Equity instruments</u>	
Listed stocks	\$ 265,606
Unlisted stocks	4,348
	269,954
Valuation adjustment	374,660
	\$ 644,614

A. The Company has elected to classify the listed and unlisted stocks that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$644,614 as at December 31, 2018.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the year ended December 31, 2018
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognized in other comprehensive income	(\$ 143,849)

C. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was \$644,614.

D. No financial assets at fair value through other comprehensive income of the Company were pledged to others.

E. Information relating to credit risk is provided in Note 12(2).

F. Information on December 31, 2017 is provided in Note 12(4).

(6) Investments accounted for using the equity method

	For the year ended December 31, 2018	For the year ended December 31, 2017
At January 1	\$ 47,983,892	\$ 22,286,379
Addition of investments accounted for using equity method	-	6,391,743
Disposal of investments accounted for using equity method	(1,769)	-
Share of profit or loss of investment accounted for using equity method	3,473,458	26,930,861
Earnings distribution of investment accounted for using equity method	(2,725,951)	(6,926,632)
Changes in other equity items	548,109	(741,176)
Changes in other items	(183,337)	42,717
At December 31	\$ 49,094,402	\$ 47,983,892

	December 31, 2018	December 31, 2017
Subsidiaries		
President Chain Store (BVI) Holdings Ltd.	\$ 25,850,474	\$ 24,607,905
Uni-Wonder Corp.	5,289,524	5,809,284
President Transnet Corp.	1,518,487	1,438,218
President Drugstore Business Corp.	1,367,838	1,419,062
President Pharmaceutical Corp.	756,001	728,214
Mech-President Corp.	694,277	681,820
Uni-President Cold-Chain Corp.	645,440	617,057
Uni-President Department Store Corp.	566,145	530,833
Wisdom Distribution Service Corp.	506,392	433,012
President Information Corp.	489,299	506,567
Uni-President Superior Commissary Corp.	467,659	456,939
Books.com. Co., Ltd.	417,935	420,255
Q-ware Systems & Services Corp.	372,945	356,381
ICASH Corp.	356,073	352,272
Duskin Serve Taiwan Co.	194,788	197,140
Retail Support International Corp.	174,830	195,525
President Yilan Art and Culture Corp.	51,328	231,906
President Collect Services Co., Ltd., etc.	374,387	345,780
	40,093,822	39,328,170

	December 31, 2018	December 31, 2017
<u>Associates</u>		
PresiCarre Corp.	5,518,380	5,198,249
President Fair Development Corp.	1,984,125	1,954,089
Uni-President Development Corp.	753,904	750,774
President International Development Corp.	461,328	466,885
Tung Ho Development Corp.	114,755	123,504
President Organics Corp., etc.	60,209	64,989
	<u>8,892,701</u>	<u>8,558,490</u>
<u>Joint ventures</u>		
Mister Donut Taiwan Co., Ltd.	107,879	97,232
	<u>\$ 49,094,402</u>	<u>\$ 47,983,892</u>

A. Information about the subsidiaries of the Company is provided in Note 4(3), "Basis of preparation" of the consolidated financial statements as of and for the year ended December 31, 2018.

B. The Company originally held 30% shares of its joint venture using the equity method – Uni – Wonder Corp. (formerly "President Starbucks Coffee Corp."). In December 2017, the Company acquired an additional 30% shares of President Starbucks Coffee Corp. for a cash consideration of \$3,226,806 (shown as 'other payables' as at December 31, 2017) and obtained control over Uni-Wonder Corp.. Relevant cash consideration was fully paid in February, 2018.

The acquisition of additional shares in Uni-Wonder Corp. was in accordance with International Financial Reporting Standards ("IFRS") 3 "Business Combinations". The Company recognized a gain of \$2,099,503 (shown as 'gain on disposal of investments') as a result of measuring at fair value its 30% equity interest in Uni-Wonder Corp. held before the business combination. Please refer to Note 6(21).

C. Information about the Company's disposal of investments accounted for using equity method in August, 2018 is provided in Note 7(3)f.

D. The acquisition of additional shares in certain investments in associates or joint ventures are not significant to the Company. The details of the Company's share of the operating results in the aforementioned investments are as follows:

(a) The Company's share of the operating results in all individually immaterial associates is summarized below:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Total comprehensive income	<u>\$ 398,334</u>	<u>\$ 368,535</u>

(b) The Company's share of the operating results in all individually immaterial joint ventures is summarized below:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Total comprehensive income	<u>\$ 23,471</u>	<u>\$ 252,743</u>

E. No impairment loss was recognized on investments accounted for using equity method for the years ended December 31, 2018 and 2017, respectively.

(7) Property, plant and equipment

A. The details of property, plant and equipment are as follows:

	Land	Buildings	Office equipment	Leasehold improvements	Others	Total
<u>At January 1, 2018</u>						
Cost	\$ 1,564,223	\$ 973,001	\$ 13,119,148	\$ 7,789,418	\$ 9,529	\$ 23,455,319
Accumulated depreciation and impairment	(16,367)	(326,414)	(9,022,956)	(5,134,871)	(8,252)	(14,508,860)
	<u>\$ 1,547,856</u>	<u>\$ 646,587</u>	<u>\$ 4,096,192</u>	<u>\$ 2,654,547</u>	<u>\$ 1,277</u>	<u>\$ 8,946,459</u>
<u>2018</u>						
Opening net book amount as of January 1	\$ 1,547,856	\$ 646,587	\$ 4,096,192	\$ 2,654,547	\$ 1,277	\$ 8,946,459
Additions	-	-	1,299,599	992,771	3,193	2,295,563
Disposals	-	-	(13,263)	(22,396)	-	(35,659)
Transfer	-	-	(12)	1,767	-	1,755
Depreciation charge	-	(19,251)	(1,371,875)	(704,250)	(924)	(2,096,300)
Reversal of impairment loss	-	-	1,842	559	-	2,401
Closing net book amount as of December 31	<u>\$ 1,547,856</u>	<u>\$ 627,336</u>	<u>\$ 4,012,483</u>	<u>\$ 2,922,998</u>	<u>\$ 3,546</u>	<u>\$ 9,114,219</u>
<u>At December 31, 2018</u>						
Cost	\$ 1,564,223	\$ 973,001	\$ 13,563,007	\$ 8,250,964	\$ 12,121	\$ 24,363,316
Accumulated depreciation and impairment	(16,367)	(345,665)	(9,550,524)	(5,327,966)	(8,575)	(15,249,097)
	<u>\$ 1,547,856</u>	<u>\$ 627,336</u>	<u>\$ 4,012,483</u>	<u>\$ 2,922,998</u>	<u>\$ 3,546</u>	<u>\$ 9,114,219</u>
<u>At January 1, 2017</u>						
Cost	\$ 1,535,401	\$ 969,608	\$ 12,633,382	\$ 7,381,536	\$ 9,529	\$ 22,529,456
Accumulated depreciation and impairment	(16,520)	(295,688)	(8,668,206)	(4,932,724)	(7,623)	(13,920,761)
	<u>\$ 1,518,881</u>	<u>\$ 673,920</u>	<u>\$ 3,965,176</u>	<u>\$ 2,448,812</u>	<u>\$ 1,906</u>	<u>\$ 8,608,695</u>
<u>2017</u>						
Opening net book amount as of January 1	\$ 1,518,881	\$ 673,920	\$ 3,965,176	\$ 2,448,812	\$ 1,906	\$ 8,608,695
Additions	-	-	1,464,557	834,505	-	2,299,062
Disposals	-	-	(18,504)	(40,943)	-	(59,447)
Transfer	28,822	3,393	116	12,847	-	45,178
Depreciation charge	-	(19,604)	(1,322,405)	(594,281)	(629)	(1,936,919)
Impairment loss and reversal of impairment loss	153	(11,122)	7,252	(6,393)	-	(10,110)
Closing net book amount as of December 31	<u>\$ 1,547,856</u>	<u>\$ 646,587</u>	<u>\$ 4,096,192</u>	<u>\$ 2,654,547</u>	<u>\$ 1,277</u>	<u>\$ 8,946,459</u>
<u>At December 31, 2017</u>						
Cost	\$ 1,564,223	\$ 973,001	\$ 13,119,148	\$ 7,789,418	\$ 9,529	\$ 23,455,319
Accumulated depreciation and impairment	(16,367)	(326,414)	(9,022,956)	(5,134,871)	(8,252)	(14,508,860)
	<u>\$ 1,547,856</u>	<u>\$ 646,587</u>	<u>\$ 4,096,192</u>	<u>\$ 2,654,547</u>	<u>\$ 1,277</u>	<u>\$ 8,946,459</u>

B. Information about property, plant and equipment pledged to others as collateral is provided in Note 8.

(8) Investment property

	Land	Buildings	Total
2018			
January 1, 2018	\$ 962,783	\$ 234,036	\$ 1,196,819
Depreciation charge	-	(7,365)	(7,365)
December 31, 2018	\$ 962,783	\$ 226,671	\$ 1,189,454

	Land	Buildings	Total
2017			
January 1, 2017	\$ 805,515	\$ 222,862	\$ 1,028,377
Additions	132,700	15,619	148,319
Transfer	28,047	3,303	31,350
Depreciation charge	-	(7,414)	(7,414)
Impairment loss	(3,479)	(334)	(3,813)
December 31, 2017	\$ 962,783	\$ 234,036	\$ 1,196,819

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Rental income from investment property	\$ 58,548	\$ 54,704
Direct operating expenses arising from the investment property that generated rental income during the year	\$ 8,036	\$ 8,566

B. The fair value of the investment property held by the Company as at December 31, 2018 and 2017 ranged from \$2,875,538 to \$2,881,471, respectively, which was assessed based on recent settlement prices of similar and comparable properties, as well as the reports of independent appraisers.

(9) Intangible assets

	Software and copyright
2018	
January 1, 2018	\$ 211,865
Amortization	(92,846)
December 31, 2018	\$ 119,019

	Software and copyright
2017	
January 1, 2017	\$ 278,320
Additions	33,020
Amortization	(99,475)
December 31, 2017	\$ 211,865

Amortization on intangible assets are recognized as operating expenses.

(10) Other non-current assets

	December 31, 2018	December 31, 2017
Guarantee deposits paid	\$ 1,231,311	\$ 1,174,967
Others	-	1,755
	\$ 1,231,311	\$ 1,176,722

(11) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Credit loan	\$ 6,000,000	0.65%~0.68%	None

A. There was no short-term borrowings at December 31, 2017.

B. There was no capitalization of borrowing costs for the year ended December 31, 2018.

Relevant interest expenses on borrowings is recognized as "finance costs".

(12) Other payables

	December 31, 2018	December 31, 2017
Store collections	\$ 12,750,758	\$ 11,947,975
Wages, salaries and bonus payable	1,896,744	2,154,349
Incentive bonus payable to franchisees	1,047,674	931,016
Employees' compensation and remuneration for directors and supervisors	769,767	1,534,216
Rent payable	495,621	484,075
Payables for acquisition of property, plant and equipment	399,331	407,065
Payables for system development and maintenance expenses	77,981	254,803
Payables for labor and health insurance	70,483	67,579
Payables for equity investments (See Note 6(6)B)	-	3,226,806
Others	1,318,949	1,278,880
	\$ 18,827,308	\$ 22,286,764

(13) Advance receipts

	December 31, 2018	December 31, 2017
Advance receipts for gift certificates	\$ 1,351,283	\$ 1,240,616
Advance receipts for gift cards	-	737,431
Advance receipts for franchise fee	-	231,312
Others	111,809	250,168
	\$ 1,463,092	\$ 2,459,527

Advance receipts for gift cards and franchise fee are recognized as contract liabilities in accordance with IFRS15 from January 1, 2018. Please refer to Notes 3(1)c and 6(19).

(14) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 4.46% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method of the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(a) The amounts recognized in the balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	(\$ 4,337,814)	(\$ 4,248,125)
Fair value of plan assets	1,477,209	1,405,745
Net defined benefit liability	(\$ 2,860,605)	(\$ 2,842,380)

(b) Movements in net defined benefit liability are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2018			
Balance at January 1	(\$ 4,248,125)	\$ 1,405,745	(\$ 2,842,380)
Current service cost	(42,483)	-	(42,483)
Interest (expense) income	(52,568)	17,523	(35,045)
	(4,343,176)	1,423,268	(2,919,908)
Remeasurements:			
Return on plan assets	-	38,921	38,921
Change in demographic assumptions	(479)	-	(479)
Change in financial assumptions	(131,821)	-	(131,821)
Experience adjustments	64,160	-	64,160
	(68,140)	38,921	(29,219)
Pension fund contribution	-	86,829	86,829
Paid pension	73,502	(71,809)	1,693
Balance at December 31	(\$ 4,337,814)	\$ 1,477,209	(\$ 2,860,605)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2017			
Balance at January 1	(\$ 4,043,240)	\$ 1,369,491	(\$ 2,673,749)
Current service cost	(46,902)	-	(46,902)
Past service cost	(519)	-	(519)
Interest (expense) income	(60,035)	20,576	(39,459)
	(4,150,696)	1,390,067	(2,760,629)
Remeasurements:			
Return on plan assets	-	(7,147)	(7,147)
Change in demographic assumptions	(4,556)	-	(4,556)
Change in financial assumptions	(133,625)	-	(133,625)
Experience adjustments	(34,884)	-	(34,884)
	(173,065)	(7,147)	(180,212)
Pension fund contribution	-	86,263	86,263
Paid pension	75,636	(63,438)	12,198
Balance at December 31	(\$ 4,248,125)	\$ 1,405,745	(\$ 2,842,380)

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Discount rate	1.00%	1.25%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ 131,704)	\$ 137,399	\$ 134,014	(\$ 129,187)

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ 133,587)	\$ 139,547	\$ 136,524	(\$ 131,421)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remained unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The method and assumption used in the current sensitivity analysis are the same as prior year.

(e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2019 amounts to \$87,771.

(f) As of December 31, 2018, the weighted average duration of the retirement plan is 11 years. The analysis of timing of the future pension payment is as follows:

Within 1 year	\$	90,073
1-2 year(s)		137,653
2-5 years		429,617
Over 5 years		4,241,902
	\$	4,899,245

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the Company's defined contribution pension plan for the years ended December 31, 2018 and 2017 were \$196,584 and \$189,546, respectively.

(15) Share capital

As of December 31, 2018, the Company's authorized capital was \$10,500,000, consisting of 1,050,000,000 shares of ordinary stock, and the paid-in capital was \$10,396,223 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's outstanding ordinary shares was both 1,039,622,255 shares as of December 31, 2018 and 2017.

(16) Capital surplus

In accordance with the Company Act of the Republic of China, any capital surplus arising from paid-in capital in excess of the par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the Securities and Exchange Law of the Republic of China requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, must first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount is to be set aside as legal reserve. After setting aside or reversing a special reserve, in accordance with related laws, the remaining amount is distributable for the given period. The appropriation of the total distributable amount (that is, the distributable amount for the year along with accumulated unappropriated earnings from prior years) should be proposed by the Board of Directors and voted on by the shareholders at the shareholders' meeting. The dividends and bonus to be distributed to shareholders may be 50%-100% of the total distributable amount, and 50%-100% of dividends are to be distributed as cash dividends, and the remaining undistributed amount to be set aside as unappropriated retained earnings.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve is not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside a special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.

D. The appropriations for 2017 and 2016 were resolved by the shareholders on June 12, 2018 and June 13, 2017, respectively, as follows:

	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 3,101,709		\$ 983,669	
Special reserve	398,859		-	
Cash dividends - retained earnings	25,990,556	\$ 25.00	8,316,978	\$ 8.00

E. The appropriations for 2018 as resolved by the Board of Directors on February 27, 2019 is as follows:

	2018	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 1,020,639	
Cash dividends - retained earnings	9,148,676	\$ 8.80

F. Information about employees' compensation and directors' and supervisors' remuneration is provided in Note 6(24).

(18) Other equity items

	For the year ended December 31, 2018			
	Exchange differences from translation of foreign operations	Unrealized gains/(losses) on Financial assets at fair value through other comprehensive income	Unrealized gains/(losses) on available-for-sale financial assets	Total
At January 1, 2018	(\$ 906,308)	\$ -	\$ 507,449	(\$ 398,859)
Adjustments under new standards	-	477,996	(507,449)	(29,453)
Adjusted beginning balance	(906,308)	477,996	-	(428,312)
Revaluation:				
-The Company	-	(143,849)	-	(143,849)
-Subsidiaries	-	(1,537)	-	(1,537)
-Associates	-	(2,842)	-	(2,842)
-Revaluation - tax	-	3,666	-	3,666
Currency translation differences:				
-The Company	619,530	-	-	619,530
-Subsidiaries	593	-	-	593
-Associates	6,356	-	-	6,356
At December 31, 2018	(\$ 279,829)	\$ 333,434	\$ -	\$ 53,605

	For the year ended December 31, 2017		
	Exchange differences from translation of foreign operations	Unrealized gains/(losses) on available-for-sale financial assets	Total
At January 1, 2017	(\$ 186,228)	\$ 357,817	\$ 171,589
Revaluation:			
-The Company	-	152,186	152,186
-Subsidiaries	-	(933)	(933)
-Associates	-	4,662	4,662
-Revaluation - tax	-	(6,283)	(6,283)
Currency translation differences:			
-The Company	(697,337)	-	(697,337)
-Subsidiaries	(2,361)	-	(2,361)
-Associates	(20,382)	-	(20,382)
At December 31, 2017	(\$ 906,308)	\$ 507,449	(\$ 398,859)

(19) Operating revenue

	For the year ended December 31, 2018
Revenue from contracts with customers	\$ 154,074,731

A. Disaggregation of revenue from contracts with customers

The Company operates a chain of retail stores and derives revenue from the transfer of goods and services over time and at a point in time. The operating revenue is categorized based on operating departments and goods or services recognition timing as follows:

For the year ended December 31, 2018	Convenience stores
Revenue from external customer contracts	\$ 154,074,731
Timing of revenue recognition	
–At a point in time	\$ 153,544,331
–Over time	530,400
	<u>\$ 154,074,731</u>

B. Contract liabilities

(a) The Company has recognized the following revenue-related contract liabilities:

	December 31, 2018
Contract liabilities – advance receipts of gift cards	\$ 980,048
Contract liabilities – franchise fee	230,812
Contract liabilities – customer loyalty programs	151,550
Contract liabilities – others	82,289
	<u>\$ 1,444,699</u>

	December 31, 2018
Contract liabilities- current	\$ 1,293,149
Contract liabilities- non-current	151,550
	<u>\$ 1,444,699</u>

(b) Revenues recognized that were included in the contract liabilities balance at the beginning was \$626,164 for the year ended December 31, 2018.

C. Related disclosures on operating revenue for the year ended December 31, 2017 are provided in Note 12(5) B.

(20) Other income

	For the year ended December 31, 2018	For the year ended December 31, 2017
Grants income	\$ 492,535	\$ 480,437
Dividend income	65,124	17,311
Rental revenue	77,399	76,794
Interest income	83,534	104,826
Other income	698,946	694,824
	<u>\$ 1,417,538</u>	<u>\$ 1,374,192</u>

(21) Other gains and losses

	For the year ended December 31, 2018	For the year ended December 31, 2017
Reversal of impairment loss (Impairment loss)	\$ 2,401	(\$ 13,923)
Gain on disposal of investments (See Note 6(6)B)	59	2,100,386
Loss on disposal of property, plant and equipment	(9,632)	(14,868)
Others	(61,644)	(91,831)
	<u>(\$ 68,816)</u>	<u>\$ 1,979,764</u>

(22) Financial costs

	December 31, 2018	December 31, 2017
Interest expense	\$ 42,971	\$ 30,491

(23) Expenses by nature

	For the year ended December 31, 2018	For the year ended December 31, 2017
Cost of goods sold	\$ 99,181,149	\$ 92,081,932
Incentive bonuses for franchisees	20,904,939	19,604,749
Employee benefit expense	7,131,255	8,398,951
Operating lease payments	6,660,551	6,376,434
Utilities expense	2,225,153	2,172,928
Depreciation and amortization	2,189,146	2,036,394
Other costs and expenses	8,127,957	7,561,767
Total operating costs and operating expenses	\$ 146,420,150	\$ 138,233,155

(24) Employee benefit expense

	For the year ended December 31, 2018	For the year ended December 31, 2017
Wages and salaries	\$ 5,831,681	\$ 6,789,931
Labor and health insurance fees	461,590	437,886
Pension costs	274,112	276,426
Directors' remuneration	204,485	557,119
Other personnel expenses	359,387	337,589
	\$ 7,131,255	\$ 8,398,951

Note: As of December 31, 2018 and 2017, the Company had 8,106 and 7,877 employees (including part-timers), including 10 directors, respectively.

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at \$576,995 and \$985,057, respectively; while directors' and supervisors' remuneration was accrued at \$192,772 and \$549,159, respectively.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 4.37% and 1.46% of profit of the current year distributable for the year ended December 31, 2018. The employees' compensation and directors' and supervisors' remuneration as resolved by the Board of Directors were \$576,995 and \$192,772, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2017 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2017 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Current tax:		
Current tax on profits for the year	\$ 1,751,318	\$ 2,123,673
Tax on undistributed surplus earnings	135,157	35,532
Under (over) provision of prior year's income tax	(126,188)	6,430
Total current tax	1,760,287	2,165,635
Deferred tax:		
Origination and reversal of temporary differences	(46,101)	3,318,322
Impact of change in tax rate	513,216	-
Income tax expense	\$ 2,227,402	\$ 5,483,957

(b) The income tax (charge)/credit relating to the components of other comprehensive income is as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ 6,984)	\$ -
Fair value gains/losses on available-for-sale financial assets	-	6,283
Remeasurement of defined benefit obligations	(5,843)	(30,636)
Impact of change in tax rate	(36,898)	-
	(\$ 49,725)	(\$ 24,353)

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2018	For the year ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	\$ 2,486,758	\$ 6,205,179
Expenses disallowed by tax regulation	(201,937)	(159,717)
Capital reduction plan to offset accumulated deficit by subsidiaries	(8,302)	(151,165)
Tax on profit for using equity method by domestic subsidiaries	(570,644)	(452,152)
Additional 10% tax on undistributed earnings	135,157	35,532
Under (over) provision of prior year's income tax	(126,188)	6,430
Investment tax credits	(658)	(150)
Impact of change in tax rate	513,216	-
Income tax expense	\$ 2,227,402	\$ 5,483,957

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2018				
	January 1	Impact of change in tax rate	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred tax assets:</u>					
Allowance for doubtful accounts	\$ 1,002	\$ 177	(\$ 980)	\$ -	\$ 199
Unrealized sales allowance	56	10	(66)	-	-
Unrealized expenses	139,303	24,583	9,347	-	173,233
Contract liabilities - non-current	25,764	4,547	188	-	30,499
Remeasurements of defined benefit obligation	438,656	77,409	-	5,843	521,908
Others	69,178	12,208	(6,767)	-	74,619
	<u>673,959</u>	<u>118,934</u>	<u>1,722</u>	<u>5,843</u>	<u>800,458</u>
<u>Deferred tax liabilities</u>					
Unrealized gain	(28,210)	(4,979)	-	6,984	(26,205)
Foreign investment income	(3,344,880)	(590,273)	44,379	-	(3,890,774)
	<u>(3,373,090)</u>	<u>(595,252)</u>	<u>44,379</u>	<u>6,984</u>	<u>(3,916,979)</u>
	<u>(\$ 2,699,131)</u>	<u>(\$ 476,318)</u>	<u>\$ 46,101</u>	<u>\$ 12,827</u>	<u>(\$ 3,116,521)</u>

	2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred tax assets:</u>				
Allowance for doubtful accounts	\$ 12,555	(\$ 11,553)	\$ -	\$ 1,002
Unrealized sales allowance	134	(78)	-	56
Unrealized expenses	131,706	7,597	-	139,303
Deferred revenues	13,678	12,086	-	25,764
Remeasurements of defined benefit obligation	408,020	-	30,636	438,656
Others	38,158	18,506	12,514	69,178
	<u>604,251</u>	<u>26,558</u>	<u>43,150</u>	<u>673,959</u>
<u>Deferred tax liabilities</u>				
Unrealized gain	(9,413)	-	(18,797)	(28,210)
Foreign investment income	-	(3,344,880)	-	(3,344,880)
	<u>(9,413)</u>	<u>(3,344,880)</u>	<u>(18,797)</u>	<u>(3,373,090)</u>
	<u>\$ 594,838</u>	<u>(\$ 3,318,322)</u>	<u>\$ 24,353</u>	<u>(\$ 2,699,131)</u>

D. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

E. All unappropriated earnings were generated on and after January 1, 1998.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(26) Earnings per share

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 10,206,388	1,039,622	\$ 9.82
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 10,206,388	1,039,622	
Assumed conversion of all dilutive potential ordinary shares employees' bonus	-	2,437	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 10,206,388	1,042,059	\$ 9.79

	For the year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 31,017,094	1,039,622	\$ 29.83
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 31,017,094	1,039,622	
Assumed conversion of all dilutive potential ordinary shares employees' bonus	-	3,848	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 31,017,094	1,043,470	\$ 29.72

(27) Operating leases

Lessor

A. The Company leases its investment property and shopping centres to others under operating lease agreements on terms between 2 and 10 years. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 60,250	\$ 58,193
Over one year but less than five years	207,825	225,428
Over five years	6,195	30,324
	\$ 274,270	\$ 313,945

Lessee

A. The Company leases business premises for its stores. The lease terms are between 1 and 20 years, and certain lease agreements are renewable at the end of the lease period. Rents are paid in accordance with the agreements. Certain leases incur extra rent based on the operating revenue of stores or changes in local price indices. Rental expenses recognized in profit and loss for the years ended December 31, 2018 and 2017 are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Rental expenses	\$ 6,397,092	\$ 6,138,050
Contingent rents	\$ 263,459	\$ 238,384

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 6,468,378	\$ 6,014,560
Over one year but less than five years	22,180,633	20,158,903
Over five years	12,723,044	9,999,009
	<u>\$ 41,372,055</u>	<u>\$ 36,172,472</u>

B. The Company has sub-leased certain business premises to others. Sublease revenues recognized in profit and loss for the years ended December 31, 2018 and 2017 are as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Sublease revenues	\$ 153,047	\$ 149,827
Contingent rents	\$ 389,452	\$ 357,378

In accordance with non-cancellable sub-lease agreements as of December 31, 2018, sub-lease payments totalling \$294,113 are expected to be collected between 2019 and 2028.

(28) Supplemental cash flow information

Investing activities with partial cash payments

	For the year ended December 31, 2018	For the year ended December 31, 2017
Purchase of property, plant and equipment	\$ 2,295,563	\$ 2,299,062
Add: Opening balance of payable on equipment	407,065	387,239
Less: Ending balance of payable on equipment	(399,331)	(407,065)
Cash paid during the year	<u>\$ 2,303,297</u>	<u>\$ 2,279,236</u>

(29) Changes in liabilities from financing activities

	Short-term borrowings	Other non-current liabilities - guarantee deposits received	Liabilities from financing Activities - gross
January 1, 2018	\$ -	\$ 2,435,662	\$ 2,435,662
Changes in cash flow from financing activities	6,000,000	98,296	6,098,296
December 31, 2018	<u>\$ 6,000,000</u>	<u>\$ 2,533,958</u>	<u>\$ 8,533,958</u>

7. RELATED PARTY TRANSACTIONS**(1) Parent and ultimate controlling party**

The Company's parent company and the Group's ultimate parent company is Uni-President Enterprises Corp. which holds a 45.4% equity interest in the Company as of December 31, 2018.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
Uni-President Enterprises Corp.	Ultimate parent company
21 Century Enterprise Co., Ltd.	Subsidiary
Books.com. Co., Ltd.	"
Capital Inventory Services Corp.	"
Duskin Serve Taiwan Co.	"
ICASH Corp.	"
President Chain Store (BVI) Holdings Ltd.	"
President Information Corp.	"
President Logistics International Corp.	"
Uni-President Superior Commissary Corp.	"
President Pharmaceutical Corp.	"
President Transnet Corp.	"
Retail Support International Corp.	"
Uni-President Cold-Chain Corp.	"
Vision Distribution Service Corp.	"
Q-ware Systems & Services Corp.	"
Wisdom Distribution Service Corp.	"
Uni-Wonder Corp.	"
Tung Ang Enterprises Corp.	Sister company
President Baseball Team Corp.	"
Presco Netmarketing Inc.	"
Tait Marketing & Distribution Co., Ltd.	"
President Packaging Ind. Corp.	"
Lien-Bo Enterprises Corp.	"
President Organics Corp.	Investee of the Company accounted for under the equity method
Mister Donut Taiwan Co., Ltd.	"
Kuang Chuan Dairy Co., Ltd.	Investee of ultimate parent company accounted for under the equity method
Wei Lih Food Industrial Co., Ltd.	"

(3) Significant related party transactions and balances**A. Operating revenue**

	For the year ended December 31, 2018	For the year ended December 31, 2017
Commission revenue from collection services		
Subsidiaries	\$ 352,711	\$ 373,475
Sister companies	3,040,132	2,763,654
	<u>\$ 3,392,843</u>	<u>\$ 3,137,129</u>

B. Purchases (net of purchase rebate)

	For the year ended December 31, 2018	For the year ended December 31, 2017
Ultimate parent	\$ 14,923,741	\$ 14,628,726
Subsidiaries	4,384,596	4,835,388
Sister companies	3,376,375	3,389,670
Associates	234,899	259,831
Other related parties	722,188	541,462
	<u>\$ 23,641,799</u>	<u>\$ 23,655,077</u>

(a) The purchases above is a net amount after deducting the replacement for defects and rebate.

(b) The Company's purchases from the related parties are priced in accordance with the agreed terms that are generally not different from general vendors. The payment terms are net 10-60 days from the end of the month when invoice is issued and is generally not different from the general vendors.

C. Promotion income (recorded as deduction to "operating costs")

	For the year ended December 31, 2018	For the year ended December 31, 2017
Ultimate parent	\$ 454,755	\$ 574,658
Subsidiaries	236,068	219,998
Sister companies	165,667	186,022
Associates	13,837	12,384
Other related parties	96,782	56,619
	<u>\$ 967,109</u>	<u>\$ 1,049,681</u>

The promotion income includes shelf display fee, advertising sponsorship and performance incentives, which are calculated and collected in a manner equivalent to the general suppliers.

D. Non-operating income

	For the year ended December 31, 2018	For the year ended December 31, 2017
Ultimate parent	\$ 32,467	\$ 30,115
Subsidiaries	846,863	856,266
Sister companies	5,626	4,181
Associates	17,406	19,084
Other related parties	8	6
	<u>\$ 902,370</u>	<u>\$ 909,652</u>

E. Receivables (payables) from related parties

	December 31, 2018	December 31, 2017
<u>Other receivables</u>		
Ultimate parent	\$ 20,921	\$ 72,563
Subsidiaries	1,552,056	6,475,700
Sister companies	93,233	71,301
Associates	3,451	24,230
Other related parties	4	-
	<u>\$ 1,669,665</u>	<u>\$ 6,643,794</u>

	December 31, 2018	December 31, 2017
<u>Payables</u>		
Ultimate parent	\$ 393,380	\$ 376,500
Subsidiaries	12,316,777	10,891,796
Sister companies	2,013	9,281
Associates	9,356	64,730
Other related parties	12,736	8,569
	<u>\$ 12,734,262</u>	<u>\$ 11,350,876</u>

Payables to related parties mainly arise from purchase transactions. Payables bear no interest.

F. Property Transactions Disposal of financial assets

	Accounts	No. of shares	Objects	For the year ended December 31, 2018	
				Proceeds	Gain
Sister companies	Investments accounted for using equity method	108,160	Grand Bills Finance Corp.	\$ 1,828	\$ 59

(4) Key management compensation

	For the year ended December 31, 2018	For the year ended December 31, 2017
Other short-term employee benefits	\$ 297,731	\$ 659,498

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives in this area are to retain the confidence of investors and the market, to fund future capital expenditures and stable dividend flows for ordinary shares, and to maintain the most appropriate capital structure to maximize the equity interest of shareholders.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss	\$ 85,683	\$ -
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	644,614	-
Available-for-sale financial assets	-	848,575
Financial assets measured at cost	-	25,721
Financial assets at amortized cost/Loans and receivables		
Cash and cash equivalents	14,070,751	22,422,981
Accounts receivable, net	603,890	600,671
Other receivables	2,515,131	7,556,281
Guarantee deposit paid	1,231,311	1,174,967
	<u>\$ 19,151,344</u>	<u>\$ 32,629,196</u>

	December 31, 2018	December 31, 2017
<u>Financial liabilities</u>		
<u>Financial liabilities at amortized cost</u>		
Short-term borrowings	\$ 6,000,000	\$ -
Notes payable	6,037,491	5,739,310
Accounts payable	9,465,646	8,761,922
Other payables	18,827,308	22,286,764
Guarantee deposit received	2,533,958	2,435,662
	<u>\$ 42,864,403</u>	<u>\$ 39,223,658</u>

B. Risk management policies

- (a) The Company's risk management and hedging policies mainly focus on hedging business risk. The Company also establishes hedge positions when trading derivative financial instruments. The choice of instruments should hedge risks relating to interest expense, assets or liabilities arising from business operations.
- (b) For managing derivative instruments, the treasury department is responsible for managing trading positions of derivative instruments and assess market values periodically. If transactions and gains (losses) are abnormal, the treasury will respond accordingly and report to the Board of Directors immediately.
- (c) There is no related transaction about derivative financial instruments that are used to hedge certain exchange rate risk.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- I. The Company operates internationally and is exposed to foreign exchange risk arising from of the Company used in various functional currency, the transactions primarily with respect to the USD and RMB. Exchange risk arises from future commercial transactions and recognized assets and liabilities.
- II. Management has set up a policy to require the segments to manage their foreign exchange risk against their functional currencies.
- III. The Company's businesses involve some non-functional currency operations.(The Company's functional currency is the New Taiwan dollar,NTD) The assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

(Foreign currency: functional currency)	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Non-monetary items</u>			
JPY:NTD	\$ 721,500	0.2782	\$ 200,721
<u>Investments accounted for using equity method</u>			
USD: NTD	\$ 843,740	30.7150	\$ 25,915,469
(Foreign currency: functional currency)	December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Non-monetary items</u>			
JPY: NTD	\$ 891,900	0.2642	\$ 235,640
<u>Investments accounted for using equity method</u>			
USD: NTD	829,060	29.7600	24,672,816
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 96,634	29.7600	\$ 2,875,828

- IV. The total exchange gain (loss), including realized and unrealized gain (loss) from significant foreign exchange variation on the monetary items held by the Company amounted to \$18,145 and \$927 for the years ended December 31, 2018 and 2017, respectively.
- V. Analysis of foreign currency market risk arising from significant foreign exchange variation: Foreign exchange risk with respect to USD primarily arises from the exchange gain or loss resulting from foreign currency translation of cash and cash equivalents and accounts payable denominated in USD. As of December 31, 2018 and 2017, if the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's profit for the years ended December 31, 2018 and 2017 would increase/decrease by \$1,295,773 and \$1,089,849, respectively. Foreign exchange risk with respect to JPY primarily arises from the exchange gain or loss resulting from foreign currency translation of financial assets at fair value through other comprehensive income - non-current denominated in JPY. If the NTD:JPY exchange rate appreciates/depreciates by 5%, with all other factors remaining constant, the Group's profit for the years ended December 31, 2018 and 2017 would increase/decrease by \$10,036 and \$11,782, respectively.

Price risk

- I. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- II. The Company's investments in equity securities comprise shares and open-ended funds issued by the domestic companies. The prices of equity securities would change due to change of the future value of investee companies. If the prices of these equity securities increase / decrease by 5%, and open-ended funds increase / decrease by 0.25%, with all other variables held constant, the post-tax profit for the year ended December 31, 2018 would have increased/ decreased by \$4,284, respectively, as a result of gains/losses on equity securities and open-ended funds classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$32,231 and \$39,206, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income and available-for-sale equity investment.

Cash flow and fair value interest rate risk

- I. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk, which are partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. For the years ended December 31, 2018 and 2017, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars and Philippine Peso.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- II. The Company manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

- III. The Company operates a chain of retail stores, thus the ratio of accounts receivable to total asset is low. The Company classifies customers' accounts receivable in accordance with credit rating of customer. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis and using the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	December 31 2018
	Accounts receivable
At January 1_IAS 39	\$ 6,326
Adjustments under new standards	-
At January 1_IFRS 9	6,326
Provision for impairment	2,100
Reversal of impairment	(250)
Write-offs	(6,744)
At December 31	\$ 1,432

- IV. The Company's investment in debt instrument is the government bond, which was issued by R.O.C, the risk of expected credit loss is low. The Company has no unrecognized allowance for investment in debt instrument at fair value through other comprehensive income for the year ended December 31, 2018.

- V. The Company has no written-off financial assets that are still under recourse procedures on December 31, 2018.

- VI. Credit risk information for the year ended December 31, 2017 is provided in Note 12(4).

(c) Liquidity risk

- I. Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group's finance department. It monitors rolling forecasts of liquidity requirements to ensure the Group has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

- II. The Company invests surplus cash in interest bearing current accounts, time deposits, money market fund and marketable securities, and chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the aforementioned forecasting. The Company held no money market funds at December 31, 2018 and 2017, respectively.

- III. The Company has undrawn borrowing facilities beyond one year of \$9,334,699 and \$7,932,175 as of December 31, 2018 and 2017, respectively.

- IV. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Short-term borrowings	\$ 6,003,262	\$ -	\$ -	\$ -
Notes payable	6,037,491	-	-	-
Accounts payable	9,465,646	-	-	-
Other payables	18,827,308	-	-	-

Non-derivative financial liabilities:

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Notes payable	\$ 5,739,310	\$ -	\$ -	\$ -
Accounts payable	8,761,922	-	-	-
Other payables	22,286,764	-	-	-

(3) Fair value information

A. The different levels of the inputs used in valuation techniques to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks, beneficiary certificates and on-the-run Taiwan central government bonds is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investments without an active market is included in Level 3.

B. Fair value information of the Company's investment property at cost is provided in Note 6(8).

C. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	December 31, 2018			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Guarantee deposit paid	\$ 1,231,311	\$ -	\$ -	\$ 1,216,127
Financial liabilities:				
Guarantee deposit received	\$ 2,533,958	\$ -	\$ -	\$ 2,507,486

	December 31, 2017			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Financial assets measured at cost	\$ 25,721	\$ -	\$ -	\$ 25,721
Guarantee deposit paid	1,174,967	-	-	1,161,218
	\$ 1,200,688	\$ -	\$ -	\$ 1,186,939
Financial liabilities:				
Guarantee deposit received	\$ 2,435,662	\$ -	\$ -	\$ 2,409,648

(b) Guarantee deposits paid/received are measured at fair value, which is calculated based on the discounted future cash flow.

D. The related information for financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) Classification according to the nature of assets and liabilities, relevant information is as follows:

	December 31, 2018	Level 1	Level 2	Level 3	Total
Assets					
Recurring fair value measurements					
Financial assets at fair value through profit or loss					
Equity securities	\$ -	\$ -	\$ 85,683	\$ 85,683	
Financial assets at fair value through other comprehensive income					
Equity securities	640,266	-	4,348	644,614	
	\$ 640,266	\$ -	\$ 90,031	\$ 730,297	

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets	\$ 784,115	\$ -	\$ 64,460	\$ 848,575

(b) The methods and assumptions the Company used to measure fair value are as follows:

I. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Open-ended fund	Government bond
Market quoted price	Closing price	Net asset value	Closing price

II. Except for financial instruments with active markets, the fair value of other financial instruments is measured using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, by discounted cash flow method or other valuation methods, including calculations by applying models using market information available at the consolidated balance sheet date.

E. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2018 and 2017, there was no significant transfer in or out of Level 3.

G. The Company is in charge of valuation procedures for fair value measurements being categorised within Level 3, which aim to verify the independent fair value of financial instruments. Such assessments are to ensure the valuation results are reasonable by applying independent information to compare the results to current market conditions, confirming the information resources are independent, reliable and in line with other resources, and represented as the exercisable price, and frequently making any other necessary adjustments to the fair value. Investment property is assessed by independent appraisers or based on recent closing prices of similar property in the neighbouring area.

H. The qualitative information on significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement are provided below:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 90,031	Market comparable companies	Price to book ratio multiplier	2.61	The higher the multiplier, the higher the fair value
		Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value

	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 64,460	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If net assets from financial assets and liabilities categorised within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of December 31, 2018 and 2017.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted for the year of 2017:

(a) Financial assets at fair value through profit or loss

- I. They are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.
- II. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- III. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(b) Available for sale financial assets

- I. They are non-derivatives that are either designated in this category or not classified in any of the other categories.
- II. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- III. They are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

- I. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- II. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i) Significant financial difficulty of the issuer or debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (iii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- III. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Investments accounted for using equity method	Measured at fair value through profit or loss – non current	Available-for-sale-equity	Measured at amortized cost	Total	Effects	
			Measured at fair value through other comprehensive income-equity			Retained earnings	Other equity
IAS 39	\$ -	\$ -	\$ 848,575	\$ 25,721	\$ 874,296	\$ -	\$ -
Transferred into and measured at fair value through profit or loss	-	85,833	(60,112)	(25,721)	-	22,498	(22,498)
Recognized the IFRS 9 effects through investment accounted for using equity method	(3,990)	-	-	-	(3,990)	2,965	(6,955)
IFRS 9	<u>(\$ 3,990)</u>	<u>\$ 85,833</u>	<u>\$ 788,463</u>	<u>\$ -</u>	<u>\$ 870,306</u>	<u>\$ 25,463</u>	<u>(\$ 29,453)</u>

(a) In accordance with IFRS 9, the Company reclassified available-for-sale financial assets and financial assets at cost in the amounts of \$60,112 and \$25,721, respectively, by increasing financial assets at fair value through profit or loss and retained earnings in the amounts of \$85,833 and \$22,498, respectively and decreasing other equity interest in the amount of \$22,498.

(b) In accordance with IFRS 9, the Company reclassified available-for-sale financial assets in the amount of \$788,463 and made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of \$788,463.

(c) The Company's investee accounted for using equity method made certain re-classifications in accordance with IFRS 9. Accordingly, the Company decreased investments accounted for using equity method and other equity interest in the amounts of \$3,990 and \$6,955, respectively and increased retained earnings in the amount of \$2,965 on January 1, 2018.

C. The significant accounts as of December 31, 2017 and for the year ended December 31, 2017 are as follows:

(a) Available-for-sale financial assets - non-current

	December 31, 2017
Listed stocks	\$ 265,606
Unlisted stocks	41,963
	307,569
Valuation adjustment	541,006
	<u>\$ 848,575</u>

- I. The Company recognized \$152,186 in other comprehensive gain in relation to fair value changes for the year ended December 31, 2017 .
 - II. The counterparties of the Company's investments in debt instruments have good credit quality.
- (b) Financial assets at cost
- I. According to the Company's intention, its investment objectives should be classified as 'available-for-sale financial assets'. However, as the investment objectives are not traded in active market, and no sufficient industry information of companies similar to their financial information cannot be obtained, the fair value of the investment objectives cannot be measured reliably. The Company classified those stocks as 'financial assets measured at cost'.
 - II. As of December 31, 2017, no financial assets measured at cost held by the Company were pledged to others.
- D. Credit risk information as of December 31, 2017 and for the year ended December 31, 2017 are as follows:
- (a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
 - (b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
 - (c) The Company's accounts receivable that are neither past due nor impaired are fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.
 - (d) The Company's accounts receivable were not past due but not impaired.
 - (e) Movements in the provision for impairment of accounts receivable for the year ended December 31, 2017 are as follows:

	For the year ended December 31, 2017
At January 1	\$ 74,286
Provision for impairment	422
Write-offs	(68,382)
At December 31	\$ 6,326

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

- A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below:
- (a) Sales of goods
 - I. The Company's revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity.
 - II. The Company offers customers volume discounts and right of return for defective products. The Company estimates such discounts and returns based on historical experience. Allowance for such liabilities are recorded when the sales are recognized.
 - III. The Company has customer loyalty programs where the Company grants loyalty award credits (such as 'points'; the award credits can be used to exchange for free or discounted goods) to customers as part of a sales transaction. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the initial sale of goods and the award credits. The amount of proceeds allocated to the award credits is measured by reference to the fair value of goods that can be redeemed by using the award credits and the proportion of award credits that are expected to be redeemed by customers. The Company recognizes the deferred portion of the proceeds allocated to the award credits as revenue only when it has fulfilled its obligations in respect of the award credits.

(b) Sales of services

The Company provides delivering services. Revenue from delivering services is recognized when the services is completed and the outcome of services provided can be estimated reliably. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable.

B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 are as follows:

	For the year ended December 31, 2017
Sales revenue	\$ 135,032,826
Other operating revenue	9,447,054
Total	<u>\$ 144,479,880</u>

C. The effects and description of current balance sheet items if the Company continues adopting above accounting policies are as follows and no significant effects on current comprehensive income statement.

Balance sheet items	Description	December 31, 2018		
		Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Accounts receivable, net	(a)	\$ 603,890	\$ 603,890	\$ -
Other current assets	(a)	1,560,262	1,560,028	234
Other current liabilities	(a)(b)	1,463,092	2,756,007	(1,292,915)
Contract liabilities-current	(b)	1,293,149	-	1,293,149
Contract liabilities-non-current	(b)	151,550	-	151,550
Other non-current liabilities	(b)	394,951	546,501	(151,550)

(a) Under IFRS 15, liability in relation to expected discounts and refunds to customers is recognized as refund liability in the amount of \$234. At the same time, the Company has a right to recover the product from the customer where the customer exercises his right of return and recognizes as current asset (shown as 'other current assets') in the amount of \$234. But were previously presented as accounts receivable - allowance for sales discounts in the balance sheet.

(b) Under IFRS 15, liabilities in relation to sales of gift cards, and franchise agreements are recognized as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of December 31, 2018, the balance amounted to \$1,293,149. Liabilities in relation to the customer loyalty program are recognized as contract liabilities, but were previously presented as deferred revenue in the balance sheet. As of December 31, 2018, the balance amounted to \$151,550 and was presented as non-current liability.

13.SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 1.
- D. Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please refer to Table 2.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to Table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 6.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to Table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14.SEGMENT INFORMATION

None.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Table 1

December 31, 2018
Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Stock:								
President Chain Store Corp.	President Investment Trust Corp.	Director of President Investment Trust Corp.	Financial assets at fair value through profit or loss - non-current	2,667,600	\$ 45,298	7.60	\$ 45,298	
President Chain Store Corp.	Career Consulting Co. Ltd	None	"	837,753	14,663	5.37	14,663	
President Chain Store Corp.	Kaohsiung Rapid Transit Corp.	"	"	2,572,127	25,722	0.92	25,722	
President Chain Store Corp.	PK Venture Capital Corp.	Director of PK Venture Capital Corp.	"	321,300	-	6.67	-	
Mech-President Corp.	Yamay International Development Corp.	None	"	9	-	-	-	
President Chain Store Corp.	President Securities Corp.	Investees of Uni-President Enterprises Corp. under the equity method	Financial assets at fair value through other comprehensive income - non-current	38,221,259	439,544	2.75	439,544	
President Chain Store Corp.	Duskin Co., Ltd.	None	"	300,000	200,722	0.56	200,722	
President Chain Store Corp.	Koasa Yamako Corp.	Director of Koasa Yamako Corp.	"	650,000	4,348	10.00	4,348	
Open ended funds:								
Books.com. Co., Ltd.	Yuanta De-Li Money Market Fund	None	Financial assets at fair value through profit or loss - current	1,843,148	\$ 30,008	-	\$ 30,008	
Chieh-Shuen Logistics International Corp.	UPAMC James Bond Money Market Fund	"	"	2,037,832	34,002	-	34,002	
Chieh-Shuen Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	1,730,169	23,503	-	23,503	
Uni-Wonder Corp.	Union Money Market Fund	"	"	15,170,478	200,000	-	200,000	
Uni-Wonder Corp.	Allianz Global Investors Taiwan Money Market Fund	"	"	3,996,323	50,000	-	50,000	
Uni-Wonder Corp.	Taishin 1699 Money Market Fund	"	"	2,220,988	30,000	-	30,000	
President Information Corp.	Prudential Financial Money Market Fund	"	"	7,643,267	120,716	-	120,716	
President Logistics International Corp.	UPAMC James Bond Money Market Fund	"	"	3,266,653	54,506	-	54,506	
President Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	2,429,553	33,004	-	33,004	
President Pharmaceutical Corp.	Jih Sun Money Market Fund	"	"	112,825	1,669	-	1,669	
President Pharmaceutical Corp.	Taishin 1699 Money Market Fund	"	"	3,036,177	41,011	-	41,011	
Retail Support Taiwan Corp.	FSITC Money Market Fund	"	"	38,207	6,806	-	6,806	
Q-ware Systems & Services Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	16,121,671	219,000	-	219,000	
Bond:								
ICASH Corp.	Government bond	None	Financial assets at fair value through other comprehensive income - non-current	-	\$ 200,731	-	\$ 200,731	

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2018

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 2

Investor	Type and name of securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2018		Addition		Disposal			Other increase (decrease)		Balance as at December 31, 2018		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	Number of shares	Amount
Open ended funds:																
Books.com. Co., Ltd.	Jih Sun Money Market Fund	Note 1	Not applicable	Not applicable	1,358,373	\$ 20,005	88,163,118	\$ 1,300,000	89,521,491	\$ 1,320,528	\$ 1,320,000	\$ 528	- (\$ 5)	-	\$ -	
Books.com. Co., Ltd.	Yuanta De-Li Money Market Fund	"	"	"	-	-	49,194,595	800,000	47,351,447	770,193	770,000	193	-	8	1,843,148	30,008
Chieh-Shuen Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	"	5,250,222	71,007	55,345,735	750,000	58,865,788	797,675	797,500	175	- (4)	1,730,169	23,503	
Uni-Wonder Corp.	Union Money Market Fund	"	"	"	6,855,158	90,000	56,210,346	740,000	47,895,026	630,569	630,000	569	-	-	15,170,478	200,000
Uni-Wonder Corp.	FSITC Taiwan Money Market Fund	"	"	"	13,151,752	200,000	42,667,230	650,000	55,818,982	850,603	850,000	603	-	-	-	-
Uni-Wonder Corp.	Taishin 1699 Money Market Fund	"	"	"	3,718,301	50,000	48,240,853	650,000	49,738,166	670,296	670,000	296	-	-	2,220,988	30,000
Uni-Wonder Corp.	Nomura Taiwan Money Market Fund	"	"	"	12,328,480	200,000	46,138,977	750,000	58,467,457	950,406	950,000	406	-	-	-	-
Uni-Wonder Corp.	Allianz Global Investors Taiwan Money Market Fund	"	"	"	2,408,497	30,000	35,233,545	440,000	33,645,719	420,182	420,000	182	-	-	3,996,323	50,000
President Drugstore Business Corp.	Jih Sun Money Market Fund	"	"	"	-	-	65,155,152	961,000	65,155,152	961,135	961,000	135	-	-	-	-
President Drugstore Business Corp.	FSITC Taiwan Money Market Fund	"	"	"	-	-	91,027,726	1,388,000	91,027,726	1,388,223	1,388,000	223	-	-	-	-
President Information Corp.	Jih Sun Money Market Fund	"	"	"	9,323,901	137,318	40,572,270	598,800	49,896,170	736,582	736,118	464	-	-	-	-
President Information Corp.	Prudential Financial Money Market Fund	"	"	"	5,474,517	86,074	27,857,708	439,216	25,688,958	405,166	404,574	592	-	-	7,643,267	120,716
President Logistics International Corp.	UPAMC James Bond Money Market Fund	"	"	"	-	-	21,726,534	362,000	18,459,881	307,563	307,500	63	-	6	3,266,653	54,506
President Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	"	2,810,047	38,004	51,773,619	702,000	52,154,113	707,132	706,999	133	- (1)	2,429,553	33,004	
President Pharmaceutical Corp.	Jih Sun Money Market Fund	"	"	"	5,968,302	87,898	57,797,690	853,000	63,653,167	939,519	939,203	316	- (26)	112,825	1,669	
Q-ware Systems & Services Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	"	17,449,813	236,000	225,576,138	3,059,000	226,904,280	3,077,260	3,076,000	1,260	-	-	16,121,671	219,000
Stock:																
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Zhejiang) Ltd.	Note 2	Issuance of common stock for cash	Parent company to subsidiary	-	\$ 187,329	-	\$ 357,228	-	\$ -	\$ -	\$ -	-	- (\$ 131,610)	-	\$ 412,947

Note 1: The security was recognized as "Financial assets at fair value through profit or loss-current".

Note 2: The security was recognized as "Investments accounted for using equity method".

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the year ended December 31, 2018

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 3

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
President Chain Store Corp.	Uni-President Enterprises Corp.	Ultimate parent company	Purchases	\$ 14,923,741	15	Net 30-40 days from the end of the month when invoice is issued	No significant differences	No significant differences	(\$ 1,177,885) (	8)
	Uni-President Superior Commissary Corp.	Subsidiary	"	3,566,700	4	Net 45 days from the end of the month when invoice is issued	"	"	(622,404) (	4)
	Tung Ang Enterprises Corp.	Sister company	"	1,908,658	2	Net 30 days from the end of the month when invoice is issued	"	"	(136,637) (	1)
	Lien-Bo Enterprises Corp.	"	"	647,614	1	Net 10-54 days from the end of the month when invoice is issued	"	"	(103,372) (	1)
	Vision Distribution Service Corp.	Subsidiary	Purchases returns	(149,679)	-	Net 30-60 days from the end of the month when invoice is issued	"	"	-	-	
	Tait Marketing & Distribution Co., Ltd.	Sister company	Purchases	381,636	-	Net 20-70 days from the end of the month when invoice is issued	"	"	(76,213)	-	
	Q-ware Systems & Services Corp.	Subsidiary	"	632,058	1	Net 40 days from the end of the month when invoice is issued	"	"	(107,036) (	1)
	President Packaging Corp.	Sister company	"	335,435	-	Net 15-60 days from the end of the month when invoice is issued	"	"	(67,993)	-	
	Kuang Chuan Dairy Corp.	Other related party	"	398,310	-	Net 30-65 days from the end of the month when invoice is issued	"	"	(88,129) (	1)
	President Transnet Corp.	Subsidiary	"	224,880	-	Net 60 days from the end of the month when invoice is issued	"	"	(23,798)	-	
	Weilih Food Industrial Co., Ltd.	Other related party	"	267,673	-	Net 30-60 days from the end of the month when invoice is issued	"	"	(57,714)	-	
	21 Century Enterprise Co., Ltd.	Subsidiary	"	277,271	-	Net 30-60 days from the end of the month when invoice is issued	"	"	(64,673)	-	
	Mister Donut Taiwan Corp., Ltd.	Associate	"	159,797	-	Net 55-60 days from the end of the month when invoice is issued	"	"	(29,185)	-	
	President Pharmaceutical Corp.	Subsidiary	"	101,850	-	Net 60-70 days from the end of the month when invoice is issued	"	"	(124,435) (	1)
Capital Inventory Services Corp.	President Chain Store Corp.	Parent company	Service revenue	(170,565) (	68)	Net 45-60 days from the end of the month when invoice is issued	"	"	33,902	57
Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary of President Chain Store Corp.	Delivery revenue	(708,839) (	40)	Net 40 days from the end of the month when invoice is issued	"	"	129,144	59
	President Logistics International Corp.	Parent company	"	(969,846) (	60)	Net 20 days from the end of the month when invoice is issued	"	"	85,555	39
Duskin Serve Taiwan Co.	President Chain Store Corp.	"	Service revenue	(282,209) (	23)	Net 15-60 days from the end of the month when invoice is issued	"	"	78,425	37
Uni-Wonder Corp.	Uni-President Enterprises Corp.	Ultimate parent company	Purchases	270,060	6	Net 30 days from the end of the month when invoice is issued	"	"	(33,063) (	6)
	Tung Chan Enterprise Corp.	Other related party	"	1,041,904	25	Net 25 days from the end of the month when invoice is issued	"	"	(112,967) (	21)
	Retail Support International Corp.	Subsidiary of President Chain Store Corp.	"	195,552	5	Net 30 days from the end of the month when invoice is issued	"	"	(18,200) (	3)
President Information Corp.	President Chain Store Corp.	Parent company	Service revenue	(772,627) (	67)	Net 45 days from the end of the month when invoice is issued	"	"	243,134	69
President Logistics International Corp.	Retail Support International Corp.	Parent company	Delivery revenue	(751,640) (	24)	Net 20 days from the end of the month when invoice is issued	"	"	69,244	24
	Uni-President Cold-Chain Corp.	Subsidiary of President Chain Store Corp.	"	(1,035,971) (33)	Net 20 days from the end of the month when invoice is issued	"	"	89,672	31	

Parent Company Only
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Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/ accounts receivable (payable)	
President Logistics International Corp.	Wisdom Distribution Service Corp.	Subsidiary of President Chain Store Corp.	Delivery revenue	(1,064,345)	33	Net 20 days from the end of the month when invoice is issued	No significant differences	No significant differences	\$ 103,177	35	
	Chieh-Shuen Logistics International Corp.	Subsidiary	Service cost	969,846	32	Net 20 days from the end of the month when invoice is issued	"	"	(85,555)	(31)	
Uni-President Superior Commissary Corp.	President Chain Store Corp.	Parent company	Sales revenue	(3,566,700)	99	Net 45 days from the end of the month when invoice is issued	"	"	622,404	100	
President Transnet Corp.	President Chain Store Corp.	"	"	(224,880)	44	Net 60 days from the end of the month when invoice is issued	"	"	23,798	2	
	Chieh-Shuen Logistics International Corp.	Subsidiary of President Chain Store Corp.	Service cost	708,839	8	Net 40 days from the end of the month when invoice is issued	"	"	(129,144)	(8)	
Retail Support Taiwan Corp.	Retail Support International Corp.	Parent company	Delivery revenue	(305,169)	85	Net 15-20 days from the end of the month when invoice is issued	"	"	27,199	79	
Q-ware Systems & Services Corp.	President Chain Store Corp.	"	Service revenue	(632,058)	69	Net 40 days from the end of the month when invoice is issued	"	"	107,036	78	
Wisdom Distribution Service Corp.	Books.com. Co., Ltd.	Subsidiary of President Chain Store Corp.	"	(283,188)	9	Net 30 days from the end of the month when invoice is issued	"	"	26,449	28	
	President Logistics International Corp.	"	Service cost	1,064,345	44	Net 20 days from the end of the month when invoice is issued	"	"	(103,177)	(38)	
President Drugstore Business Corp.	President Pharmaceutical Corp.	"	Purchases	668,736	7	Net 70 days from the end of the month when invoice is issued	"	"	(26,941)	(1)	
President Pharmaceutical Corp.	President Drugstore Business Corp.	"	Sales revenue	(668,736)	37	Net 70 days from the end of the month when invoice is issued	"	"	26,941	7	
	President Chain Store Corp.	Parent company	"	(101,850)	4	Net 60-70 days from the end of the month when invoice is issued	"	"	124,435	31	
21 Century Enterprise Co., Ltd.	President Chain Store Corp.	"	"	(277,271)	33	Net 30-60 days from the end of the month when invoice is issued	"	"	64,673	47	
Vision Distribution Service Corp.	President Chain Store Corp.	"	Sales returns	149,679	-	Net 30-60 days from the end of the month when invoice is issued	"	"	-	-	
Retail Support International Corp.	President Logistics International Corp.	Subsidiary	Service cost	751,640	42	Net 20 days from the end of the month when invoice is issued	"	"	(69,244)	(45)	
	Retail Support Taiwan Corp.	"	"	305,169	17	Net 15-20 days from the end of the month when invoice is issued	"	"	(27,199)	(18)	
	Uni-Wonder Corp.	Subsidiary of President Chain Store Corp.	Delivery revenue	(195,552)	7	Net 30 days from the end of the month when invoice is issued	"	"	18,200	6	
Uni-President Cold-Chain Corp.	President Logistics International Corp.	"	Service cost	1,035,971	37	Net 20 days from the end of the month when invoice is issued	"	"	(89,672)	(2)	
Zhejiang Uni-Champion Logistics Development Co., Ltd.	Shanghai President Logistic Co., Ltd.	Parent company	Delivery revenue	(199,852)	30	Net 60 days from the end of the month when invoice is issued	"	"	52,590	47	
Shanghai President Logistic Co., Ltd.	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Subsidiary	Service cost	199,852	34	Net 60 days from the end of the month when invoice is issued	"	"	(52,590)	(37)	
ICASH Corp.	President Chain Store Corp.	Parent company	Service revenue	(116,273)	32	Net 45 days from the end of the month when invoice is issued	"	"	20,326	36	
President Logistic ShanDong Co., Ltd.	Shan Dong President Yinzuo Commercial Limited	Subsidiary of President Chain Store Corp.	Delivery revenue	(120,713)	99	Net 30 days from the end of the month when invoice is issued	"	"	11,136	99	
Shan Dong President Yinzuo Commercial Limited	President Logistic ShanDong Co., Ltd.	"	Service cost	120,713	5	Net 30 days from the end of the month when invoice is issued	"	"	(11,136)	(2)	

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

Table 4

December 31, 2018
Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as of December 31, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
President Information Corp.	President Chain Store Corp.	Parent company	\$ 243,134	3.52	\$ -	None	\$ 191,194	\$ -
Uni-President Superior Commissary Corp.	President Chain Store Corp.	"	622,404	6.02	-	"	622,401	-
Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary of President Chain Store Corp.	129,144	5.21	-	"	78,796	-
President Logistics International Corp.	Wisdom Distribution Service Corp.	"	103,177	9.69	-	"	94,415	-

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Significant inter-company transactions during the reporting periodFor the year ended December 31, 2018
Expressed in thousands of NTD
(Except as otherwise indicated)

Table 5

Number	Company name	Counterparty	Relationship	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	President Chain Store Corp.	Books.com. Co., Ltd.	Parent company to subsidiary	Other operating income	\$ 170,172	Net 60 days from the end of the month when invoice is issued	0.07
0	President Chain Store Corp.	President Transnet Corp.	Parent company to subsidiary	Other operating income	(169,894)	Net 60 days from the end of the month when invoice is issued	0.07
1	President Information Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	243,134	Net 45 days from the end of the month when invoice is issued	0.19
1	President Information Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	(772,627)	Net 45 days from the end of the month when invoice is issued	0.32
2	Q-ware Systems & Services Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	(632,058)	Net 40 days from the end of the month when invoice is issued	0.26
3	Duskin Serve Taiwan Co.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	(282,209)	Net 15-60 days from the end of the month when invoice is issued	0.12
4	Uni-President Cold-Chain Corp.	President Chain Store Corp.	Subsidiary to parent company	Other operating income	(343,690)	Net 20 days from the end of the month when invoice is issued	0.14
5	Capital Inventory Services Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	(170,565)	Net 45-60 days from the end of the month when invoice is issued	0.07
6	Chieh-Shuen Logistics International Corp.	President Logistics International Corp.	Subsidiary to subsidiary	Delivery revenue	(969,846)	Net 20 days from the end of the month when invoice is issued	0.40
6	Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary to subsidiary	Delivery revenue	(708,839)	Net 40 days from the end of the month when invoice is issued	0.29
6	Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary to subsidiary	Accounts receivable	129,144	Net 40 days from the end of the month when invoice is issued	0.10
7	President Logistics International Corp.	Retail Support International Corp.	Subsidiary to subsidiary	Delivery revenue	(751,640)	Net 20 days from the end of the month when invoice is issued	0.31
7	President Logistics International Corp.	Uni-President Cold-Chain Corp.	Subsidiary to subsidiary	Delivery revenue	(1,035,971)	Net 20 days from the end of the month when invoice is issued	0.42
7	President Logistics International Corp.	Wisdom Distribution Service Corp.	Subsidiary to subsidiary	Delivery revenue	(1,064,345)	Net 20 days from the end of the month when invoice is issued	0.44
7	President Logistics International Corp.	Wisdom Distribution Service Corp.	Subsidiary to subsidiary	Accounts receivable	103,177	Net 20 days from the end of the month when invoice is issued	0.08
8	President Logistic ShanDong Co., Ltd.	Shan Dong President Yinzuo Commercial Limited	Subsidiary to subsidiary	Delivery revenue	(120,713)	Net 30 days from the end of the month when invoice is issued	0.05
9	President Pharmaceutical Corp.	President Drugstore Business Corp.	Subsidiary to subsidiary	Sales revenue	(668,736)	Net 70 days from the end of the month when invoice is issued	0.27
10	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Shanghai President Logistic Co., Ltd.	Subsidiary to subsidiary	Sales revenue	(199,852)	Net 60 days from the end of the month when invoice is issued	0.08
11	Uni-President Superior Commissary Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	622,404	Net 45 days from the end of the month when invoice is issued	0.49
11	Uni-President Superior Commissary Corp.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	(3,566,700)	Net 45 days from the end of the month when invoice is issued	1.46
12	21 Century Enterprise Co., Ltd.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	(277,271)	Net 30-60 days from the end of the month when invoice is issued	0.11
13	Wisdom Distribution Service Corp.	Books.com. Co., Ltd.	Subsidiary to subsidiary	Service revenue	(283,188)	Net 30 days from the end of the month when invoice is issued	0.12
14	Retail Support Taiwan Corp.	Retail Support International Corp.	Subsidiary to subsidiary	Delivery revenue	(305,169)	Net 15-20 days from the end of the month when invoice is issued	0.13
15	Vision Distribution Service Corp.	President Chain Store Corp.	Subsidiary to parent company	Sales returns	149,679	Net 30-60 days from the end of the month when invoice is issued	0.06
16	Retail Support International Corp.	Uni-Wonder Corp.	Subsidiary to subsidiary	Delivery revenue	(195,552)	Net 30 days from the end of the month when invoice is issued	0.08

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Names, locations and other information of investee companies (not including investees in Mainland China)

Table 6

For the year ended December 31, 2018
Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
President Chain Store Corp.	President Chain Store (BV) Holdings Ltd.	British Virgin Islands	Professional investment	\$ 6,712,138	\$ 6,712,138	171,589,586	100.00	\$ 25,850,474	\$ 611,941	\$ 615,496	Subsidiary
President Chain Store Corp.	President Drugstore Business Corp.	Taiwan	Sales of cosmetics, medicines and daily items	288,559	288,559	78,520,000	100.00	1,367,838	290,300	290,300	Subsidiary
President Chain Store Corp.	President Transnet Corp.	Taiwan	Delivery service	711,576	711,576	103,496,399	70.00	1,518,487	490,073	343,051	Subsidiary
President Chain Store Corp.	Mech-President Corp.	Taiwan	Gas station, installment and maintenance of elevators	904,475	904,475	55,858,815	80.87	694,277	99,980	80,855	Subsidiary
President Chain Store Corp.	President Pharmaceutical Corp.	Taiwan	Sales of various health care products, cosmetics, and pharmaceuticals	330,216	330,216	22,121,962	73.74	756,001	227,432	167,956	Subsidiary
President Chain Store Corp.	Uni-President Department Store Corp.	Taiwan	Department stores	840,000	840,000	27,999,999	70.00	566,145	333,022	233,115	Subsidiary
President Chain Store Corp.	Uni-President Superior Commissary Corp.	Taiwan	Fresh food manufacture	520,141	520,141	48,519,890	90.00	467,659	17,497	15,747	Subsidiary
President Chain Store Corp.	Uni-President Cold-Chain Corp.	Taiwan	Low-temperature logistics and warehousing	237,437	237,437	23,605,042	60.00	645,440	341,444	204,866	Subsidiary
President Chain Store Corp.	President Information Corp.	Taiwan	Enterprise information management and consultancy	320,741	320,741	25,714,475	86.00	489,299	76,172	65,508	Subsidiary
President Chain Store Corp.	Q-ware Systems & Services Corp.	Taiwan	Information software services	332,482	332,482	24,382,921	86.76	372,945	80,643	69,965	Subsidiary
President Chain Store Corp.	Wisdom Distribution Service Corp.	Taiwan	Logistics and storage of publication and e-commerce	50,000	50,000	10,847,421	100.00	506,392	271,711	271,711	Subsidiary
President Chain Store Corp.	Books.com. Co., Ltd.	Taiwan	Retail business without shop	100,400	100,400	9,999,999	50.03	417,935	422,359	211,285	Subsidiary
President Chain Store Corp.	President Yilan Art and Culture Corp.	Taiwan	Art and cultural exhibition	20,000	200,000	2,000,000	100.00	51,328	676	676	Subsidiary
President Chain Store Corp.	Duskin Serve Taiwan Co.	Taiwan	Cleaning instruments leasing and selling	102,000	102,000	10,199,999	51.00	194,788	133,258	67,941	Subsidiary
President Chain Store Corp.	ICASH Corp.	Taiwan	Electronic ticketing services	500,000	500,000	50,000,000	100.00	356,073	5,787	5,787	Subsidiary
President Chain Store Corp.	Uni-President Development Corp.	Taiwan	Construction, development and operation of an MRT station	720,000	720,000	72,000,000	20.00	753,904	116,093	23,219	Note 1
President Chain Store Corp.	Uni-Wonder Corp.	Taiwan	Coffee chain store	3,286,206	3,286,206	21,382,674	60.00	5,289,524	711,814	198,444	Subsidiary
President Chain Store Corp.	Retail Support International Corp.	Taiwan	Room-temperature logistics and warehousing	91,414	91,414	6,429,999	25.00	174,830	216,951	54,238	Subsidiary
President Chain Store Corp.	Presicarre Corp.	Taiwan	Management of retail department store	7,112,028	7,112,028	130,801,027	19.50	5,518,380	1,677,876	327,178	Note 1
President Chain Store Corp.	President Fair Development Corp.	Taiwan	Operation of shopping mall, department store, international trade, etc.	3,191,700	3,191,700	190,000,000	19.00	1,984,125	158,079	30,035	Note 1
President Chain Store Corp.	President International Development Corp.	Taiwan	Professional investment	500,000	500,000	44,100,000	3.33	461,328	475,420	16,591	Note 1
President Chain Store Corp.	Tung Ho Development Corp.	Taiwan	Management of entertainment business	861,696	861,696	19,930,000	12.46	114,755	(68,624)	(8,691)	Note 1
President Chain Store Corp.	Ren-Hui Investment Corp.	Taiwan	Professional investment	637,231	637,231	6,500,000	100.00	82,833	7,452	7,452	Subsidiary
President Chain Store Corp.	Capital Inventory Services Corp.	Taiwan	Enterprise management consultancy	9,506	9,506	2,500,000	100.00	59,241	31,630	31,630	Subsidiary
President Chain Store Corp.	PCSC (China) Drugstore Limited	British Virgin Islands	Professional investment	277,805	277,805	8,746,008	92.20	64,995	1,764	1,626	Subsidiary
President Chain Store Corp.	President Chain Store Corporation Insurance Brokers Co., Ltd.	Taiwan	Life and property insurance	213,000	213,000	1,500,000	100.00	22,808	6,651	6,651	Subsidiary
President Chain Store Corp.	Cold Stone Creamery Taiwan Ltd.	Taiwan	Sales of ice cream	170,000	170,000	12,244,390	100.00	(9,454)	14,507	14,507	Subsidiary
President Chain Store Corp.	President Being Corp.	Taiwan	Sports and entertainment business	170,000	170,000	1,500,000	100.00	(42,731)	18,558	18,558	Subsidiary
President Chain Store Corp.	21 Century Enterprise Co., Ltd.	Taiwan	Operation of chain restaurants	160,680	160,680	10,000,000	100.00	34,523	24,027	24,027	Subsidiary
President Chain Store Corp.	President Chain Store Tokyo Marketing Corp.	Japan	Enterprise management consultancy	35,648	35,648	9,800	100.00	76,331	3,114	3,114	Subsidiary
President Chain Store Corp.	Uni-President Oven Bakery Corp.	Taiwan	Bread and pastry retailer	391,300	391,300	6,511,963	100.00	(29,439)	(14,764)	(14,764)	Subsidiary
President Chain Store Corp.	President Collect Services Co., Ltd.	Taiwan	Collection agent	10,500	10,500	1,049,999	70.00	73,621	85,542	59,878	Subsidiary
President Chain Store Corp.	Afternoon Tea Taiwan Co., Ltd.	Taiwan	Operation of restaurants	147,900	147,900	14,789,999	51.00	41,659	(509)	(260)	Subsidiary

Parent Company Only
Financial Statements and
Report of Independent
Accountants

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
President Chain Store Corp.	Mister Donut Taiwan Corp., Ltd.	Taiwan	Bakery retailer	\$ 200,000	\$ 200,000	7,500,049	50.00	\$ 107,879	\$ 41,756	\$ 22,118	Note 1
President Chain Store Corp.	Uni-President Organics Corp.	Taiwan	Health care products and organic food	47,190	47,190	1,833,333	36.67	38,862	21,446	7,863	Note 1
President Chain Store Corp.	President Technology Corp.	Taiwan	Software development and call center service	7,500	7,500	750,000	15.00	21,347	38,142	5,718	Note 1
President Chain Store Corp.	Grand Bills Finance Corp.	Taiwan	Securities trading	-	1,050	-	-	-	568,805	67	Note 1
Books.com. Co., Ltd.	Books.com. (BVI) Ltd.	British Virgin Islands	Professional investment	1,478	1,478	500	100.00	592	2	3	Subsidiary of a subsidiary
Mech-President Corp.	President Jing Corp.	Taiwan	Gas station	9,600	9,600	960,000	60.00	26,003	16,339	9,803	Subsidiary of a subsidiary
President Chain Store (Hong Kong) Holdings Limited	PCSC Restaurant (Cayman) Holdings Limited	Cayman Islands	Professional investment	159,966	159,966	8,880,000	100.00	31,162	80	80	Subsidiary of a subsidiary
President Chain Store (Hong Kong) Holdings Limited	PCSC (China) Drugstore Limited	British Virgin Islands	Professional investment	22,729	22,729	740,000	7.80	5,499	1,764	138	Subsidiary of a subsidiary
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Hong Kong) Holdings Limited	Hong Kong	Professional investment	4,784,073	4,784,073	134,603,354	100.00	4,160,454	86,522	86,522	Subsidiary of a subsidiary
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Labuan) Holdings Ltd.	Malaysia	Professional investment	895,752	895,752	29,163,337	100.00	2,211,268	385,752	385,752	Subsidiary of a subsidiary
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corp.	Philippines	Operation of chain stores	894,891	894,891	394,970,516	52.22	2,210,541	887,060	399,934	Subsidiary of a subsidiary
President Logistics International Corp.	Chieh-Shuen Logistics International Corp.	Taiwan	Trucking	180,000	180,000	26,670,000	100.00	310,438	19,473	19,473	Subsidiary of a subsidiary
President Pharmaceutical Corp.	President Pharmaceutical (Hong Kong) Holdings Limited	Hong Kong	Sales of various health care products, cosmetics, and pharmaceuticals	178,024	89,415	5,935,900	100.00	72,393	(28,202)	(28,202)	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Books.com. Co., Ltd.	Taiwan	Retail business without shop	-	-	1	-	-	422,359	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Uni-President Department Store Corp.	Taiwan	Department stores	-	-	1	-	-	333,022	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Mech-President Corp.	Taiwan	Gas station, installment and maintenance of elevators	-	-	1	-	-	99,980	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	President Information Corp.	Taiwan	Enterprise information management and consultancy	-	-	1	-	-	76,172	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	President Transnet Corp.	Taiwan	Delivery service	-	-	1	-	-	490,073	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Q-ware Systems & Services Corp.	Taiwan	Information software services	-	-	1	-	-	80,643	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Duskin Serve Taiwan Co.	Taiwan	Cleaning instruments leasing and selling	-	-	1	-	-	133,258	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	President Pharmaceutical Corp.	Taiwan	Sales of various health care products, cosmetics, and pharmaceuticals	-	-	1	-	-	227,432	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Mister Donut Taiwan Corp., Ltd.	Taiwan	Bakery retailer	-	-	1	-	-	41,756	-	Note 1
Ren-Hui Investment Corp.	Uni-President Superior Commissary Corp.	Taiwan	Fresh food manufacture	-	-	1	-	-	17,497	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Uni-President Cold-Chain Corp.	Taiwan	Low-temperature logistics and warehousing	-	-	1	-	-	341,444	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Retail Support International Corp.	Taiwan	Room-temperature logistics and warehousing	-	-	1	-	-	216,951	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	President Collect Services Co., Ltd.	Taiwan	Collection agent	-	-	1	-	-	85,542	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Afternoon Tea Taiwan Co., Ltd.	Taiwan	Operation of restaurants	-	-	1	-	(509)	-	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Ren Hui Holding Co., Ltd.	British Virgin Islands	Professional investment	60,374	60,374	2,000,000	100.00	70,287	4,024	4,024	Subsidiary of a subsidiary
Retail Support International Corp.	Retail Support Taiwan Corp.	Taiwan	Room-temperature logistics and warehousing	15,300	15,300	2,871,300	51.00	74,413	45,403	23,156	Subsidiary of a subsidiary
Retail Support International Corp.	President Logistics International Corp.	Taiwan	Trucking	44,975	44,975	9,481,500	49.00	161,679	75,685	37,086	Subsidiary of a subsidiary
Retail Support Taiwan Corp.	President Logistics International Corp.	Taiwan	Trucking	5,425	5,425	1,161,000	6.00	19,797	75,685	4,413	Subsidiary of a subsidiary
Uni-President Cold-Chain Corp.	President Logistics International Corp.	Taiwan	Trucking	23,850	23,850	4,837,500	25.00	82,489	75,685	18,921	Subsidiary of a subsidiary
Uni-President Cold-Chain Corp.	Uni-President Logistics (BVI) Holdings Limited	British Virgin Islands	Professional investment	87,994	87,994	2,990	100.00	103,772	12,628	12,628	Subsidiary of a subsidiary
Wisdom Distribution Service Corp.	President Logistics International Corp.	Taiwan	Trucking	18,850	18,850	3,870,000	20.00	65,991	75,685	15,137	Subsidiary of a subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Wisdom Distribution Service Corp.	Vision Distribution Service Corp.	Taiwan	Publishing Industry	\$ -	\$ 60,000	-	-	\$ -	(\$ 31,023)	(\$ 17,539)	Subsidiary of a subsidiary
Philippine Seven Corp.	Convenience Distribution Inc.	Philippines	Logistics and warehousing	26,299	26,299	4,500,000	100.00	26,299	23,046	-	Subsidiary of a subsidiary
Philippine Seven Corp.	Store Sites Holding, Inc.	Philippines	Professional investment	28,486	28,486	40,000	40.00	28,486	1,262	-	Subsidiary of a subsidiary

Note 1: The investee was recognized using equity method by the company.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Information on investments in Mainland ChinaFor the year ended December 31, 2018
Expressed in thousands of NTD
(Except as otherwise indicated)

Table 7

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai President Chain Store Corporation Trade Co., Ltd.	Trade of food and commodities	\$ 272,749	Note 1	\$ 158,815	\$ -	\$ -	\$ 158,815	\$ 266	100.00	\$ 266	\$ 31,093	\$ -	Note 2
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Wholesale of merchandise	446,536	Note 1	289,252	-	-	289,252	1,855	100.00	1,855	69,725	-	Note 2
President Chain Store (Shanghai) Ltd.	Operation of chain stores	2,232,680	Note 1	2,373,578	-	-	2,373,578	(155,505)	100.00	(155,507)	68,214	-	Note 2
Shanghai President Logistic Co., Ltd.	Logistics and warehousing	61,430	Note 1	61,430	-	-	61,430	75,487	100.00	76,970	420,437	-	Note 2
Shanghai Cold Stone Ice Cream Corporation	Sales of ice cream	993,737	Note 1	1,005,579	-	-	1,005,579	(4,323)	100.00	(4,323)	47,631	-	Note 2
PCSC (Chengdu) Hypermarket Limited	Retail hypermarket	589,428	Note 1	546,000	-	-	546,000	(21,399)	100.00	(21,696)	54,972	-	Note 2
Shan Dong President Yinzuo Commercial Limited	Supermarkets	267,922	Note 1	125,267	-	-	125,267	34,356	55.00	17,331	195,037	-	Note 2
President (Shanghai) Health Product Trading Company Ltd.	Sales of various health care products, cosmetics, and pharmaceuticals	174,851	Note 1	85,544	89,307	-	174,851	(29,280)	73.74	(21,591)	28,837	56,866	Note 2
Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehouse	178,614	Note 1	174,654	-	-	174,654	25,610	80.00	21,953	159,862	13,946	Note 2
Beijing Bokelai Customer Co.	Enterprise information consulting, network technology development and services	461	Note 1	-	-	-	-	-	50.03	-	17	-	Note 2
President Chain Store (Taizhou) Ltd.	Logistics and warehousing	267,922	Note 1	267,922	-	-	267,922	25,872	100.00	25,863	331,098	-	Note 2
President Logistic ShanDong Co., Ltd.	Logistics and warehousing	223,268	Note 1	223,268	-	-	223,268	6,904	100.00	6,447	200,347	-	Note 2
President Chain Store (Zhejiang) Ltd.	Operation of chain stores	625,150	Note 1	267,922	357,228	-	625,150	(129,811)	100.00	(129,813)	412,947	-	Note 2
Beauty Wonder (Zhejiang) Trading Co., Ltd.	Sales of cosmetics and daily items	133,961	Note 1	-	133,961	-	133,961	(20,741)	100.00	(20,741)	113,642	-	Note 2

Note 1: Indirect investment in PRC through the existing company located in the third area.

Note 2: The financial statements were reviewed by the CPA of parent company in Taiwan.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
President Chain Store Corp.	\$ 4,734,350	\$ 8,488,824	\$ 26,415,016
President Pharmaceutical Corp.	174,851	174,851	485,926
Uni-President Cold-Chain Corp.	91,144	91,144	633,116
Ren-Hui Investment Corp.	52,931	52,931	80,000

**PRESIDENT CHAIN STORE CORP.
STATEMENT OF CASH AND CASH EQUIVALENTS**

DECEMBER 31, 2018
Expressed in thousands of NTD

Statement 1

Item	Description	Amount
Cash on hand and petty cash		\$ 1,072,918
Demand deposits and checking accounts		8,198,849
Cash equivalents		
Time deposits – New Taiwan dollar	Due dates are during September 2018 and March 2019, and interest rates are at 0.8%.	500,000
Short-term financial instruments	Due dates are within one month, interest rates are at 0.45%~0.5%.	4,298,948
		<u>\$ 14,070,715</u>

**PRESIDENT CHAIN STORE CORP.
STATEMENT OF INVENTORIES**

DECEMBER 31, 2018
Expressed in thousands of NTD

Statement 2

Item	Description	Amount		Footnote
		Cost	Market value	
Merchandise		<u>\$ 8,020,368</u>	<u>\$ 8,998,487</u>	The net realizable value is the market value.

**PRESIDENT CHAIN STORE CORP.
STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER
COMPREHENSIVE INCOME - NON-CURRENT**

FOR THE YEAR ENDED DECEMBER 31, 2018
Expressed in thousands of NTD

Statement 3

Name	Balance as of January 1, 2018		Additions		Decreases		Balance as of December 31, 2018		Collateral
	Number of shares	Book value	Number of shares	Amount	Number of shares	Amount	Number of shares	Book value	
Listed stocks									
President Securities Corp.	38,221,259	\$ 140,534	-	\$ -	-	\$ -	38,221,259	\$ 140,534	None
Duskin Co., Ltd.	300,000	125,072	-	-	-	-	300,000	125,072	"
Unlisted stocks									
Koasa Yamako Corp.	650,000	4,348	-	-	-	-	650,000	4,348	"
Subtotal		269,954		-		-		269,954	
Valuation adjustment		518,509		-		(143,849)		374,660	
		<u>\$ 788,463</u>		<u>\$ -</u>		<u>(\$ 143,849)</u>		<u>\$ 644,614</u>	

PRESIDENT CHAIN STORE CORP.
STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS -
NON-CURRENT

FOR THE YEAR ENDED DECEMBER 31, 2018
Expressed in thousands of NTD

Statement 4

Name	Balance as of January 1, 2018		Additions		Decreases		Balance as of December 31, 2018		Collateral
	Number of shares	Book value	Number of shares	Amount	Number of shares (Note1)	Amount (Note2)	Number of shares	Book value	
Unlisted stocks									
PK Venture Capital Corp.	321,300	\$ 33,685	-	\$ -	-	\$ -	321,300	\$ 33,685	None
Kaohsiung Rapid Transit Corp.	2,572,127	203,714	-	-	-	-	2,572,127	203,714	"
Q-ware Systems & Services Corp.	4,172,422	-	-	-	(4,172,422)	-	-	-	
Career Consulting Co. Ltd	837,753	14,815	-	-	-	(151)	837,753	14,664	
President Investment Trust Corp.	2,667,600	22,800	-	-	-	-	2,667,600	22,800	
Subtotal		275,014		-		(151)		274,863	
Valuation adjustment		(189,180)		-		-		(189,180)	
		<u>\$ 85,834</u>		<u>\$ -</u>		<u>(\$ 151)</u>		<u>\$ 85,683</u>	

Note1: The number of shares decreased including capital reduction for cover accumulated deficits and disposal from share premium this year.

Note2: The amount decreased this year due to cash dividends paid from share premium and distributed by investees.

PRESIDENT CHAIN STORE CORP. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2018

Statement 5

Expressed in thousands of NTD

Name	Balance as of January 1, 2018		Additions (Note 1)		Decreases (Note 2)		Other Adjustments (Note 3)	Balances as of December 31, 2018			Market price or Equity of subsidiaries and Associates	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Amount	Number of shares	Percentage of ownership	Amount	Unit Price	Total price
President Chain Store (BVI) Holdings Ltd.	171,589,586	\$ 24,607,905	-	\$ 615,496	-	\$ -	\$ 627,073	171,589,586	100.00	25,850,474	150.65	25,850,474
President Drugstore Business Corp.	78,520,000	1,419,062	-	290,300	-	-	(341,524)	78,520,000	100.00	1,367,838	17.42	1,367,838
President Transnet Corp.	103,496,399	1,438,218	-	343,051	-	-	(262,782)	103,496,399	70.00	1,518,487	14.49	1,499,644
Mech-President Corp.	55,858,815	681,820	-	80,855	-	-	(68,398)	55,858,815	80.87	694,277	12.43	694,277
President Pharmaceutical Corp.	22,121,962	728,214	-	167,956	-	-	(140,169)	22,121,962	73.74	756,001	27.00	597,203
Uni-President Ustyle Department Store Corp.	27,999,999	530,833	-	233,115	-	-	(197,803)	27,999,999	70.00	566,145	20.22	566,145
Uni-President Superior Commissary Corp.	48,519,890	456,939	-	15,747	-	-	(5,027)	48,519,890	90.00	467,659	9.64	467,659
Uni-President Cold-Chain Corp.	23,605,042	617,057	-	204,866	-	-	(176,483)	23,605,042	60.00	645,440	26.82	633,116
President Information Corp.	25,714,475	506,567	-	65,508	-	-	(82,776)	25,714,475	86.00	489,299	14.80	380,459
Q-ware Systems & Services Corp.	24,382,921	356,381	-	69,965	-	-	(53,401)	24,382,921	86.76	372,945	14.76	359,792
Wisdom Distribution Service Corp.	10,847,421	433,012	-	271,711	-	-	(198,331)	10,847,421	100.00	506,392	46.68	506,392
Books.com. Co., Ltd.	9,999,999	420,255	-	211,285	-	-	(213,605)	9,999,999	50.03	417,935	41.79	417,935
Uni-President Yi-Lan Art and Culture Corp.	20,000,000	231,906	-	676	(18,000,000)	(180,000)	(1,254)	2,000,000	100.00	51,328	25.66	51,328
Duskin Serve Taiwan Co.	10,199,999	197,140	-	67,941	-	-	(70,293)	10,199,999	51.00	194,788	19.10	194,788
ICASH Corp.	50,000,000	352,272	-	5,787	-	-	(1,986)	50,000,000	100.00	356,073	7.12	356,073
Uni-President Development Corp.	72,000,000	750,774	-	23,219	-	-	(20,089)	72,000,000	20.00	753,904	10.47	753,904
Uni-wonder Corp.	21,382,674	5,809,284	-	198,444	-	-	(718,204)	21,382,674	60.00	5,289,524	31.56	674,835
Retail Support International Corp.	6,429,999	195,525	-	54,238	-	-	(74,933)	6,429,999	25.00	174,830	25.79	165,843
PresiCarre Corp.	130,801,027	5,198,249	-	327,178	-	-	(7,047)	130,801,027	19.50	5,518,380	19.89	2,600,981
President Fair Development Corp.	190,000,000	1,954,089	-	30,035	-	-	-	190,000,000	19.00	1,984,125	9.53	1,811,591
President International Development Corp.	44,100,000	466,885	-	16,591	-	-	(22,146)	44,100,000	3.33	461,328	10.72	472,907
Tung Ho Development Corp.	19,930,000	123,504	-	-	(8,691)	(58)	(58)	19,930,000	12.46	114,755	5.76	114,755
Mister Donut Taiwan Corp., Ltd., etc.	-	508,001	-	203,209	(16,793)	(151,943)	(151,943)	-	-	542,475	-	542,472
		<u>\$ 47,983,892</u>		<u>\$ 3,497,173</u>		<u>(\$ 205,484)</u>	<u>(\$ 2,181,179)</u>			<u>\$ 49,094,402</u>		<u>\$ 41,080,411</u>

Note 1: The additions this year includes recognized gains on investments of \$3,497,173.

Note 2: The decreases this year includes recognized losses on investments of (\$23,715), disposal on investment (\$1,769) and capital reduction returned shares (\$180,000)

Note 3: Other adjustments are cash dividends of (\$2,725,951), exchange differences from translation of foreign operations of \$626,479, actuarial loss on measurement of defined benefit plan of (\$73,992), changes in fair value of financial assets at fair value through other comprehensive income (\$4,378) and others of (\$3,337).

**PRESIDENT CHAIN STORE CORP.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT**FOR THE YEAR ENDED DECEMBER 31, 2018
Expressed in thousands of NTD

Statement 6

Item	Balance as of January 1, 2018	Additions	Disposals	Reclassifications	Balance as of December 31, 2018	Collateral
Cost						
Land	\$ 1,564,223	\$ -	\$ -	\$ -	\$ 1,564,223	None
Buildings	973,001	-	-	-	973,001	"
Office equipment	13,119,148	1,299,599	(855,700)	(40)	13,563,007	"
Leasehold improvements	7,789,418	992,771	(533,020)	1,795	8,250,964	"
Others	9,529	3,193	(601)	-	12,121	"
	<u>23,455,319</u>	<u>\$ 2,295,563</u>	<u>(\$ 1,389,321)</u>	<u>\$ 1,755</u>	<u>24,363,316</u>	
Accumulated depreciation						
Buildings	(313,843)	(\$ 19,251)	\$ -	\$ -	(333,094)	"
Office equipment	(8,792,980)	(1,371,875)	840,355	27	(9,324,473)	"
Leasehold improvements	(5,128,478)	(704,250)	510,233	(27)	(5,322,522)	"
Others	(8,252)	(924)	601	-	(8,575)	"
	<u>(14,243,553)</u>	<u>(\$ 2,096,300)</u>	<u>\$ 1,351,189</u>	<u>\$ -</u>	<u>(14,988,664)</u>	
Accumulated impairment	(265,307)	\$ 2,401	\$ 2,473	\$ -	(260,433)	
Book value	<u>\$ 8,946,459</u>				<u>\$ 9,114,219</u>	

**PRESIDENT CHAIN STORE CORP.
STATEMENT OF SHORT-TERM BORROWINGS**DECEMBER 31, 2018
Expressed in thousands of NTD

Statement 7 Statement 6

Type of borrowings	Explanation	Balance as of December 31, 2018	Contract period	Interest rate range	Collateral
HSBC Bank (Taiwan) Limited	Credit loan	\$ 1,800,000	2018/11/2~2019/1/8	0.67%	None
Sumitomo Mitsui Banking Corp.	Credit loan	1,000,000	2018/12/3~2019/1/8	0.68%	"
Banco Bilbao Vizcaya Argentaria S.A.	Credit loan	1,200,000	2018/11/2~2019/2/19	0.65%	"
CTBC Commercial Bank Co., Ltd.	Credit loan	2,000,000	2018/12/3~2019/2/19	0.65%	"
		<u>\$ 6,000,000</u>			

**PRESIDENT CHAIN STORE CORP.
STATEMENT OF OPERATING REVENUE**FOR THE YEAR ENDED DECEMBER 31, 2018
Expressed in thousands of NTD

Statement 8

Item	Amount	Footnote
Revenue from Contracts with Customers	<u>\$ 154,074,731</u>	Sales of food, cans, beverages and daily commodities, etc.

**PRESIDENT CHAIN STORE CORP.
STATEMENT OF OPERATING COSTS**FOR THE YEAR ENDED DECEMBER 31, 2018
Expressed in thousands of NTD

Statement 9

Item	Amount
Inventory at beginning of the year	\$ 7,194,707
Inventory purchased	99,551,551
Compensation for damaged merchandise	(333,931)
Promotion income	(566,610)
Inventory at end of the year	(8,020,368)
Others	3,237,015
Operating costs	\$ 101,062,364

**PRESIDENT CHAIN STORE CORP.
STATEMENT OF SELLING EXPENSES**FOR THE YEAR ENDED DECEMBER 31, 2018
Expressed in thousands of NTD

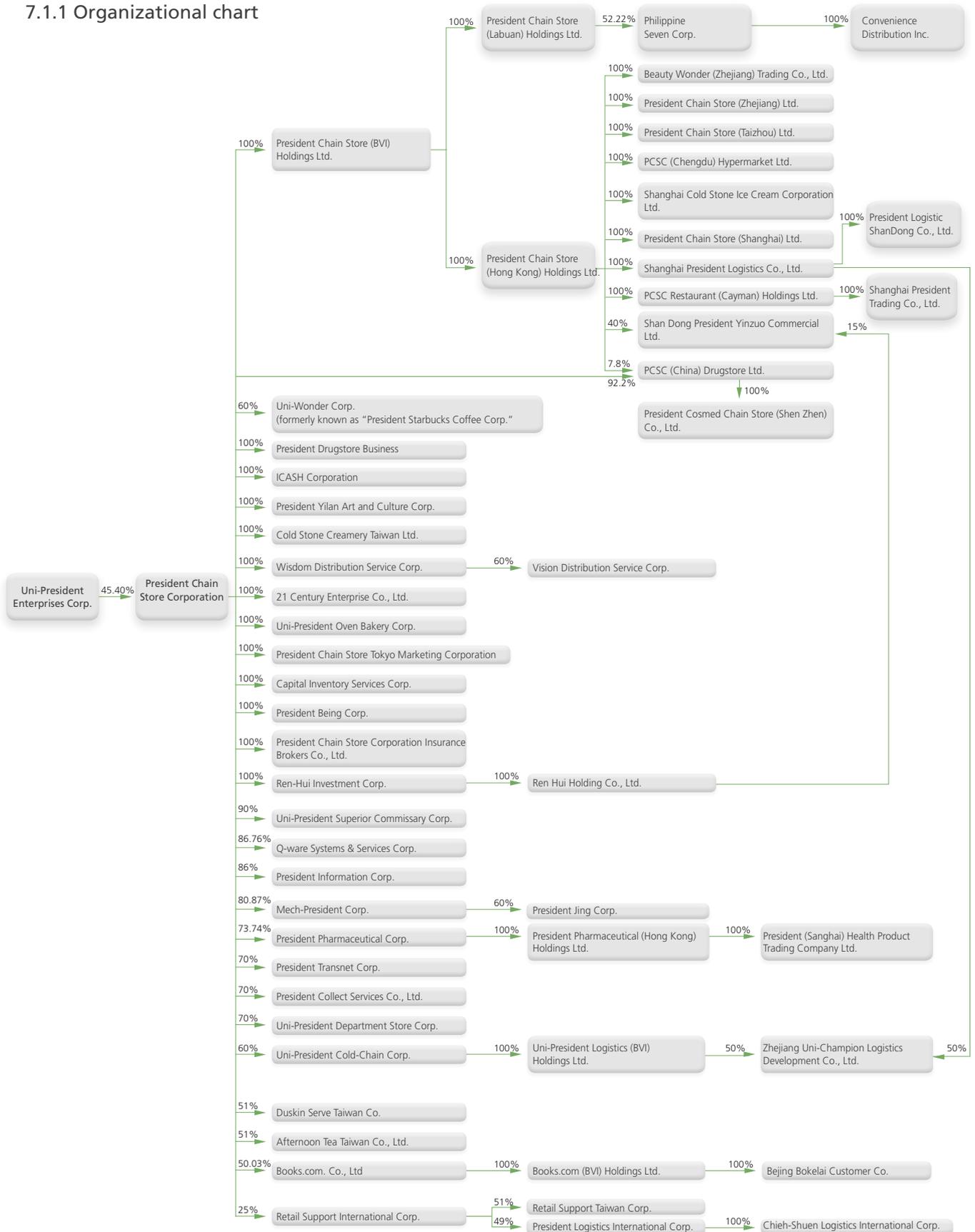
Statement 10

Item	Amount
Incentive bonuses for franchisees	\$ 20,904,939
Operating lease payments	6,496,663
Wages and salaries	3,504,004
Utilities expense	2,219,392
Depreciation	2,118,092
Other expenses	5,798,107
	\$ 41,041,167

7 Consolidated Business Reports of Affiliated Companies

7.1 Affiliated Companies Conditions 7.1.1 Organizational chart

As of December 31, 2018



7.1.1.2 PCSC has a direct or indirect control over the management of the personnel, financial or business operation of the following companies, and is considered to be the controlling company under Article 369-2 of the Company Law.

Affiliated Companies	Relationship
Retail Support International Corp.	The appointee of PCSC is voted as the Chairman of the affiliated company.

7.1.2 Information of PCSC affiliated companies

Dec. 31, 2018/Unit: NT\$1,000

Company	Date of incorporation	Address	Paid-in Capital	Major Business / Production Items
President Chain Store (BVI) Holdings Ltd.	Jul. 09, 1998	Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD 17,159,000	Professional investments
PCSC (China) Drugstore Limited	Feb. 16, 2004	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD 9,486,000	Professional investments
Uni-Wonder Corporation	Nov. 03, 1997	8F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	356,378	Retailer of coffee, beverage, and food
President Drugstore Business Corp.	Jul. 27, 1995	7F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	785,200	Selling of drugs and cosmetics
ICASH Corporation	Nov. 19, 2013	3F, No.101, Ruihu St., Neihu Dist., Taipei City, Taiwan	500,000	Electronic ticketing services
President Yilan Art and Culture Corp.	Jun. 07, 2004	8F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	20,000	Art and cultural exhibition
Cold Stone Creamery Taiwan Ltd.	Dec. 26, 2006	8F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	122,444	Selling of ice cream
Wisdom Distribution Service Corp.	Jan. 11, 1999	No.70-1, Sec. 2, Jiayuan Rd., Shulin Dist., New Taipei City, Taiwan	108,474	Logistic and storage of publication and e-commerce
21 Century Enterprise Co., Ltd.	Nov. 18, 1995	4F, No.50, Ln. 258, Ruiguang Rd., Neihu Dist., Taipei City, Taiwan	100,000	Restaurant and sales of goods
Uni-President Oven Bakery Corp.	Nov. 20, 2000	12F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	65,120	Bread and pastry retailer
President Chain Store Tokyo Marketing Corporation	Jan. 07, 2009	SOYIC bldg. 4F 3-11 Nihonbashi koami-cho, Chuo-ku, Tokyo 103-0016, Japan	JPY 98,000,000	Trade and management consulting
Capital Inventory Services Corp.	Apr. 13, 1998	8F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	25,000	Management consulting
President Being Corp.	Apr. 08, 2003	B1, No.149, Sec.5, Minsheng E. Rd., Songshan Dist., Taipei City, Taiwan	15,000	Sports and beauty business
President Chain Store Corporation Insurance Brokers Co., Ltd.	Oct. 05, 2006	5F, No.135, Sec. 4, Bade Rd., Songshan Dist., Taipei City, Taiwan	15,000	Insurance brokers
Ren-Hui Investment Corp.	Dec. 20, 1996	8F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	65,000	Professional investments
Uni-President Superior Commissary Corp.	Mar. 11, 1999	No.16, Zhongxing Rd., Tucheng Dist., New Taipei City, Taiwan	539,110	Fresh food manufacture
Q-ware Systems & Services Corp.	Jun. 26, 1963	9F, No.81, Zhouzi St., Neihu Dist., Taipei City, Taiwan	281,042	IT & software services
President Information Corp.	Aug. 27, 1997	6F, No. 246, Yang Guang St., Neihu Dist., Taipei City, Taiwan	299,006	Information consulting services
Mech-President Corp.	Dec. 09, 1991	No. 67, Huan Gong Rd., Yung Kang Dist., Tainan City, Taiwan	690,713	Gas station, installment and maintenance of elevators
President Pharmaceutical Corp.	Sep. 03, 1993	7F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	300,000	Selling and trade of cosmetics and health care products
President Transnet Corp.	Jan. 24, 2000	2F, No.8, Sec. 3, Shuangshi Rd., Banqiao Dist., New Taipei City, Taiwan	1,478,520	Delivering and trucking
President Collect Services Co., Ltd.	Jun. 24, 2002	8F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	15,000	Bill collection service
Uni-President Department Store Corp.	Feb. 24, 2006	No.8, Sec. 5, Zhong Xiao E. Rd., Xinyi Dist., Taipei City, Taiwan	400,000	Department stores
Uni-President Cold-Chain Corp.	Jan. 22, 1999	No.340, Tzu Chiang Rd., Yung Kang Dist., Tainan City, Taiwan	393,417	Logistic and storage of cold temperature
Duskin Serve Taiwan Co.	Oct. 28, 1994	8F, No. 8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	200,000	Selling and rent of cleaning instruments
Afternoon Tea Taiwan Co., Ltd.	Feb. 14, 2008	8F, No. 8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	290,000	Restaurants and selling of daily necessities
Books.com. Co., Ltd.	Dec. 27, 1995	12F, No.560, Sec. 4, Zhongxiao E. Rd., Xinyi Dist., Taipei City, Taiwan	199,900	Online retailer
Retail Support International Corp.	Aug. 13, 1990	7F, No.560, Sec.4, Zhong Xiao E. Rd., Xinyi Dist., Taipei City, Taiwan	257,200	Logistic and storage of room temperature
President Chain Store (Labuan) Holdings Ltd.	Oct. 24, 2000	Level 15(A1), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan FT, Malaysia	USD 29,163,000	Professional investments

Consolidated Business
Reports of Affiliated
Companies

Company	Date of incorporation	Address	Paid-in Capital	Major Business / Production Items
Philippine Seven Corp.	Nov. 23, 1982	7/F The Columbia Tower, Ortigas Avenue, Mandaluyong City, Manila, Philippine	PHP 757,105,000	Convenience store
Convenience Distribution Inc.	Sep. 17, 1998	8001F. Legaspi Avenue, Maybunga, Pasig City, Manila, Philippine	PHP 45,000,000	Logistic and storage
President Chain Store (Hong Kong) Holdings Limited	Aug. 13, 2008	Unit 1405-1406, Dominion Centre, 43-59 Queen's Road East, Wan Chai, Hong Kong	USD 134,603,000	Professional investments
Beauty Wonder (Zhejiang) Trading Co., Ltd.	Apr. 12, 2018	Room 701, B Block, Red Star Macalline, No. 6, Two Road Shangcheng District, Hangzhou City, Zhejiang Province, China	RMB 30,000,000	Selling of drugs and cosmetics
President Chain Store (Zhejiang) Ltd.	May. 08, 2017	Room B102-103-1, Building 3, Qianjiang International Time Square, Jianggan Dist., Hangzhou City, Zhejiang Province, China	RMB 140,000,000	Convenience store
President Chain Store (Taizhou) Ltd.	Nov. 27, 2015	South of Innovation Dadao, Gaoxin Technology Industries Park, Gaogang Dist., Taizhou City, Jiangsu Province, China	RMB 60,000,000	Logistic and storage
PCSC (Chengdu) Hypermarket Limited	Oct. 12, 2006	Room 701, B Block, Red Star Macalline, No. 6, Two Road 1 West Section, Wuhou District, Chengdu City, Sichuan Province, China	RMB 132,000,000	Wholesaling and retailing of goods
Shanghai Cold Stone Ice Cream Corporation	May. 28, 2007	Block A, Room 337, Building 1, No.103, Nantangbang Road, Huangpu Dist., Shanghai, China	RMB 222,544,000	Selling of ice cream
President Chain Store (Shanghai) Ltd.	Feb. 03, 2009	No.45-47, Mengzi Rd, Huangpu Dist., Shanghai, China	RMB 500,000,000	Convenience store
Shanghai President Logistics Co., Ltd.	Apr. 15, 2009	Building 18, No.22, Min Yi Rd., Songjiang Dist., Shanghai, China	USD 2,000,000	Logistic and storage
President Logistic ShanDong Co., Ltd.	Nov. 21, 2016	No.301, Tong Yi Street, JiBei Development Zone, JiYang County, JiNan City, ShanDong Province, China	RMB 50,000,000	Logistic and storage
PCSC Restaurant (Cayman) Holdings Limited	Mar. 18, 2008	P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman ,KY1-1205 Cayman Islands	USD 8,954,000	Professional investments
Shanghai President Chain Store Corporation Trade Co., Ltd.	Dec. 02, 2008	Block E, Room 209, No.103, Nantangbang Road, Huangpu Dist., Shanghai, China	USD 8,880,000	Selling of food and goods
Ren Hui Holding Co., Ltd.	Apr. 12, 2017	4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, VG1110, British Virgin Islands	USD 2,000,000	Professional investments
Shan Dong President Yinzuo Commercial Limited	Sep. 23, 1997	Floor 5/6/7, Zhonghe Business Building, No.146-1, Lishan Road, Lixia Zone, Jinan City, Shandong Province, China	RMB 60,000,000	Supermarket
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Dec. 13, 2004	No.3, Floor 7, Main Tower, Xinxing Plaza, Jiefang Road, Guiyuan Sub-District, Luohu District, Shenzhen, Guangdong Province, China	RMB 100,000,000	Wholesaling and retailing of goods
Vision Distribution Service Corp. (Note)	Jun. 27, 2005	No.70-1, Sec. 2, Jiayuan Rd., Shulin Dist., New Taipei City, Taiwan	—	Publishing
President Jing Corp.	Jul. 04, 2003	No.138, 37th Neighborhood, Huandao N. Rd., Ximen Vil., Jincheng Township, Kinmen County, Taiwan	16,000	Gas station
President Pharmaceutical (Hong Kong) Holdings Limited	Feb. 25, 2009	703A, 7/F, Golden Centre, 188 Des Voeux Road Central, Sheung Wan, Hong Kong	USD 5,936,000	Selling of health care products, drugs and cosmetics
President (Shanghai) Health Product Trading Company Ltd.	Nov.19, 2009	Room 203, 2F, No.131, Lin Hong Road, Chang Ning District, Shanghai, China	RMB 39,157,000	Selling of health care products, drugs and cosmetics
Uni-President Logistics (BVI) Holdings Limited	Mar. 14, 2007	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD 2,991,000	Professional investments
Zhejiang Uni-Champion Logistics Development Co., Ltd.	Dec. 26, 2007	No.377, Jichang Rd., Jianggan Dist., Hangzhou City, Zhejiang Province, China	RMB 40,000,000	Logistic and storage
Books.com (BVI) Ltd.	May. 22, 2009	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD 50,000	Professional investments
Beijing Bokelai Customer Co.	May. 10, 2006	Room 1014, 10/F, Building 3, Courtyard 7, Ronghua Middle Road, Economic and Technology Development Area of Beijing, China	USD 15,000	Business consulting, network technology development and service
Retail Support Taiwan Corp.	Apr. 16, 1997	No.63-1, Jijin 3rd Rd., Anle Dist., Keelung City, Taiwan	56,300	Logistic and storage of room temperature
President Logistics International Corp.	Feb. 11, 1998	1F, No.242-1, Minzu Rd., Zhongli Dist., Taoyuan City, Taiwan	193,500	Trucking
Chieh-Shuen Logistics International Corp.	Aug. 01, 2003	2F, No.242-1, Minzu Rd., Zhongli Dist., Taoyuan City, Taiwan	266,700	Trucking

Note : Vision Distribution Service Corp. is going liquidation and returns share capital to shareholders, so the amount of paid-in capital is zero.

7.1.3 Shareholders in Common of PCSC and its affiliates with deemed control and subordination: None.

7.1.4 Business scope of PCSC and its affiliated companies

The business scope of PCSC and its affiliated companies includes: retailing, investment, services, logistics, delivery and manufacture, etc.

The mutual dealings and division of work among each affiliate are as follows:

Affiliated Companies	Division of Work
Capital Inventory Service Corp.	The company provides PCSC with store inventory check services and staff training programs, etc.
Wisdom Distribution Service Corp.	The company is the merchandise supplier and distributor of PCSC.
President Information Corp.	The company provides PCSC and its affiliates with information system services.
Retail Support International Corp.	The company is the merchandise supplier and distributor of PCSC.
Uni-President Cold-Chain Corp.	The company is the merchandise supplier and distributor of PCSC.
Uni-President Superior Commissary Corp.	The company is the fresh food manufacture of PCSC.

7.1.5 Information of the directors, supervisors, and presidents of PCSC subsidiaries

Dec. 31, 2018/Unit: NT\$1,000/ shares/%

Company	Title	Name or Representative	Shareholding	
			Shares	%
President Chain Store (BVI) Holdings Ltd.	Director	Representatives of President Chain Store Corp.: Lo, Chih-Hsien ; Chen, Jui-Tang	Paid-in Capital	100.00
			USD 17,159,000	
PCSC (China) Drugstore Limited	Director	Representatives of President Chain Store Corp.: Huang, Jui-Tien; Chen, Jui-Tang	Paid-in Capital	92.20
			USD 9,486,000	
Uni-Wonder Corporation	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	21,382,674	60.00
	Director	Representatives of President Chain Store Corp.: Lo, Chih-Hsien; Kao, Shiow-Ling ; Huang, Jui-Tien ; Hsu, Guang-Yu ; Tsai, Hung-Chi ; Chen, Ji-Yao	21,382,674	60.00
	Supervisor	Representative of Uni-President Enterprises Corp.: Wu, Wen-Chi	14,255,116	40.00
	President	Lai, Ta-Cheng	—	—
President Drugstore Business Corp.	Chairman	Representative of President Chain Store Corp.: Kao, Shiow-Ling	78,520,000	100.00
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang ; Huang, Yu-Chen ; Wang, Pao-Ming	78,520,000	100.00
	Supervisor	Representative of President Chain Store Corp.: Kuo, Ying-Chih	78,520,000	100.00
	President	Huang, Yu-Chen	—	—
ICASH Corporation	Chairman	Representative of President Chain Store Corp.: Huang, Jui-Tien	50,000,000	100.00
	Director	Representatives of President Chain Store Corp.: Hsieh, Lien-Tang; Lin, Chi-Chang; Chang, Chia-Hua; Chang, Huang-Chi	50,000,000	100.00
	Supervisor	Representative of President Chain Store Corp.: Chai, Chia-Ming	50,000,000	100.00
	President	Liang, Yu-Lin	—	—
President Yilan Art and Culture Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	2,000,000	100.00
	Director	Representatives of President Chain Store Corp.: Lua, Wen-Ji; Wang, Pao-Ming	2,000,000	100.00
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	2,000,000	100.00
	President	Lua, Wen-Ji	—	—
Cold Stone Creamery Taiwan Ltd.	Chairman	Representative of President Chain Store Corp.: Lin, Chi-Chang	12,244,390	100.00
	Director	Representatives of President Chain Store Corp.: Shu, Chin-Ming ; Chen, Hsing-Jou	12,244,390	100.00
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	12,244,390	100.00
	President	Hsieh, Ching-Hsun	—	—
Wisdom Distribution Service Corp.	Chairman	Representative of President Chain Store Corp.: Wu, Kuo-Hsuan	10,847,421	100.00
	Director	Representatives of President Chain Store Corp.: Chen, Hsing-Jou; Chiang, Cheng-Hsin	10,847,421	100.00
	Supervisor	Representative of President Chain Store Corp.: Yang, Chung-Chin	10,847,421	100.00
	President	Chen, Cheng-Nan	—	—
21 Century Enterprise Co., Ltd.	Chairman	Representative of President Chain Store Corp.: Wang, Pao-Ming	10,000,000	100.00
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Kuo, Ching-Feng	10,000,000	100.00
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	10,000,000	100.00
	President	Lee, Hsin-Mei	—	—

Company	Title	Name or Representative	Shareholding	
			Shares	%
Uni-President Oven Bakery Corp.	Chairman	Representative of President Chain Store Corp.: Tsai, Kun-Shun	6,511,963	100.00
	Director	Representatives of President Chain Store Corp.: Hsu, Guang-Yu; Wu, Kun-Lin	6,511,963	100.00
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	6,511,963	100.00
	Vice President	Yeh, Hsiao-Ching	—	—
President Chain Store Tokyo Marketing Corporation	Chairman	Representative of President Chain Store Corp.: Wu, Kuo-Hsuan	9,800	100.00
	Director	Representatives of President Chain Store Corp.: Hsieh, Lien-Tang; Wu, Chin-Fu	9,800	100.00
	Supervisor	Representative of President Chain Store Corp.: Tsung, Hsi-Yung	9,800	100.00
	President	Wu, Chin-Fu	—	—
Capital Inventory Services Corp.	Chairman	Representative of President Chain Store Corp.: Huang, Jui-Tien	2,500,000	100.00
	Director	Representatives of President Chain Store Corp.: Lin, Chi-Chang; Liang, Kuo-Jen	2,500,000	100.00
	Supervisor	Representative of President Chain Store Corp.: Hsiu, Yi-Shiung	2,500,000	100.00
	President	Chiu, Hong-Chang	—	—
President Being Corp.	Chairman	Representative of President Chain Store Corp.: Kao, Shiow-Ling	1,500,000	100.00
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Chen, Pei-Jung	1,500,000	100.00
	Supervisor	Representative of President Chain Store Corp.: Liang, Kuo-Jen	1,500,000	100.00
	President	Chen, Pei-Jung	—	—
President Chain Store Corporation Insurance Brokers Co., Ltd.	Chairman	Representative of President Chain Store Corp.: Lin, Chi-Chang	1,500,000	100.00
	Director	Representatives of President Chain Store Corp.: Hsieh, Ching-Hsun; Lua, Wen-Ji	1,500,000	100.00
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	1,500,000	100.00
	President	Lua, Wen-Ji	—	—
Ren-Hui Investment Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	6,500,000	100.00
	Director	Representatives of President Chain Store Corp.: Huang, Jui-Tien; Hsieh, Lien-Tang	6,500,000	100.00
	Supervisor	Representative of President Chain Store Corp.: Wu, Wen-Chi	6,500,000	100.00
	President	Chen, Jui-Tang	—	—
Uni-President Superior Commissary Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	48,519,890	90.00
	Director	Representatives of President Chain Store Corp.: Hsieh, Lien-Tang; Lee, Min-Chien; Yeh, Po-Wen	48,519,890	90.00
	Director	Representative of Asia Frozen Food Corp.: Lin, Chang-Chi	5,391,099	10.00
	Supervisor	Representative of Ren-Hui Investment Corp.: Kuo, Ching-Feng	1	—
	President	Chen, Kai-Jung	—	—
Q-ware Systems & Services Corp.	Chairman	Representative of President Chain Store Corp.: Chang, Chia-Hua	24,382,921	86.76
	Director	Representatives of President Chain Store Corp.: Chang, Huang-Chi; Chiang, Cheng-Hsin	24,382,921	86.76
	Director	Representative of Taiwan Spinning Co., Ltd.: Juang, Jing-Yau	172,347	0.61
	Director	Representative of Fonmau Cereal Industrial Co., Ltd.: Lin, Kuan-Chen	243,898	0.87
	Supervisor	Representative of Nan Fan Housing Development Co., Ltd.: Peng, Yuan-Hung	699,071	2.49
	Supervisor	Representative of Ren-Hui Investment Corp.: Kuo, Ying-Chih	1	—
	President	Fang, Jung-Wei	—	—
President Information Corp.	Chairman	Representative of President Chain Store Corp.: Chang, Chia-Hua	25,714,475	86.00
	Director	Representatives of President Chain Store Corp.: Huang, Jui-Tien; Chen, Ching-Hsin	25,714,475	86.00
	Director	Representative of Nomura Research Institute Ltd.: Fukami Yasuo	4,186,074	14.00
	Supervisor	Representative of Ren-Hui Investment Corp.: Kuo, Ying-Chih	1	—
	President	Chang, Chia-Hua	—	—

Company	Title	Name or Representative	Shareholding	
			Shares	%
Mech-President Corp.	Chairman	Representative of President Chain Store Corp.: Wu, Kuo-Hsuan	55,858,815	80.87
	Director	Representatives of President Chain Store Corp.: Liao, Chin-Yi; Kuo, Wen-Sheng	55,858,815	80.87
	Director	Representatives of Uni-President Enterprises Corp.: Hwang, Jau-Kai; Yen, Ming-Hsiu	13,046,358	18.89
	Supervisor	Representative of Ren-Hui Investment Corp.: Wang, Yung-Yu	1	—
	President	Liao, Chin-Yi	—	—
President Pharmaceutical Corp.	Chairman	Representative of President Chain Store Corp.: Kao, Shiow-Ling	22,121,962	73.74
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Huang, Jui-Tien; Hwang, Jau-Kai; Huang, Yu-Chen; Chai, Chia-Feng	22,121,962	73.74
	Director	Representative of Taipo Investment Corp.: Wu, Ping-Chih	3,000,000	10.00
	Director	Representatives of Tung-Ren Investment Corp.: Lin, Tian-Mao; Wu, Chung-Ho	579,091	1.93
	Supervisor	Representative of Ren-Hui Investment Corp.: Kuo, Ying-Chih	1	—
	President	Huang, Jui-Tien	—	—
President Transnet Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	103,496,399	70.00
	Director	Representatives of President Chain Store Corp.: Wu, Kuo-Hsuan; Hsieh, Lien-Tang; Huang, Chao-Sai	103,496,399	70.00
	Director	Representative of Uni-President Enterprises Corp.: Lu, Li-An	29,570,400	20.00
	Director	Representative of Yamato Holdings Co., Ltd.: Kanda Haruo	14,785,200	10.00
	Supervisor	Representative of Ren-Hui Investment Corp.: Wu, Wen-Chi	1	—
	President	Wu, Hui-Chen	—	—
President Collect Services Co., Ltd.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	1,049,999	70.00
	Director	Representatives of President Chain Store Corp.: Wu, Kuo-Hsuan; Hsieh, Lien-Tang; Lu, Li-An; Huang, Chao-Sai	1,049,999	70.00
	Director	Representatives of Yamato Holdings Co., Ltd.: Kanda Haruo; Ogata Naomi	450,000	30.00
	Supervisor	Representative of Ren-Hui Investment Corp.: Wu, Wen-Chi	1	—
	Supervisor	Sadatomo Hiroki	—	—
	President	Wu, Hui-Chen	—	—
Uni-President Department Store Corp.	Chairman	Representative of President Chain Store Corp.: Kao, Shiow-Ling	27,999,999	70.00
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Wang, Pao-Ming	27,999,999	70.00
	Director	Representative of Uni-President Enterprises Corp.: Chang, Kuo-Kuang	12,000,000	30.00
	Supervisor	Representative of Ren-Hui Investment Corp.: Kuo, Ying-Chih	1	—
	President	Wang, Pao-Ming	—	—
Uni-President Cold-Chain Corp.	Chairman	Representative of Uni-President Enterprises Corp.: Lo, Chih-Hsien	7,868,347	20.00
	Director	Representatives of Uni-President Enterprises Corp.: Hwang, Jau-Kai; Huang, Jui-Tien	7,868,347	20.00
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Wu, Kuo-Hsuan; Hsieh, Lien-Tang; Chang, Tsai-Yuan	23,605,042	60.00
	Director	Representative of Nanlien International Corp.: Wu, Mao-Yuan	7,868,347	20.00
	Supervisor	Representative of Ren-Hui Investment Corp.: Lin, Chi-Chang	1	—
	President	Chang, Tsai-Yuan	—	—
Duskin Serve Taiwan Co.	Chairman	Representative of President Chain Store Corp.: Hsieh, Lien-Tang	10,199,999	51.00
	Director	Representatives of President Chain Store Corp.: Lee, Hsin-Mei; Chen, Hsing-Jou; Shu, Chin-Ming	10,199,999	51.00
	Director	Representatives of Duskin Co., Ltd.: Asano Takahito; Enomoto Masakazu; Okai Kazuo; Miyawaki Mikio	9,800,000	49.00
	Supervisor	Representative of Ren-Hui Investment Corp.: Kuo, Ying-Chih	1	—
	Supervisor	Shigeyoshi Yasuto	—	—
	President	Lee, Tsung-Hsien	—	—

Company	Title	Name or Representative	Shareholding	
			Shares	%
Afternoon Tea Taiwan Co., Ltd.	Responsible Person	Kuo, Ying-Chih (Note)	—	—
	Supervisor	Representative of Ren-Hui Investment Corp.: Chang, Li-Ling	1	—
	Supervisor	Masao Muto	—	—
Books.com. Co., Ltd.	Chairman	Representative of Chang Fu Investment Co., Ltd.: Lin, Pi-Jung	100,000	0.50
	Director	Representatives of President Chain Store Corp.: Huang, Jui-Tien; Hsieh, Lien-Tang; Chen, Cheng-Nan; Wang, Pao-Ming	9,999,999	50.03
	Director	Representatives of Clever Investment Co., Ltd.: Chen, Yu-Chun; Chang, Ya-Ju	200,000	1.00
	Supervisor	Representative of Ren-Hui Investment Corp.: Wu, Wen-Chi	1	—
	Supervisor	Chang, Ya-Ling	143,000	0.72
	President	Kao, Ming-Yih	—	—
Retail Support International Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	6,429,999	25.00
	Director	Representative of President Chain Store Corp.: Wu, Kuo-Hsuan	6,429,999	25.00
	Director	Representatives of Uni-President Enterprises Corp.: Lo, Chih-Hsien; Huang, Jui-Tien	5,144,000	20.00
	Director	Representatives of Mitsubishi Corp.: Yutaka Komori; Sugiyama Yoshihiko; Chida Ken	9,002,000	35.00
	Director	Representative of Nanlien International Corp.: Wu, Mao-Yuan	5,144,000	20.00
	Supervisor	Representative of Ren-Hui Investment Corp.: Lai, Hsin-Ti	1	—
	Supervisor	Sekihara Shinsuke	—	—
	President	Huang, Chao-Sai	—	—
President Chain Store (Labuan) Holdings Ltd.	Director	Representatives of President Chain Store (BVI) Holdings Ltd.: Lo, Chih-Hsien; Chen, Jui-Tang	Paid-in Capital USD 29,163,000	100.00
Philippine Seven Corp.	Chairman	Jose T. Pardo	2	—
	Vice Chairman	Representative of President Chain Store (Labuan) Holdings Ltd.: Chen, Jui-Tang	394,970,516	52.22
	Director	Representatives of President Chain Store (Labuan) Holdings Ltd.: Huang, Jui-Tien; Lin, Chi-Chang; Hsieh, Lien-Tang; Wu, Wen-Chi; Jose Victor P. Paterno	394,970,516	52.22
	Director	Maria Cristina P. Paterno	13,200,074	1.75
	Director	Representative of Progressive Dev. Corp.: Jorge L. Araneta	17,342,411	2.29
	Independent Director	Antonio Jose U. Periquet, Jr.	2,000,002	0.26
	Independent Director	Michael B. Zalamea	2	—
	President	Jose Victor P. Paterno	—	—
Convenience Distribution Inc.	Chairman	Representative of Philippine Seven Corp.: Jose Victor P. Paterno	4,500,000	100.00
	Director	Representatives of Philippine Seven Corp.: Tseng, Chao-Shun; Lee, Ying-Jung; Liwayway T. Fernandez; Eduardo P. Bataclan	4,500,000	100.00
	President	Jose Victor P. Paterno	—	—
President Chain Store (Hong Kong) Holdings Limited	Director	Representative of President Chain Store (BVI) Holdings Ltd.: Chen, Jui-Tang	Paid-in Capital USD 134,603,000	100.00
	Director	Huang, Jui-Tien	—	—
Beauty Wonder (Zhejiang) Trading Co., Ltd.	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Chen, Jui-Tang	Paid-in Capital RMB 30,000,000	100.00
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Kao, Shioh-Ling; Chang, Shih-Hsun	—	100.00
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Cheng, Yea-Yun	—	100.00
	President	Chang, Shih-Hsun	—	—

Company	Title	Name or Representative	Shareholding	
			Shares	%
President Chain Store (Zhejiang) Ltd.	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Chen, Jui-Tang	Paid-in Capital RMB 140,000,000	100.00
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Huang, Jui-Tien ; Hsieh, Kuan-Hung	—	100.00
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Kuo, Ying-Chih	—	100.00
	President	Hsieh, Kuan-Hung	—	—
President Chain Store (Taizhou) Ltd.	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Kuan-Hung	Paid-in Capital RMB 60,000,000	100.00
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Chang, Sung-Hong; Wu, Yi-Lung	—	100.00
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Tsung, Hsi-Yung	—	100.00
	President	Wu, Yao-Ming	—	—
PCSC (Chengdu) Hypermarket Limited	Responsible Person	Yeh, Chang-Pey (Note)	—	—
Shanghai Cold Stone Ice Cream Corporation	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Lin, Hung-Chun	Paid-in Capital RMB 222,544,000	100.00
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Kuan-Hung; Chang, Sung-Hong	—	100.00
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Cheng, Yea-Yun	—	100.00
	President	Lin, Hung-Chun	—	—
President Chain Store (Shanghai) Ltd.	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Chen, Jui-Tang	Paid-in Capital RMB 500,000,000	100.00
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Huang, Jui-Tien ; Hsieh, Kuan-Hung	—	100.00
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Kuo, Ying-Chih	—	100.00
	President	Hsieh, Kuan-Hung	—	—
Shanghai President Logistics Co., Ltd.	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Kuan-Hung	Paid-in Capital USD 2,000,000	100.00
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Chang, Sung-Hong; Wu, Yi-Lung	—	100.00
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Mo, Ming-Wei	—	100.00
	President	Chang, Sung-Hong	—	—
President Logistic ShanDong Co., Ltd.	Chairman	Representative of Shanghai President Logistics Co., Ltd.: Lin, Hung-Chun	Paid-in Capital RMB 50,000,000	100.00
	Director	Representatives of Shanghai President Logistics Co., Ltd.: Chang, Sung-Hong; Hsu, Ming-Hui	—	100.00
	Supervisor	Representative of Shanghai President Logistics Co., Ltd.: Mo, Ming-Wei	—	100.00
	President	Hu, Hao-Chih	—	—
PCSC Restaurant (Cayman) Holdings Limited	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Lien-Tang; Wu, Wen-Chi	Paid-in Capital USD 8,954,000	100.00
Shanghai President Chain Store Corporation Trade Co., Ltd.	Responsible Person	Lin, Hung-Chun (Note)	—	—
Ren Hui Holding Co., Ltd.	Director	Representatives of Ren-Hui Investment Corp.: Huang, Jui-Tien; Hsieh, Lien-Tang	Paid-in Capital USD 2,000,000	100.00

Company	Title	Name or Representative	Shareholding	
			Shares	%
Shan Dong President Yinzuo Commercial Limited	Chairman	Representative of Shandong Silver Plaza Co., Ltd.: Wang, Zhi-Sheng	Paid-in Capital RMB 60,000,000	45.00
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Chen, Jui-Tang; Lin, Hung-Chun	—	40.00
	Director	Representative of Ren Hui Holding Co., Ltd.: Huang, Jui-Tien	—	15.00
	Director	Representative of Shandong Silver Plaza Co., Ltd.: Si, Qi	—	45.00
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Cheng, Yea-Yun	—	40.00
	Supervisor	Representative of Shandong Silver Plaza Co., Ltd.: Zhang, Jian-Jun	—	45.00
	President	Lin, Hung-Chun	—	—
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Chairman	Representative of PCSC (China) Drugstore Limited: Hsieh, Kuan-Hung	Paid-in Capital RMB 100,000,000	100.00
	Director	Representatives of PCSC (China) Drugstore Limited: Wu, Yi-Lung; Hsu, Ming-Hui	—	100.00
	Supervisor	Representative of PCSC (China) Drugstore Limited: Cheng, Yea-Yun	—	100.00
	President	Chang, Sung-Hong	—	—
Vision Distribution Service Corp.	Responsible Person	Chen, Cheng-Nan(Note)	—	—
	Supervisor	Chen, Yu-Jen	—	—
	President	Chen, Cheng-Nan	—	—
President Jing Corp.	Chairman	Representative of Mech-President Corp.: Wu, Kuo-Hsuan	960,000	60.00
	Director	Representatives of Mech-President Corp.: Liao, Chin-Yi; Kuo, Wen-Sheng; Chang, Ping-Chang; Cho, Jung-Chang	960,000	60.00
	Director	Tsai, Ya-Tung	80,000	5.00
	Supervisor	Lin, Shui-Qian	240,000	15.00
	President	Tsai, Ting-Song	—	—
President Pharmaceutical (Hong Kong) Holdings Limited	Director	Representative of President Pharmaceutical Corp.: Chang, Kuo-Kuang	Paid-in Capital USD 5,936,000	100.00
	Director	Huang, Jui-Tien	—	—
	President	Huang, Jui-Tien	—	—
President (Shanghai) Health Product Trading Company Ltd.	Chairman	Representative of President Pharmaceutical (Hong Kong) Holdings Limited: Chen, Jui-Tang	Paid-in Capital RMB 39,157,000	100.00
	Director	Representatives of President Pharmaceutical (Hong Kong) Holdings Limited: Kao, Shiow-Ling; Chai, Chia-Feng	—	100.00
	Supervisor	Representative of President Pharmaceutical (Hong Kong) Holdings Limited: Kuo, Ying-Chih	—	100.00
	President	Chai, Chia-Feng	—	—
Uni-President Logistics (BVI) Holdings Limited	Director	Representative Uni-President Cold-Chain Corp.: Chen, Jui-Tang	Paid-in Capital USD 2,991,000	100.00
Zhejiang Uni-Champion Logistics Development Co., Ltd.	Chairman	Representative of Uni-President Logistics (BVI) Holdings Limited: Hsieh, Kuan-Hung	Paid-in Capital RMB 40,000,000	50.00
	Director	Representative of Uni-President Logistics (BVI) Holdings Limited: Chang, Tsai-Yuan	—	50.00
	Director	Representative of Shanghai President Logistics Co., Ltd.: Chang, Sung-Hong	—	50.00
	Supervisor	Representative of Uni-President Logistics (BVI) Holdings Limited: Cheng, Yea-Yun	—	50.00
	President	Tsai, Kuang-Wen	—	—
Books.com (BVI) Ltd.	Director	Representatives of Books.com. Co., Ltd.: Lin, Pi-Jung; Wu, Ching-Chun	Paid-in Capital USD 50,000	100.00

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Company	Title	Name or Representative	Shareholding	
			Shares	%
Beijing Bokelai Customer Co.	Chairman	Representative of Books.com (BVI) Ltd.: Wu, Ching-Chun	Paid-in Capital USD 15,000	100.00
	Supervisor	Representative of Books.com (BVI) Ltd.: Yu, Pei-Wen	—	100.00
Retail Support Taiwan Corp.	Chairman	Representative of Retail Support International Corp.: Wu, Kuo-Hsuan	2,871,300	51.00
	Director	Representatives of Retail Support International Corp.: Huang, Chao-Sai; Ho, Hsin-Chia	2,871,300	51.00
	Director	Representatives of FSG Co.: Lin, Ming-Fang; Huang, Wei-Yu	1,655,220	29.40
	Supervisor	Representatives of Grand Fountain Co., Ltd.: Cheng, Yueh-Kuei; Yang, Chung-Chin	1,103,480	19.60
	President	Yuan, Shou-Chung	—	—
President Logistics International Corp.	Chairman	Representative of Retail Support International Corp.: Wu, Kuo-Hsuan	9,481,500	49.00
	Director	Representative of Retail Support International Corp.: Huang, Chao-Sai	9,481,500	49.00
	Director	Representative of Uni-President Cold-Chain Corp.: Chang, Tsai-Yuan	4,837,500	25.00
	Supervisor	Representative of Wisdom Distribution Service Corp.: Chen, Cheng-Nan	3,870,000	20.00
	President	Yao, Chieh-Hsiang	—	—
Chieh-Shuen Logistics International Corp.	Chairman	Representative of President Logistics International Corp.: Wu, Kuo-Hsuan	26,670,000	100.00
	Director	Representatives of President Logistics International Corp.: Huang, Chao-Sai; Chang, Tsai-Yuan	26,670,000	100.00
	Supervisor	Representative of President Logistics International Corp.: Chen, Cheng-Nan	26,670,000	100.00
	President	Yao, Chieh-Hsiang	—	—

Note : Afternoon Tea Taiwan Co., Ltd., PCSC (Chengdu) Hypermarket Limited, Shanghai President Chain Store Corporation Trade Co., Ltd. and Vision Distribution Service Corp. are going liquidation, so the responsible person is the liquidator.

7.2 The Financial Position and Operation Results of Affiliated Companies

Dec. 31, 2018/ Unit: NT'000

Company	Paid-in Capital	Total Assets	Total Liabilities	Shareholders' Equity	Operating Revenue	Operating Income (Loss)	Net Income (Loss)	EPS (NT\$)	Net Income(Loss)	Operating Activities
							(After Tax)	(After Tax)	(Before Tax)	Cash flow
President Chain Store (BVI) Holdings Ltd.	527,037	25,964,596	114,122	25,850,474	0	(154,763)	611,941	-	611,941	28,866,415
PCSC (China) Drugstore Limited	291,363	70,521	28	70,494	0	(91)	1,764	-	1,764	(91)
Uni-Wonder Corp.	356,378	3,894,083	2,769,359	1,124,724	10,911,813	825,757	711,814	19.97	872,628	1,805,896
President Drugstore Business Corp.	785,200	4,398,976	3,031,138	1,367,838	11,027,551	238,433	290,300	3.70	351,786	532,409
ICASH Corp.	500,000	1,868,995	1,512,922	356,073	363,459	(1,721)	5,787	0.12	5,787	82,102
President Yilan Art and Culture Corp.	20,000	53,993	2,665	51,328	0	(414)	676	0.34	921	6,536
Cold Stone Creamery Taiwan Ltd.	122,444	103,161	112,615	(9,454)	356,949	15,488	14,507	1.18	14,507	34,469
Wisdom Distribution Service Corp.	108,474	1,897,841	1,391,449	506,392	3,002,574	334,857	271,711	25.05	336,704	383,479
21 Century Enterprise Co., Ltd.	100,000	251,193	216,670	34,523	842,861	25,032	24,027	2.40	24,027	74,485
Uni-President Oven Bakery Corp.	65,120	85,004	114,443	(29,439)	340,105	(14,815)	(14,764)	(2.27)	(14,971)	9,471
President Chain Store Tokyo Marketing Corp.	27,264	166,752	90,421	76,331	679,224	(68)	3,114	317.80	11,603	(11,265)
Capital Inventory Services Corp.	25,000	161,320	102,079	59,241	251,151	37,783	31,630	12.65	38,785	35,049
President Being Corp.	15,000	301,044	343,775	(42,731)	530,977	19,256	18,558	12.37	18,558	68,685
President Chain Store Corporation Insurance Brokers Co., Ltd.	15,000	35,663	12,855	22,808	62,276	6,485	6,651	4.43	6,651	10,461
Ren-Hui Investment Corp.	65,000	82,928	95	82,833	0	(243)	7,452	1.15	7,452	3,430
Uni-President Superior Commissary Corp.	539,110	2,092,008	1,572,387	519,621	3,601,348	10,748	17,497	0.32	22,113	154,145
Q-ware Systems & Services Corp.	281,042	1,344,729	930,030	414,698	910,176	95,134	80,643	2.87	97,403	182,632
President Information Corp.	299,006	933,422	491,028	442,394	1,182,457	82,700	76,172	2.55	89,332	234,232
Mech-President Corp.	690,713	1,624,828	766,320	858,508	11,052,238	74,556	99,980	1.45	115,458	202,698
President Pharmaceutical Corp.	300,000	1,316,521	506,645	809,876	1,803,571	284,472	227,432	7.58	272,939	228,343
President Transnet Corp.	1,478,520	5,892,533	3,750,184	2,142,349	11,323,637	545,880	490,073	3.31	600,423	1,296,498
President Collect Services Co., Ltd.	15,000	1,416,865	1,311,694	105,171	606,470	101,628	85,542	57.03	106,995	56,863
Uni-President Department Store Corp.	400,000	1,750,397	941,617	808,779	1,353,715	162,290	333,022	8.33	331,094	239,283
Uni-President Cold-Chain Corp.	393,417	6,300,751	5,245,558	1,055,193	3,329,068	373,732	341,444	8.68	414,968	336,824
Duskin Serve Taiwan Co.	200,000	664,599	282,661	381,938	1,225,915	160,951	133,258	6.66	164,391	158,927
Afternoon Tea Taiwan Co., Ltd.	290,000	81,680	0	81,680	0	(404)	(509)	(0.02)	(509)	1,953
Books.com. Co., Ltd.	199,900	2,027,575	1,192,206	835,369	6,506,976	504,582	422,359	21.13	525,186	388,804
Retail Support International Corp.	257,200	11,659,924	10,996,551	663,373	3,015,653	168,718	216,951	8.44	239,689	375,889
President Chain Store (Labuan) Holdings Ltd.	895,752	2,211,298	31	2,211,268	0	(142)	385,752	-	400,097	81,448
Philippine Seven Corp.	442,467	10,090,093	5,945,392	4,144,701	26,101,519	1,383,166	887,060	1.17	1,267,823	2,276,139
Convenience Distribution Inc.	26,299	550,496	398,633	151,863	1,088,440	25,394	23,046	5.12	32,701	69,721
President Chain Store (Hong Kong) Holdings Limited	4,134,342	4,195,860	372	4,195,488	0	(1,518)	86,522	-	87,893	24,809,556
Beauty Wonder (Zhejiang) Trading Co., Ltd.	133,961	117,099	3,457	113,642	1,274	(21,871)	(20,741)	-	(20,741)	(28,127)
President Chain Store (Zhejiang) Ltd.	625,150	481,893	68,945	412,948	275,940	(109,802)	(129,811)	-	(129,811)	(111,629)
President Chain Store (Taizhou) Ltd.	267,922	404,670	73,571	331,099	238,455	25,546	25,872	-	34,495	24,400
PCSC (Chengdu) Hypermarket Limited	589,428	54,973	32	54,940	0	(13,786)	(21,399)	-	(21,399)	(82,119)
Shanghai Cold Stone Ice Cream Corp.	993,737	73,284	25,653	47,631	1	(3,930)	(4,323)	-	(4,323)	(21,690)
President Chain Store (Shanghai) Ltd.	2,232,680	559,034	490,820	68,214	1,910,846	(150,810)	(155,505)	-	(155,505)	(46,086)
Shanghai President Logistics Co., Ltd.	61,430	568,829	154,637	414,192	730,156	79,074	75,487	-	100,649	58,084
President Logistic ShanDong Co., Ltd.	223,268	267,812	67,017	200,795	121,556	(2,118)	6,904	-	6,904	10,891
PCSC Restaurant (Cayman) Holdings Limited	275,008	31,190	28	31,162	0	(186)	80	-	80	(186)

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Company	Paid-in Capital	Total Assets	Total Liabilities	Shareholders' Equity	Operating Revenue	Operating Income (Loss)	Net Income (Loss)	EPS (NT\$)	Net Income(Loss)	Operating Activities
							(After Tax)	(After Tax)	(Before Tax)	Cash flow
Shanghai President Chain Store Corporation Trade Co., Ltd.	272,749	31,093	0	31,093	0 (	247)	266	-	277	311
Ren Hui Holding Co., Ltd.	61,430	70,314	28	70,287	0 (	85)	4,024	-	4,538	4,400
Shan Dong President Yinzuo Commercial Limited	267,922	1,286,013	951,246	334,767	3,818,971	33,332	34,356	-	45,848	104,429
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	446,536	76,036	6,311	69,725	74,779	1,470	1,855	-	2,473	211
Vision Distribution Service Corp.	0	0	0	0	(184,444)	(32,113)	(31,023)	- (	31,142)	(13,269)
President Jing Corp.	16,000	56,508	13,171	43,337	321,782	20,091	16,339	10.21	20,333	19,270
President Pharmaceutical (Hong Kong) Holdings Limited	182,321	99,096	23,144	75,952	68,878	1,053	(28,202)	- (	28,202)	(20,500)
President (Shanghai) Health Product Trading Company Ltd.	174,851	104,902	65,795	39,107	65,580	(32,778)	(29,280)	- (	29,280)	(33,474)
Uni-President Logistics (BVI) Holdings Limited	91,878	103,772	0	103,772	12,805	12,374	12,628	-	12,628	10,562
Zhejiang Uni-Champion Logistics Development Co., Ltd.	178,614	357,986	150,910	207,076	655,370	32,862	25,610	-	36,230	116,718
Books.com (BVI) Ltd.	1,536	631	0	631	0	0	2	-	2	2
Beijing Bokelai Customer Co.	461	31	2	28	0	0	0	-	0	0
Retail Support Taiwan Corp.	56,300	210,645	64,737	145,908	361,056	46,551	45,403	8.06	55,468	62,618
President Logistics International Corp.	193,500	1,395,056	1,065,098	329,957	3,181,328	42,233	75,685	3.91	88,577	193,851
Chieh-Shuen Logistics International Corp.	266,700	1,211,490	901,052	310,438	1,753,184	20,373	19,473	0.73	24,281	252,726

The exchange rates are used as follows:

(A) Spot exchange rate on 31 December, 2018 used for Balance Sheet:

RMB : NTD=1 : 4.46536 ; USD : NTD=1 : 30.71500 ; PHP : NTD =1 : 0.58442

HKD : NTD=1 : 3.92178 ; JPY : NTD =1 : 0.27820

(B) Average exchange rate of 2018 used for Statement of Comprehensive Income and Cash Flows:

RMB : NTD=1 : 4.55821 ; USD : NTD=1 : 30.17512 ; PHP : NTD =1 : 0.57271

HKD : NTD=1 : 3.85010 ; JPY : NTD =1 : 0.27305

PRESIDENT CHAIN STORE CORPORATION

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