

# PRESIDENT CHAIN STORE CORPORATION

## ANNUAL REPORT 2016



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Cosmed-Bauty consultant provides skin test service.







## Considerate Services Generating Inspiration



Uni-President Ustyle Department Store - Customer enjoys Services provided by stylist.



7-ELEVEN Zoo store



## Diversified Formats Creating Experiences



7-ELEVEN Quan Fa store



Shanghai Starbucks – Disneytown Store





7-ELEVEN Hu Kou Factory store



7-ELEVEN Yan Jou store



Cosmed Feng Tsai Store





Green onion and pork floss Roll



Curry Udon Noodle with Fried Chicken Fillet







## Plentiful Products Delivering Safe and Delicious



Beef Curry with Cheese Omelet





Event of 2016 i-Sharing



7-ELEVEN Gung Yuan Shang store ( with OPEN! Children reading room )



Mister Donut - Store Manager Experiential Event

Event of Packing Rice Dumpling in Dragon Boat Festival



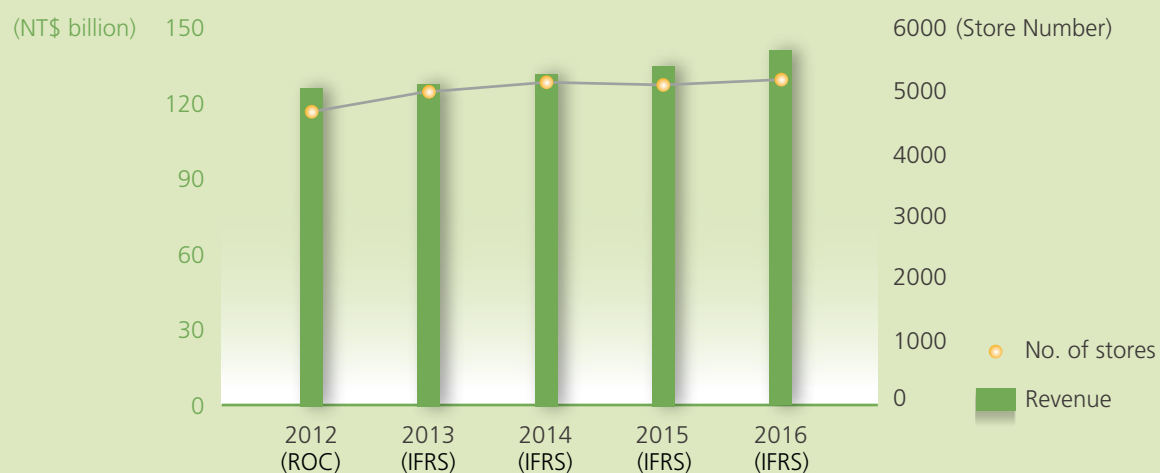


## Overall Performance (alone)

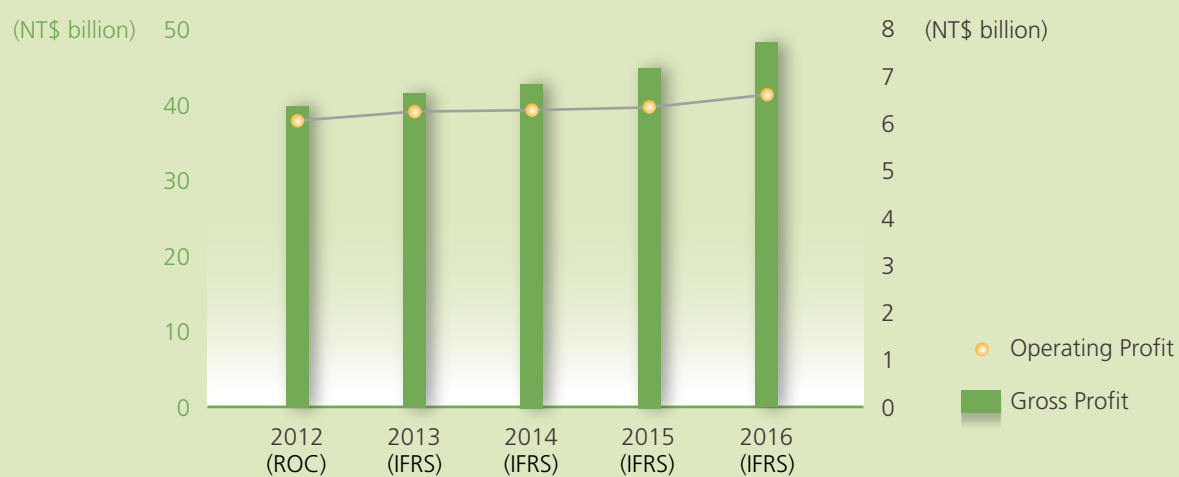
Item / Year (NT\$1,000)	2016	2015	YoY
Revenue	140,147,135	133,407,688	5.05%
Gross Profit	48,083,751	45,109,265	6.59%
Operating Profit	6,673,576	6,412,115	4.08%
Pre-tax Profit	11,112,701	9,566,746	16.16%
Net Profit	9,836,690	8,238,993	19.39%
EPS(NT\$)	9.46	7.92	—
Weighted Average Outstanding Shares	1,039,622,255	1,039,622,255	—

Financial Ratios	2016	2015
Gross Margin	34.31%	33.81%
Operating Expense Ratio	29.55%	29.01%
Operating Margin	4.76%	4.81%
Net Margin	7.02%	6.18%
ROA	15.34%	13.71%
ROE	35.30%	30.73%
Inventory Turnover	15.18Times	15.19Times
Fixed Asset Turnover	16.28Times	14.28Times

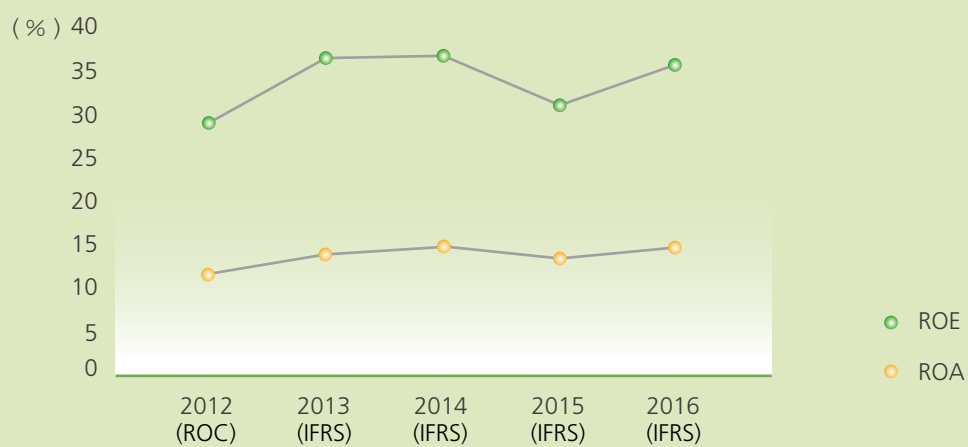
## Total No. of Stores & Revenue



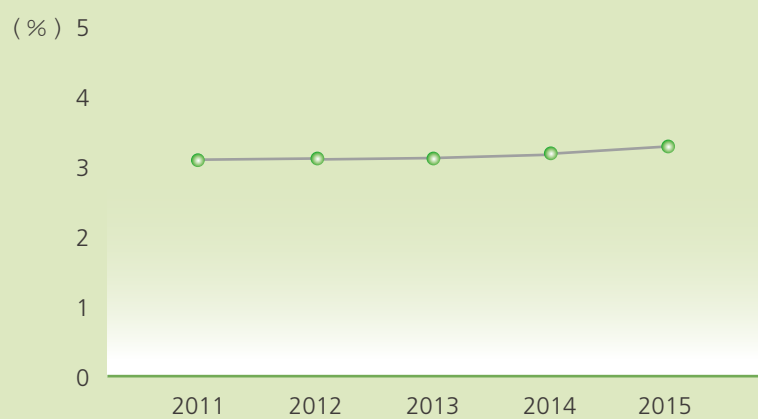
## Gross Profit & Operating Profit



## ROE & ROA



## Cash Dividend Yield





# 1 Letter to Shareholders



Chairman:  
Lo, Chih-Hsien



President:  
Chen, Jui-Tang

Dear Shareholders,

In 2016, turbulent global economic conditions coupled with significant changes to domestic labor laws led to a challenging business environment. Despite these instabilities, President Chain Store Corporation (PCSC) has continued to provide customers with innovative, convenient services, while our stores served as convenient, safe, welcoming community service centers. Through the combined efforts of our diverse businesses in Taiwan and overseas, in 2016 PCSC's consolidated revenue and net profits totaled NT\$215.36 billion and NT\$9.84 billion respectively, once again setting a new record. PCSC was also rated by Deloitte as one of the top 250 global retailers, the only retailer in Taiwan to receive the honor for the third consecutive year.

## Operating Performance

PCSC aims to provide customers with an ever more comfortable, friendly shopping space at its 7-ELEVEN convenience stores. The company has continued its business strategy of large store, while also designing unique retail spaces that reflect the personality of surrounding neighborhoods. Through diverse, fun, and unique store designs, we provide customers with a shopping experience like no other. To ensure food safety, PCSC sources directly from contract farms and employs in-field management. PCSC also implements a food traceability system, hierarchical supplier management and field evaluation system, regular inspections of logistic centers and retail locations, and random lab testing of raw materials and products. Together, these initiatives enable PCSC to control the supply chain and create a rigorous food safety net. 7-ELEVEN, in cooperation with Japanese vendors, launched a diverse selection of delicious new fresh food products to meet our customers' needs. PCSC has continued to develop the CITY CAFE brand by improving coffee quality and flavor. Through brand management, related merchandise, and barista training, CITY CAFE revenue remains on an upward trajectory. In addition, PCSC has repositioned two private brands, iseLect and UNIDESIGN, as premium food, beverage, and daily necessities to meet changing consumer tastes and trends. Furthermore, leveraging strategic partnerships and group resources, some 7-ELEVEN stores now feature products from MUJI, Mister Donut, freshly baked bread, and quality imported goods to satisfy the wide-ranging needs of consumers from different areas and demographics. Through our ubiquitous network of brick and mortar locations, PCSC is actively strengthening our digital services. By upgrading ibon kiosks and launching the ibon app, PCSC has created a digital service platform to provide customers with a variety of convenient, timesaving services. In addition, the all-in-one icasH card can now be used for public transit and a variety of retail locations, all the while users earn bonus points on the OPENPOINT platform.

In addition to 7-ELEVEN Taiwan, PCSC has also expanded into other retail businesses both locally and overseas. As of the end of 2016, PCSC operates a total of 9,693 stores, an increase of 819 over the previous year. Overseas, Philippines 7-ELEVEN grew to 1,900 stores in 2016. In addition to strengthening our in-store offerings, consumers of leading online shopping platforms can also pick up their orders from our stores, creating a business model combining both the virtual and real worlds. Expanding to 1,200 stores in Eastern China, Shanghai Starbucks' total revenue topped RMB 5 billion. In Taiwan, Starbucks introduced the all-new My Starbucks Rewards™ loyalty card system that provides our customers with a variety of benefits to

improve their experience. President Drugstore Business Corp. (COSMED) continued store renovations, while in-store beauty consultants and pharmacists offer professional advice to create a unique shopping experience. To meet rapidly expanding e-commerce logistics, distribution, and storage needs, Wisdom Distribution Service Corp.'s third phase plant came online in 2016. Through warehouse integration and concurrent software and hardware improvements, we have increased logistical efficiency. PCSC and our subsidiaries strive for continued improvement and to meet customers' needs through outstanding service. Commonwealth Magazine's Gold Medal Service Awards 2016 named PCSC, Books.com, COSMED, President Starbucks Coffee Corp., and President Transnet Corp. (Takkyubin) first place in their respective categories.

## Social Responsibilities

For many years PCSC has worked tirelessly to achieve sustainable operations and fulfill our corporate social responsibilities in the areas of corporate governance, social engagement, and environmental protection. To enhance corporate governance, PCSC has continued to strengthen the timeliness and transparency of information disclosure. When the results of the second Corporate Governance Evaluation were announced, PCSC once again ranked among the top 5% of all TWSE-/TPEX-listed companies. Moreover, PCSC was selected for FTSE4Good Emerging Index for the first time in 2016, and has continued to be selected among the stocks making up the MSCI Global Sustainability Indices. As part of our community outreach efforts, PCSC set up OPEN! Children's Reading Spaces in 26 of our stores in Taiwan to promote reading. The President Chain Store Good Neighbor Foundation has long supported education in Taiwan's remote areas and assisted teachers who serve at 30 remote elementary schools in Tainan and Taitung. Our short film, "Picture a Different Future", chronicles the stories of children in Taiwan's rural areas who discover a new world through reading. 7-ELEVEN and Hondao Senior Citizen's Welfare Foundation jointly launched the Happy Home Renovation Project for Disadvantaged Seniors, which helped to repair and maintain 221 homes in 2016. Together with the Mennonite Social Welfare Foundation and Kernel of Wheat Foundation, the managers of 42 stores in Hualien and Taitung formed a good neighbor food delivery team to expand meal delivery services to a total of 14 rural communities. PCSC is committed to fulfilling our corporate social responsibilities. These efforts were recognized in 2016 with Commonwealth Magazine's Excellence in Corporate Citizenship Award and the top prize in the public interest promotion category in Global Views Monthly's Corporate Social Responsibility Awards.

## Business Prospects

Economic uncertainties both domestically and abroad will continue into 2017. Nevertheless, PCSC will maintain integrity and honesty in our business operations, while developing the seven key building elements of our company: people, stores, products, systems, logistics, policies, and culture. Through structural changes, PCSC expects to create sustainable growth. 7-ELEVEN Taiwan will utilize ever-changing technology to provide customers with a convenient, safe, and welcoming shopping experience.

Through focus on operations and the consolidation of domestic and overseas resources, PCSC's affiliates will also continue to achieve outstanding performance. The total number of Philippines 7-ELEVEN stores is expected to exceed 2,000 this year, while Starbucks Shanghai will surpass 1,500 stores and continue to promote coffee culture through our diverse coffeehouse locations. As for 7-ELEVEN Shanghai, the store count has already exceeded 100 and in the future we will continue to offer a range of high quality fresh foods and services to ensure a positive customer experience. Redesigned stores, novel experiences, and outstanding service at our Uni-UStyle Department Store and COSMED locations will also give customers exciting new ways to shop.

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 all our customers, ensure steady profitability of our franchisees, create a fair and friendly working environment for our employees, and increase shareholder value. Our ultimate objective is to ensure the satisfaction of our customers, business partners, shareholders, and society.



# 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. (Starbucks Taiwan).
- 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.
  - Established Shanghai President Starbucks Coffee Corp.
  - 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**
- Established Afternoon Tea Taiwan Corp.
  - 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.
  - Conferred with the Top 10 Benchmark Enterprises Award for the 15th consecutive year; NextMedia's Top Service Award for the 6th consecutive year; winner of the 7th Global Views Magazine's Outstanding Service Award in the convenience store category; winner of 2009 CommonWealth Magazine's Corporate Citizen Award; recognized by United Way Worldwide with the Outstanding Corporate Social Innovation Award. Such honors demonstrate how the Company is using our core competencies to excel in public service.
- 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.
  - PCSC received the top A++ score from 12th Publicly Traded and OTC Company Information Disclosure and Transparency Evaluation. PCSC also ranked among the top 5% in the 1st Taiwan Corporate Governance Evaluation System and was named to the Taiwan Corporate Governance 100 Index.
  - Using the influence to positively impact society, PCSC released "Ways into Love", a film spotlighting the lives of the elderly, which was screened at the Hong Kong Asian Film Festival.
  - Commonwealth Magazine awarded PCSC its 2015 CSR Corporate Citizen Award in the Large Enterprise Category. The President Chain Store Good Neighbor Foundation was recognized by the Taiwan Events Association with the 2015 Gold Award for Event Excellence. PCSC's efforts to save energy and reduce carbon emissions paid off as the Company received ISO50001 Energy Management certification.
  - PCSC made BusinessWeek's list of 100 Most Influential Companies, ranking first in the retail category, while also ranking first in the convenience store category of Commercial Times' 2015 Taiwan Service Industry Awards. Manager Today listed 7-ELEVEN, Yamato Transport, and Starbucks among its Most Influential Brands in 2015. They received the highest ranking in the Retailer and Wholesaler, Logistic and Transportation, and Chain Food and Beverage Categories, respectively.
- 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's own brands, iseLect and UNIDESIGN, were repositioned and relaunched and new high quality products were rolled out, provide our consumers a tasteful choice.
  - 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 President Starbucks Coffee Corp. opened its 1000th stores.
  - Shanghai 7-ELEVEN opened its 100th stores.
  - Uni-President Cold Chain Corp. and Uni-President Superior Commissary Corp. are working together to set up the New Hualien Distribution Center, which is scheduled to be completed and come online in 2018 to provide consumers in Eastern Taiwan safe, delicious, and fresh products.
  - PCSC was ranked in the top 5% in the 2nd Taiwan Corporate Governance Evaluation System and selected for the Taiwan Corporate Governance 100 Index. It was selected for FTSE4Good Emerging Index for the first time and had continued to be selected among the stocks making up the MSCI Global sustainability Indices.
  - PCSC won third place in the Taipei Healthy Workplace, the only business in the retail industry among the winners.
  - PCSC won Commonwealth Magazine's Excellence in Corporate Citizenship Award and the top prize in the public interest promotion category in Global Views Monthly's Corporate Social Responsibility Awards. PCSC was also awarded the silver prize in the service industry category for the 2016 Taiwan Corporate Sustainability Awards by Taiwan Institute for Sustainable Energy.
  - PCSC selected for Forbes' The World's 2000 Largest Public Companies 2016, the only retailer in Taiwan. It was also selected for the Commonwealth Magazine's 2000 Largest Companies in Taiwan and the Top 1000 Large Companies in Greater China. It was also awarded the top spot in Commonwealth Magazine's Department and Retail Industry for the 21st consecutive year and nominated one of the Top Benchmark Enterprises.
  - 7-ELEVEN, Starbucks Taiwan, PCSC, books.com, and Cosmed were all nominated for Brand Asia. Of these, 7-ELEVEN and Starbucks Taiwan also led in the retail channel and restaurant categories, respectively.
  - PCSC won first place in the Global Views: Five-Star Service Awards convenience store category. PCSC, books.com, Cosmed, Starbucks Taiwan, and Yamato Transport won, respectively, top listings in the Convenience Store, Internet Shopping Center, Pharmacy and Cosmetics, Franchise Coffee Shop, and Home Delivery categories of Commonwealth Magazine's Gold Medal Service Survey. PCSC, Cosmed, and President Transnet ranked first in the Convenience Store, Franchise Pharmacy/Pharmacy and Cosmetics, and Home Delivery categories, consecutively, of the Commercial Times' 2016 Taiwan Service Industry Awards.
- 2017**
- icasH2.0 continued to expand its share of the transportation market, officially accepted for use in Metro Taipei and on the public bus systems in Taipei and New Taipei Cities.
  - Philippines 7-ELEVEN opened its 2000th stores.
  - PCSC was rated by Deloitte as one of the top 250 global retailers, the only retailer in Taiwan to receive the honor for the 3rd consecutive year.

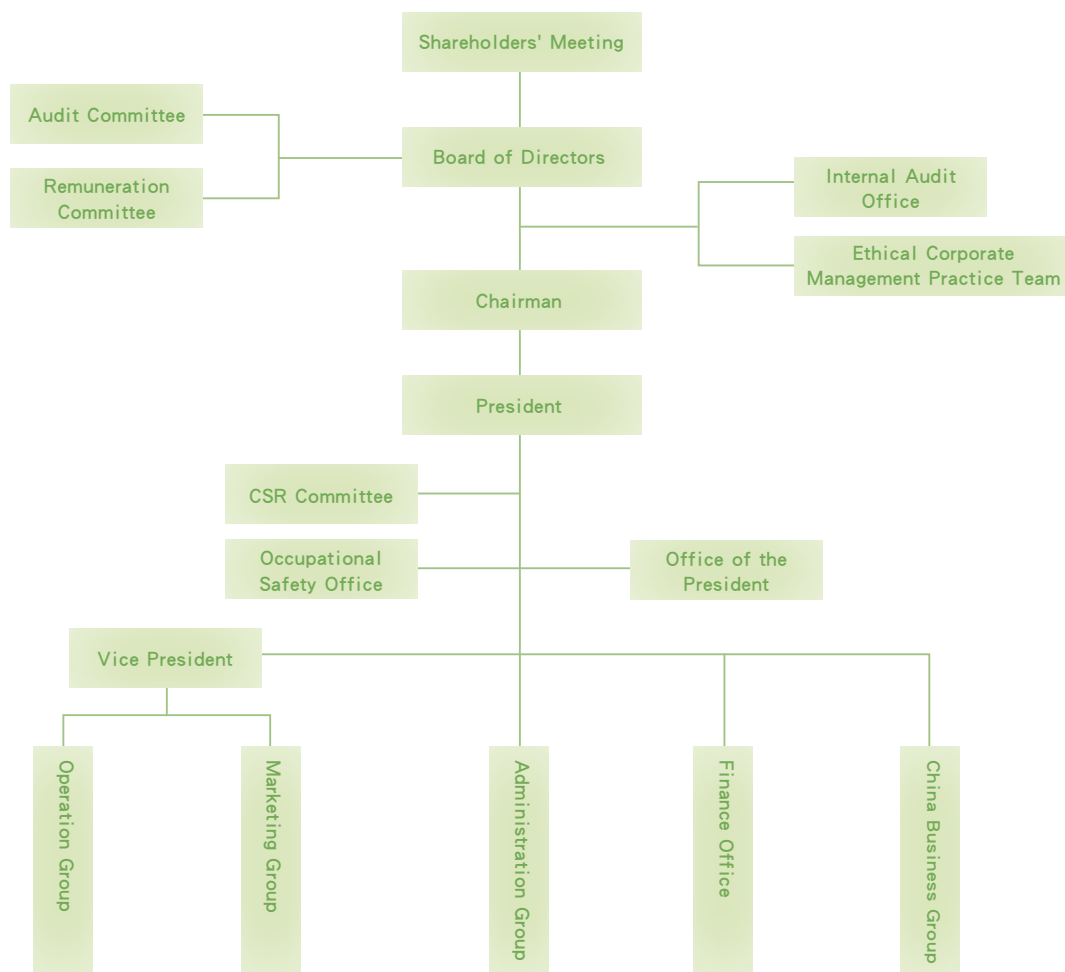


# 3 Corporate Governance

## 1. Organization

### (1) Organization Chart

Date: March 15, 2017



### (2) Responsibilities of Key Groups

- China Business Group: Development and management of investment in China.
- Finance Office: Management and planning of financial and accounting affairs, tax affairs and investor relations.
- Office of the President: Administration of strategic planning and corporate management.
- Vice President: Operation and management of 7-ELEVEN Taiwan and vertical subsidiaries.
- Operation Group: Operation and planning of 7-ELEVEN stores.
- Marketing Group: 7-ELEVEN Taiwan product development and marketing strategy planning.
- Administration Group: Management and planning of back office resource integration.
- Internal Audit Office: Management and implementation of internal auditing and the internal control system.
- Occupational Safety Office: Management of staff safety and health.
- 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 Brances

### (1) Information on directors

#### 1. Information on directors:

15 March 2017

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 PSC 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	Taiwan	Uni-President Enterprises Corp.	-	2015.06.18	3	1987.06.10	471,996,430	45.40%	471,996,430	45.40%	-	-	-	-	-	-	-	-	-
Chairman (Representative)	Taiwan	Lo, Chih-Hsien (Note 1)	Male	2015.06.18	3	2000.06.15	1,032,215	0.10%	1,032,215	0.10%	1,014,315	0.10%	-	-	MBA, UCLA, USA	(Note 4)	Director	Kao, Shioh-Ling	Spouse
Director Institutional Shareholder	Taiwan	Kao Chyuan Investment Co. Ltd	-	2015.06.18	3	2009.06.10	4,876,775	0.47%	5,176,775	0.50%	-	-	-	-	-	-	-	-	-
Director (Representative)	Taiwan	Kao, Shioh-Ling (Note 2)	Female	2015.06.18	3	2010.03.20	1,014,315	0.10%	1,014,315	0.10%	1,032,215	0.10%	-	-	Marymount College, USA	(Note 4)	Chairman	Lo, Chih-Hsien	Spouse
Director (Representative)	Taiwan	Su, Tsung-Ming (Note 1)	Male	2015.06.18	3	2008.02.14	-	-	-	-	-	-	-	-	MBA, University of Iowa, USA	(Note 4)	-	-	-
Director (Representative)	Taiwan	Yang, Wen-Lung (Note 1)	Male	2015.06.18	3	2003.06.24	-	-	-	-	-	-	-	-	BA, Dept. of Sociology, National Chung Hsing University MBA, National Cheng Kung University	(Note 4)	-	-	-
Director (Representative)	Taiwan	Chen, Jui-Tang (Note 1)	Male	2015.06.18	3	2012.06.21	13,652	-	13,652	-	-	-	-	-	BA, Dept of Economics, National Taiwan University	(Note 4)	-	-	-
Director (Representative)	Taiwan	Lu, Long-Hong (Note 1)	Male	2015.06.18	3	2015.06.18	-	-	-	-	-	-	-	-	Food Science, National Chung Hsing University MBA, National Cheng Kung University	(Note 4)	-	-	-
Director (Representative)	Taiwan	Huang, Jui-Tien (Note 1)	Male	2015.06.18	3	2015.06.18	391	-	391	-	-	-	-	-	Master Degree in Marketing, National Kaohsiung First University of Science and Technology	(Note 4)	-	-	-
Director (Representative)	Taiwan	Hwang, Jau-Kai (Note 1)	Male	2015.06.18	3	2015.06.18	-	-	-	-	-	-	-	-	Accounting, Shih Chien University	(Note 4)	-	-	-
Director (Representative)	Taiwan	Wu, Tsung-Ping (Note 1)	Male	2015.06.18	3	2012.06.21	-	-	-	-	-	-	-	-	Accounting, Chung Yuan Christian University	(Note 4)	-	-	-
Director (Representative)	Taiwan	Wu, Wen-Chi (Note 1)	Female	2015.06.18	3	2015.06.18	556	-	556	-	737	-	-	-	BA, School of Accountancy, University of Missouri at Columbia, USA	(Note 4)	-	-	-
Independent director	Taiwan	Wang, Wen-Yeu	Male	2015.06.18	3	2012.06.21	-	-	-	-	20,000	-	-	-	PhD, Stanford Law School	(Note 4)	-	-	-
Independent director	Taiwan	Chen, M. David	Male	2015.06.18	3	2012.06.21	-	-	-	-	-	-	-	-	PhD, Accounting, University of Illinois at Urbana-Champaign, USA	(Note 4)	-	-	-
Independent director	Taiwan	Shu, Pei-Gi	Male	2015.06.18	3	2012.06.21	-	-	-	-	-	-	-	-	PhD, Management, National Chengchi University	-	-	-	-

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 80 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 80 of this report.



## 2. Independence and Professional Expertise of Board Members

Name	Has over 5 years of work experience and the below professional qualifications			Independence Ranking (Note)										Number of independent directorships held in other public companies
	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	9	10	
Lo, Chih-Hsien			V									V		-
Kao, Shioh-Ling			V	V								V		-
Su, Tsung-Ming		V	V			V	V				V	V		1
Yang, Wen-Lung			V		V	V					V	V		-
Chen, Jui-Tang			V			V					V	V		-
Lu, Long-Hong			V			V	V				V	V		-
Huang, Jui-Tien			V			V					V	V		-
Hwang, Jau-Kai			V			V	V				V	V		-
Wu, Tsung-Ping			V		V	V					V	V		-
Wu, Wen-Chi			V			V		V			V	V		-
Wang, Wen-Yeu	V		V	V	V	V	V	V	V	V	V	V	V	3
Chen, M. David	V		V	V	V	V	V	V	V	V	V	V	V	-
Shu, Pei-Gi	V		V	V	V	V	V	V	V	V	V	V	V	-

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 "v" 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:

31 December 2016

Name of Institutional Shareholder	Principal Shareholders in PCSC Institutional Shareholders
Uni-President Enterprises Corp.	Kao Chyuan Investment Co. Ltd. (4.79%), BNP Paribas Wealth Management Singapore Branch (3.20%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency (3.05%), Hou, Po-Ming (2.60%), Hou, Po-Yu (2.27%), Singapore Government Fund in the custody of Citibank Taiwan (2.24%), Kao, Shioh-Ling (1.64%), Liu, Hsiu-Ren (1.55%), T. Rowe Price Emerging Markets Stock Fund in custody of JPMorgan Chase Bank N.A. Taipei Branch (1.43%), Vanguard Emerging Markets Stock Index Fund in the custody of Standard Chartered (1.32%)
Kao Chyuan Investment Co. Ltd.	Kao, Shioh-Ling (61.60%), Lo, Chih-Hsien (20.12%), Kao, Lai-Huan (13.40%), Kao, Han-Di (1.63%), Kao, Tsu-Yi (1.20%), Lo, Hsi-Ai (1.08%), Kao, Chin-Yen (0.97%)

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 2016

Name of Institutional Shareholder	Principal Shareholders in Institutional Shareholders
Kao Chyuan Investment Co. Ltd.	Kao, Shiow-Ling (61.60%), Lo, Chih-Hsien (20.12%), Kao, Lai-Huan (13.40%), Kao, Han-Di (1.63%), Kao, Tsu-Yi (1.20%), Lo, Hsi-Ai (1.08%), Kao, Chin-Yen (0.97%)

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

15 March 2017

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	Taiwan	Chen, Jui-Tang	Male	2012.06.21	13,652	—	—	—	—	—	BA, Dept of Economics, National Taiwan University	(Note 2)	—	—	—
Senior Vice President	Taiwan	Wu, Kuo-Hsuan	Male	2012.08.01	—	—	—	—	—	—	BA, Marketing & Distribution Management, Fortune Institute of Technology	(Note 2)	—	—	—
Senior Vice President	Taiwan	Huang, Jui-Tien (Note 3)	Male	2016.07.01	391	—	—	—	—	—	Master Degree in Marketing, National Kaohsiung First University of Science and Technology	(Note 2)	—	—	—
Vice President	Taiwan	Hsieh, Lien-Tang	Male	2012.08.01	—	—	113	—	—	—	BA, Business Administration, Chinese Culture University	(Note 2)	—	—	—
Vice President	Taiwan	Tzeng, Fan-Bin	Male	2013.01.01	—	—	—	—	—	—	BA, International Trade, Soochow University	(Note 2)	—	—	—
Vice President	Taiwan	Lin, Chi-Chang	Male	2013.01.01	717	—	—	—	—	—	BA, Social Work, Soochow University	(Note 2)	—	—	—
Vice President	Taiwan	Lee, Chi-Ming (Note 3)	Male	2008.10.01	6,121	—	—	—	—	—	BA, Accounting, Soochow University	(Note 2)	—	—	—
Chief Auditor (Vice President)	Taiwan	Hsieh Hong, Hui-Tzu	Female	2014.06.19	282	—	—	—	—	—	MBA, National Cheng Kung University	(Note 2)	—	—	—
Chief Financial Officer (Vice President)	Taiwan	Wu, Wen-Chi	Female	2010.04.01	556	—	737	—	—	—	BA, Accounting, University of Missouri, USA	(Note 2)	—	—	—
Vice President	Taiwan	Lin, Hung-Chun	Male	2014.10.15	1,129	—	—	—	—	—	BA, Electrical Engineering, Southern Taiwan University of Science and Technology	(Note 2)	—	—	—
Vice President	Taiwan	Hsieh, Ching-Hsun	Male	2015.03.19	1,251	—	—	—	—	—	MA, Labor Relations, Chinese Culture University	(Note 2)	—	—	—
Finance Division Manager	Taiwan	Tsung, Hsi-Yung (Note 3)	Male	2016.05.01	—	—	—	—	—	—	BA, Accounting, Chinese Culture University	(Note 2)	—	—	—
Accounting Division Manager	Taiwan	Chang, Li-Ling	Female	2014.11.06	—	—	—	—	—	—	BA, Accounting, Ming Chuan University	(Note 2)	—	—	—

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 82 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 82 of this report.

Note 3: Huang, Jui-Tien began his term in July 2016; Tsung, Hsi-Yung began his term in May 2016; Lee, Chi-Ming ceased to hold this position in March 2017.

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

#### 1. Directors and Independent Directors remuneration:

31 December 2016 / 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 5)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
		Remuneration (A)		Pensions (B)	Director Earnings Distribution (C)		Business Expenses (D)			Salary, Bonuses, and Special Allowance (E) (Note 3)		Pensions (F)		Employee Earnings Distribution (G) (Note 4)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
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Director and Institutional Shareholder	Uni-President Enterprises Corp.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											

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

Note 1: Representative of Uni-President Enterprises Corp.

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

Note 3: Includes car leasing expenses for managers.

Note 4: Earnings distribution for 2016 has not yet been approved by general shareholders meeting. These figures are based on the proposal approved by the Board.

Note 5: 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, Shiow-Ling; Su, Tsung-Ming; Wu, Tsung-Ping; Yang, Wen-Lung; Lu, Long-Hong; Hwang, Jau-Kai; Chen, Jui-Tang; Huang, Jui-Tien; Wu, Wen-Chi; Wang, Wen-Yeu; Chen, M. David; Shu, Pei-Gi	Lo, Chih-Hsien; Kao, Shiow-Ling; Su, Tsung-Ming; Wu, Tsung-Ping; Yang, Wen-Lung; Lu, Long-Hong; Hwang, Jau-Kai; Chen, Jui-Tang; Huang, Jui-Tien; Wu, Wen-Chi; Wang, Wen-Yeu; Chen, M. David; Shu, Pei-Gi	Lo, Chih-Hsien; Kao, Shiow-Ling; Su, Tsung-Ming; Wu, Tsung-Ping; Yang, Wen-Lung; Lu, Long-Hong; Hwang, Jau-Kai; Wang, Wen-Yeu; Chen, M. David; Shu, Pei-Gi	Lo, Chih-Hsien; Kao, Shiow-Ling; Su, Tsung-Ming; Wu, Tsung-Ping; Yang, Wen-Lung; Lu, Long-Hong; Hwang, Jau-Kai; Wang, Wen-Yeu; Chen, M. David; Shu, Pei-Gi
NT\$2,000,000 (incl.)~NT\$5,000,000	—	—	—	—
NT\$5,000,000 (incl.)~ NT\$10,000,000	—	—	Huang, Jui-Tien	Huang, Jui-Tien
NT\$10,000,000 (incl.)~ NT\$15,000,000	—	—	Wu, Wen-Chi	Wu, Wen-Chi
NT\$15,000,000 (incl.)~ NT\$30,000,000	Kao Chyuan Investment Co. Ltd.	Kao Chyuan Investment Co. Ltd.	Kao Chyuan Investment Co. Ltd.	Kao Chyuan Investment Co. Ltd.
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	Uni-President Enterprises Corp.	Uni-President Enterprises Corp.	Uni-President Enterprises Corp.	Uni-President Enterprises Corp.
Total	15	15	15	15

## 2. President and senior vice president remuneration:

31 December 2016 / 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	Chen, Jui-Tang	17,331	19,255	24,119	24,119	47,489	47,729	4,320	-	4,320	-	0.95%	0.97%	-
Senior Vice President	Chang Jen, Yun-Huei (Note 3)													
Senior Vice President	Lai, Nan-Bey (Note 3)													
Senior Vice President	Wu, Kuo-Hsuan													
Senior Vice President	Chung, Mao-Chia (Note 3)													
Senior Vice President	Huang, Jui-Tien (Note 3)													

Note 1: Includes car leasing expenses for managers.

Note 2: Earnings distribution for 2016 has not yet been approved by general shareholders meeting. These figures are based on the proposal approved by the Board.

Note 3: Chang Jen, Yun-Huei stepped down in January 2016; Chung, Mao-Chia stepped down in February 2016; Lai, Nan-Bey stepped down in June 2016; Huang, Jui-Tien began his term in July 2016.

Compensation Level	Names of the President and Senior Vice Presidents	
	PCSC	All consolidated companies
Less than NT\$2,000,000	Chung, Mao-Chia	Chung, Mao-Chia
NT\$2,000,000 (incl.)~NT\$5,000,000	—	—
NT\$5,000,000 (incl.)~NT\$10,000,000	Huang, Jui-Tien	Huang, Jui-Tien
NT\$10,000,000 (incl.)~NT\$15,000,000	Chang Jen, Yun-Huei	Chang Jen, Yun-Huei
NT\$15,000,000 (incl.)~NT\$30,000,000	Lai, Nan-Bey; Wu, Kuo-Hsuan	Lai, Nan-Bey; 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	6	6

### 3. Earnings distribution as remuneration to Company management:

31 December 2016 / Unit: NT\$1000

	Title	Name	Stock	Cash	Total	Total as a % of After-Tax Income
Management	President	Chen, Jui-Tang	—	11,506	11,506	0.12%
	Senior Vice President (Note 2)	Chang Jen, Yun-Huei				
	Senior Vice President	Wu, Kuo-Hsuan				
	Senior Vice President (Note 2)	Lai, Nan-Bey				
	Senior Vice President (Note 2)	Chung, Mao-Chia				
	Senior Vice President (Note 2)	Huang, Jui-Tien				
	Vice President	Tzeng, Fan-Bin				
	Vice President	Hsieh, Lien-Tang				
	Vice President	Lin, Hung-Chun				
	Vice President	Lin, Chi-Chang				
	Vice President	Hsieh, Ching-Hsun				
	Chief Financial Officer (Vice President)	Wu, Wen-Chi				
	Chief Auditor (Vice President)	Hsieh Hong, Hui-Tzu				
	Vice President	Lee, Chi-Ming				
	Finance Division Manager (Note 2)	Tsung, Hsi-Yung				
	Finance Division Manager (Note 2)	Cheng, Yea-Yun				
	Accounting Division Manager	Chang, Li-Ling				

Note 1: Earnings distribution for 2016 has not yet been approved by general shareholders meeting. These figures are based on the proposal approved by the Board.

Note 2: Chang Jen, Yun-Huei stepped down in January 2016; Chung, Mao-Chia stepped down in February 2016; Lai, Nan-Bey stepped down in June 2016; Cheng, Yea-Yun stepped down in April 2016; Huang, Jui-Tien began his term in July 2016; Tsung, Hsi-Yung began his term in May 2016.

#### (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
2016(Note)	PCSC	2.37%	0.95%
	All consolidated companies	2.47%	0.97%
2015(Note)	PCSC	3.30%	0.88%
	All consolidated companies	3.45%	0.90%

Note: PCSC's net income after tax in 2016 was NT\$9,836,690,000. PCSC's net income after tax in 2015 was NT\$8,238,993,000.

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, Compensation and director remuneration" on page 47.)
- (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, Shiow-Ling	8	0	100%	—
Director	Uni-President Enterprises Corp. Su, Tsung-Ming	7	1	88%	—
Director	Uni-President Enterprises Corp. Yang, Wen-Lung	8	0	100%	—
Director	Uni-President Enterprises Corp. Chen, Jui-Tang	8	0	100%	—
Director	Uni-President Enterprises Corp. Wu, Tsung-Ping	7	1	88%	—
Director	Uni-President Enterprises Corp. Lu, Long-Hong	7	1	88%	—
Director	Uni-President Enterprises Corp. Huang, Jui-Tien	7	1	88%	—
Director	Uni-President Enterprises Corp. Hwang, Jau-Kai	8	0	100%	—
Director	Uni-President Enterprises Corp. Wu, Wen-Chi	8	0	100%	—
Independent Director	Wang, Wen-Yeu	8	0	100%	—
Independent Director	Chen, M. David	8	0	100%	—
Independent Director	Shu, Pei-Gi	7	1	88%	—

Other issues to be noted:

1. 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:
  - (1.) Issues specified in Article 14-3 of the Securities and Exchange Act: The company had set up the Audit Committee, so it is not applicable of Article 14-3 of the Securities and Exchange Act. Please refer to page 24 " Operations of the Audit Committee " for more information regarding to Article 14-5 of the Securities and Exchange Act.
  - (2.) 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.
2. 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: If a director has a stake in any issue brought before the Board, he or she shall provide their opinion and submit to inquiry. Said director may not participate in discussion or vote on the issue. At the meeting held on March 16, 2016, the Company's Board passed a resolution to sign a management consultancy contract with Uni-President Enterprises Corp. As many non-independent directors are legal representatives or directors of the contract counterparty, they recused themselves. The resolution was adopted unanimously by all independent directors in attendance.
3. 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) Operations of the Audit Committee:**

As of publication of the Annual Report, there had been a total of six (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]	Remarks
Independent Director	Wang, Wen-Yeu	6	0	100 %	—
Independent Director	Chen, M. David	6	0	100 %	—
Independent Director	Shu, Pei-Gi	6	0	100 %	—

Other issues to be noted:

1. 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:

- (1.) Issues specified in Article 14-5 of the Securities and Exchange Act: Please refer to page 33 "Major resolutions voted on at Shareholder, Board Meetings, and the Audit 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.
- (2.) 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.

2. 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.

3. Communication between independent directors and internal audit managers and external auditors (regarding issues such as Company financial and operational status, procedures, and results):

1. 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 2016 are as follows:

Date	Items Discussed
March 15, 2016	November 2015-February 2016 audit execution report
May 3, 2016	March 2016 audit execution report
August 2, 2016	June 2016 audit execution report
November 1, 2016	July -September 2016 audit execution report
December 6, 2016	1. October 2016 audit execution report 2. 2017 Audit Plan
February 21, 2017	November 2016-January 2017 audit execution report

2. The Company retains external auditors who, after auditing the financial statements, 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 2016, the Audit Committee and the independent auditors retained by the Company discussed the following items:

Date	Items Discussed
March 15, 2016	The independent auditors provided explanations for the 2015 financial report and questions posed by independent directors.
August 2, 2016	1. The independent auditors provided explanations for the 2016 semiannual financial report and questions posed by independent directors. 2. The independent auditors provided a report on the Revised Regulation Governing Auditing and Attestation of Financial Statement by Certified Public Accountants.
February 21, 2017	The independent auditors provided explanations for the 2016 financial report and questions posed by independent directors.

### (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 and passed the Company's revised Corporate Governance Best Practice Principles 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 investor relations team to deal with shareholder issues.	Compliant
(2) Does PCSC keep maintain a list of the 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		<p>1. 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 as insider trading, company will be dealt with according to the internal control system and regulations.</p> <p>2. 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. the personnel is not allowed to use non-public information to engage in insider trading, nor leak to others to prevent others constitute insider trading through the non-public information.</p> <p>3. In order to make sure newly insider is aware of the regulations, PCSC will also provide the insider trading related standards for newly insider and request the newly insider to sign on the statement.</p>	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		<p>1. In accordance with PCSC's Corporate Governance Best Practice Principles and the director election guidelines, the composition of the board of directors shall be determined by taking diversity into consideration. Number of director who serves as manager of the company should not be more than one-third of the Board seats. Also, company formulates an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs which includes but not limited to the following two major standards:</p> <p>(1) Basic conditions: sexual, age, and etc.</p> <p>(2) Professional knowledge and skills: background, skills, and industrial experiences</p> <p>2. There are 3 independent directors and 2 female directors among the Company's current 13 board seats. The directors generally carry the specialized knowledge and skills and accomplishment which are necessary to perform duties. (Note 1)</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
	Yes	No	Brief Explanation	
(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, Company also have cross-sectoral CSR Committee and 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		1. PCSC's Audit Committee and Board of Directors annually evaluate the independence of its certified accountants. The Company evaluates accountants based on standards derived from the Certified Public Accountant Act and the 10th Code of Ethics for Professional Accountants. It was passed by the Audit Committee and Board of Directors. 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. 2. Each year, PCSC's external auditors provide PCSC with a Statement of Independence. The external auditing firm also complies with rules for rotating external auditors.	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		Finance department, operational planning department and professional stock agency are responsible for executing the corporate governance related businesses. The heads of the related departments are responsible for supervising the execution. The corporate governance related businesses include company registration, board meeting and shareholders' meeting , making the minutes of board meeting and shareholders' meeting, providing the necessary information and updated regulations to board members, investor relations, and other matters as prescribed in the Article of Incorporation or contracts.	Compliant



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	
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		<ol style="list-style-type: none"> <li>1. In 2015, PCSC set up a dedicated 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.</li> <li>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.</li> <li>3. PCSC encourages its employees to communicate directly with management. In addition, a discussion platform has been made available to enable employees to express their views on Company operations.</li> <li>4. The Company has established an internal employee care group that actively works to provide effective, timely consultation and guidance to employees whenever required.</li> <li>5. The Company has set up an open website that fully discloses information related to Company business and finances as well as fully iterates the responsibilities and duties the Company is to carry out as a corporate citizen.</li> <li>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.</li> </ol>	Compliant
6. Has PCSC designated a stock agency to handle shareholder meeting affairs?	V		PCSC has designated President Securities Corporation 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 <a href="http://www.7-11.com.tw">http://www.7-11.com.tw</a> 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		<ol style="list-style-type: none"> <li>1. PCSC has established an English website. Our dedicated investor relations team is responsible for the collection and disclosure of corporate information and the updating of website content.</li> <li>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.</li> <li>3. PCSC holds and attends investor conferences every year. The materials and video are posted on the Company website and also on Taiwan Stock Exchange Market Observation Post System.</li> </ol>	Compliant

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	
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 firm or affiliated enterprises within the past year.</p> <p>2. The learning classes of the management team in 2016 are as follows:</p> <p>(1) President Chen, Jui-Tang, Senior Vice President Huang, Jui-Tien, Chief Auditor Hsieh Hong, Hui-Tzu, and Chief Financial Officer Wu, Wen-Chi took a class held by the Taiwan Corporate Governance Association entitled "How Businesses Can Deal with Modern White Collar Crime" and a class held by the Taiwan Institute of Director entitled "Global Layout and Transnational Operations Planning". (6 hours)</p> <p>(2) President Chen, Jui-Tang, Chief Financial Officer Wu, Wen-Chi, Vice President Hsieh, Lien-Tang, and Vice President Lin, Chi-Chang took a class given by SGV&amp;Co. Philippines entitled "Corporate Governance". (4 hours)</p> <p>(3) Chief Auditor Hsieh Huang Hui-Tzu took classes given by the Institute of Internal Auditors titled "Accounting and Tax Auditing Practices for Taiwan Businesspeople in Mainland China and Relevant Case Studies" and "A Practical Class on Internal Control Systems and Operations for Businesses". (12 hours)</p> <p>(4) Accounting Division Manager Chang, Li-Ling took classes held by the Accounting Research and Development Foundation titled "Analyzing IFRS Regulations on Preparing Consolidated Financial Statements", "Studies of Embezzlement Scandals in Businesses and Analysis of Legal Responsibility", "An Analysis of International Financial Reporting Standard 15 'Revenue from Contracts with Customers' (IFRS15)", and "Analyzing the Legal Responsibility of Insider Trading Violations by People Inside Businesses—Practical Case Studies". (12 hours)</p> <p>(5) All high-level managers were required to take classes on intellectual property and laws concerning commercial contracts. (3 hours)</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. It had been proposed to the Board of Directors and passed.</p> <p>5. In 2016, PCSC was named to the FTSE4Good index and the MSCI Global Sustainability Index.</p> <p>6. PCSC places a great deal of emphasis on the transparency and immediacy of information disclosure and was ranked among the top 5% in the 2nd Taiwan Corporate Governance Evaluation.</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. PCSC 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, 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>	Compliant

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	

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:
1. Improvements made: According to the results of the latest Corporate Governance Evaluation, the Company has made major improvements are explained below:
- (1) All PCSC directors took 6 hours classes in 2016. This has already been disclosed in 2016 Annual Report.
  - (2) In 2016, PCSC made adjustments to the organizational structure of the Ethical Corporate Management Practice team and explained those adjustments on the company website.
  - (3) In 2016, PCSC listed contact information for the stakeholders on the company website.
  - (4) PCSC announced 2016FY financial statements by the end of February 2017, which is one month ahead from the date required by Taiwan stock exchange regulation, to gradually meet the international best practice.
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:
- (1) For year 2016 and as of the publication date of this Annual Report, none of PCSC's independent directors opposed or retained on Board resolutions and none of the matters that were not passed by the Audit Committee but passed by two-thirds of the Directors. Relevant information is disclosed in the Operations of the Board of Directors and Operations of the Audit Committee in the Annual Report.
  - (2) PCSC has drawn up the Board of Directors member diversity policies and disclosed them on the company website. The information regarding the implementation of this policy is disclosed in 2016 Annual Report and on the company website.
  - (3) PCSC disclosed the information of the dedicated or concurrent corporate departments in 2016 Annual Report.
3. As to other items, PCSC will continue to evaluate the feasibility of future improvement.

#### Note 1: Director Diversity

Item Director Name	Gender	Professional Background	Operational judgement	Administration	Accounting 、 Finance or Law	Business and Economics	Crisis Management	Industrial experiences	International Markets perspectives	Leadership	Decision making
Lo, Chih-Hsien	Male	Business Administration	V	V	V	V	V	V	V	V	V
Kao, Hsiu-Ling	Female	Busniess	V	V		V	V	V	V	V	V
Su, Tsung-Ming	Male	Business Administration	V	V	V	V	V	V	V	V	V
Yang, Wen-Long	Male	Business Administration	V	V		V	V	V	V	V	V
Chen, Jui-Tang	Male	Economics	V	V	V	V	V	V	V	V	V
Lu, Long-Hong	Male	Business Administration	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
Hwang, Jau-Kai	Male	Business	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
Chen, M. David	Male	Accounting	V	V	V	V	V	V	V	V	V
Shu, Pei-Gi	Male	Business Administration	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

## 2016 Director Continuing Education

Name	Date(s)	Organizer	Course Name	Time
Lo, Chih-Hsien Kao, Hsiu-Ling Su, Tsung-Ming Lu, Long-Hong Huang, Jui-Tien Hwang, Jau-Kai Wu, Tsung-Ping Yang, Wen-Long Chen, Jui-Tang Wu, Wen-Chi Chen, M. David Shu, Pei-Gi	April 22	Taiwan Corporate Governance Association	How Businesses Can Deal with Today's White Collar Crime	3 hours
Lo, Chih-Hsien Kao, Hsiu-Ling Su, Tsung-Ming Lu, Long-Hong Huang, Jui-Tien Hwang, Jau-Kai Wu, Tsung-Ping Yang, Wen-Long Chen, Jui-Tang Wu, Wen-Chi Chen, M. David Shu, Pei-Gi	October 28	Taiwan Institute of Director	Global Layout and Multinational Operations Planning	3 hours
Chen, Jui-Tang Wu, Wen-Chi	July 20	SGV&Co. Philippines	Corporate Governance	4 hours
Wang, Wen-Yeu	August 5	Taiwan Corporate Governance Association	CSR Trends and Governance	3 hours
	November 5	Taiwan Corporate Governance Association	Company Mergers and Acquisitions Practical Operations	3 hours

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

##### 1. Remuneration Committee members

Position	Name	Item	Has over 5 years of work experience and the below professional qualifications			Independence Ranking (Note)								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		v		v	v	v	v	v	v	v	v	v	3	—
Independent Director	Chen, M. David		v		v	v	v	v	v	v	v	v	v	—	—
Independent Director	Shu, Pei-Gi		v		v	v	v	v	v	v	v	v	v	—	—

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

- (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 18, 2015 through June 17, 2018.

As of publication of the Annual Report, there had been a total of three (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)	Remarks
Convener	Wang, Wen-Yeu	3	0	100	—
Member	Chen, M. David	3	0	100	—
Member	Shu, Pei-Gi	3	0	100	—

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.

## (5) Implementation of Corporate Social Responsibility

Area 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		1. PCSC has established a CSR code of conduct. In order to implement and manage CSR, PCSC established an interdepartmental CSR Committee with the president serving as chairman and a senior vice president as vice chairman. 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 and reporting the status on a regular basis to the Board of Directors. 2. The main results of the implementation in CSR: (1) Enviornmental aspect:In 2016, a total of NT\$ 1 billion were invested in the asstes and equipments regarding to enviornmental protection ; the ratio of green procurement to total procurement amount had increased from previous year ; over NT\$0.1 billion were invested in food safety system ; Electricity intensity of stores and headquarters reduced from previous year. (2) Social aspect : In 2016, PCSC's annual charity amount is around NT\$730 million. Among them, NT\$160million came from donation of spare change in stores, and NT\$570 million came from ibon kiosks. The Good Neighbor Foundation has held more than 10,000 Good Neighbor Funfest events of various types to promote family bonding, care for the disadvantaged, provide education & culture, as well as promote healthy living and environmental protection with an emphasis on local community requirements. Accumulated over 730,000 participants took parts in the events as of the end of 2016. (3) Corporate Governance and economic aspect: In 2016, the revenue for PCSC parent company had reached NT\$140.1 billion, grew by 5.1%; net profits had reached NT\$ 9.8 billion, grew by 19.4%. The cash dividend reached NT\$ 8 per share, NT\$ 0.8 increased from previous year. PCSC once again ranked among the top 5% of all TWSE-/TPEx-listed companies and was named to the Taiwan Corporate Governance 100 Index. Moreover, PCSC was selected for FTSE4Good Emerging Index for the first time in 2016, and has continued to be selected among the stocks making up the MSCI Global Sustainability Indices. 3. Please refer to the PCSC CSR Report for a detailed description of CSR policy effectiveness.	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 classroom classes for various employee levels, including personal information, labor laws, product safety, occupational safety, Gender Equality Act, Fair Trade Act, Trademark Act, and intellectual property, and requires that all high-level managers 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 with the President serving as chairman and Senior Vice President Wu, Kuo-Hsuan as vice chairman. The committee is divided up into five major teams responsible for proposing and implementing concrete plans related to CSR policies, systems, or relevant management guidelines and reporting the status on a regular basis to the Board of Directors.	Compliant
(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 do 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. In 2015, PCSC added CSR indicators to manager performance thereby linking the employee performance assessment system to CSR.	Compliant

Area 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	
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. With their broad footprint, stores have the potential for largest impact and are the ideal jumping off point for these plans. 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 coordination with the government, the Industrial Technology Research Institute, and academic institutions, PCSC is working to improve stores' 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?	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 impacts 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 carbon 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, environment-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. Our hope is that stores will become environment-friendly and sustainable shopping venues and reduce the impact of operations on the environment. In addition, 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.	Compliant
3. Social Welfare				
(1) Has PCSC established management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		To comply with relevant labor laws and provide a safe, comfortable working environment where employees' rights are protected and respected, PCSC: 1. Established the "PCSC Labor Rights Policies" based on the guidance of International Labor Conventions. In 2012, PCSC launched labor auditor training and in 2016, 87 employees in 23 affiliated enterprises, including 7-ELEVEN, have already completed the course and worked to improve workplace safety. 2. In addition to refusing to hire employees younger than 15 as required by the Labor Standards Law, PCSC also upholds the principle that employment is the most direct way to assist the disadvantaged. Not only does PCSC offer more job opportunities to emotionally and physically disabled individuals, we offer middle-aged and elderly workers part-time work, providing an inclusive work environment with a diversified culture.	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 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



Area 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	
(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. PCSC 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 provide employees with supplementary health services and promote awareness of health-related issues. PCSC also hired specialized nurse practitioners and doctors from NTU Hospital who provide health counseling services. PCSC further employed health education campaigns, such as the "Health Passport", e-newsletters, and lectures, to encourage employees to manage their personal health and create a warm, harmonious, and safe working 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 physical or psychological harassment prevention, and a physical and psychological overload prevention program. In addition, because the Company actively promotes physical and psychological health, in 2016, we received third place in the Taipei City Outstanding Healthy Workplace and the Lequn Health Award for Outstanding Healthy Workplace from the Health Promotion Administration.</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 a 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
(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 important jobs and challenges, and by broadening their horizons.</p> <p>1. PCSC hopes that its employees develop and grow with it, so in 2016, it set up an employee career development path and management mechanism and held ten meetings during to explain its purpose to employees. It communicated with them and encouraged them to think about their personal career goals and make the preparations that will allow them to achieve those goals.</p> <p>2. PCSC, in accordance with the Company's core values, 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. Together with their immediate supervisors, employees map out a "Personal Development Plan" taking into account education, experience, work requirements, performance evaluation results, and career development needs. For some key employees, PCSC has mapped out a program of training and development to help them reach their ideal position within the company.</p> <p>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.</p>	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		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 keeps foods cold and rushes 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, PCSC 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.	Compliant

Area 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	
(7) Does PCSC's product and service marketing and labeling adhere to relevant laws and regulations and international standards?	V		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.	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		To strengthen supplier management, PCSC has established a supply chain management team responsible for overseeing raw material suppliers, OEM factories, logistics and distribution, and store operation through on-site evaluations and hierarchical management. In addition to food safety, food product evaluation standards also include environmental safety and CSR provisions. Based on their evaluation score, suppliers are divided into different categories and the frequency of subsequent evaluations will be determined accordingly. 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). 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.	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		In order to ensure Company business activities are free from the taint of corruption, PCSC added an integrity and anti-bribery provision to its supplier agreements in 2013. Suppliers must maintain integrity in their interactions with PCSC and prevent dishonest business practices to protect the rights and interests of both parties to the contract. Beginning in 2016, contracts with key suppliers now include provisions regarding corporate social responsibility. If a supplier is involved in a policy violation resulting in negative impacts to the environment or local community, its contract with PCSC may be terminated or cancelled at any time.	Compliant
4. Information disclosure				
(1) Does PCSC disclose on its website and TWSE market observation post system relevant and reliable information about Company CSR?	V		1. PCSC's website features a corporate social responsibility section where CSR related information is disclosed. PCSC also discloses information on greenhouse gas emissions and results of reduction efforts on the TWSE market observation post system. 2. PCSC disclosed its CSR Report on TWSE market observation post system and the Company's website.	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:				
<p>(1) 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 govern 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.</p> <p>(2) PCSC's food safety policies are based in focused operations, traceability management, and winning consumer trust and include strengthening supplier management, implementing raw material traceability examination and management, improving quality assurance laboratory self-examination capabilities, and establishing and implementing a complete food safety monitoring program. These measures enable PCSC to fulfil our corporate social responsibility through food safety management, thereby reducing food safety risks and potential impacts.</p>				
6. Other important information for facilitating the understanding of CSR and its implementation:				
<p>(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, customer complaints, and related regulations to discover latent food safety risks.</p> <p>(2) The PCSC quality assurance laboratory has been certified by the TFDA for seven testing areas (chloramphenicols, microorganism counts, coliform bacteria, E. coli, Salmonella, nitrofurantoin metabolites, and testing for residues of 48 veterinary drugs) and TAF certification for three testing areas. In addition, we independently test for 625 chemicals and 13 microorganisms. In 2013, PCSC received TAF Certification for the first time. The validity period is three year. In August of 2016, we passed the extension application of our creditation, once again recognizing the management quality of our laboratories. In 2016, the quality assurance laboratory performed testing on over 1000 raw materials and products to maintain strict control on the safety of food products.</p> <p>(3) Optimizing the materials management system for our own brand products to enhance the traceability management mechanism.</p> <p>(4) 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.</p> <p>(5) ISO14001 is not applicable to PCSC, because it is not in the manufacturing industry.</p>				
7. If Company products or CSR report have received certification from relevant certification bodies, please detail below:				
PCSC issues its CSR Report annually and disclosed on the Company website. The 2015 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 Summary	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 management 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 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 with 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 a best practice clause (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 Corporate Management Practice Team to strengthen the implementation of ethical corporate management in August 2015. The Ethical Corporate Management Practice 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 is convened by the Chief Financial Officer. The Team formulates and promotes best practice principles and reports regularly 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 Summary	
(5) Does PCSC periodically hold internal and external ethical corporate behavior training?	V		<p>1. PCSC's internal website features a Policy Promotion Area to educate employees about regulations governing ethical corporate behavior. In 2015, PCSC established the Ethical Corporate Management Practice Team to promote related education among employees and each year, PCSC establishes a training theme.</p> <p>2. In 2016, "ethical training" was incorporated in training classes for new employees. A total of 420 personnel have completed and passed the training.</p> <p>3. Individuals newly hired to stores are all required to take an one-hour class entitled training and education for new employees. It covers such areas as ethics and basic compliance to the law.</p> <p>4. High-level managers are required to take 3-hour classes on intellectual property and what managers should know about laws concerning commercial contracts were held in 2016. In 2017, classes on Labor Law and Fair Trade Law will be held.</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 the website, the message is passed through the system directly to the responsible party, who is then required to update on 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. Through December 2016, there were 143 messages received and have been solved through the stakeholder feedback section.</p> <p>3. The violation reporting and rewards system is implemented according to the Standards Governing Awards and Discipline and Regulations Governing Product Safety Protections 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 appraisal 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 PCSC 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, which have been implemented by PCSC's Ethical Corporate Management Practice Team as written. 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. The employees of PCSC has signed a convention of self-discipline in this regard. PCSC has also established a system that implements appropriate disciplinary measure in cases of rules violations. Honesty affidavits and provisions regarding ethical corporate management are now part of all contracts with outside parties and suppliers. In order to ensure ethical management 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 procedure 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:**

1. Internal Control Declaration: Please refer to page 83 of this report.
2. 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 56 of this report.****(10) Major resolutions voted on at Shareholder, Board Meetings, and the Audit Committee during the most recent year and as of the date of publication of the Annual Report:**

1. Major resolutions voted on at the Shareholders' Meeting (The following resolutions have been implemented)  
During 2016 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 15, 2016. The below resolutions were approved at the meeting:
  - (1) PCSC amended Articles of Incorporation: The Articles of Incorporation were amended to include Clause 1 Article 235 of the Company Act.  
Result: The above resolution was approved by the Shareholders' Meeting and implemented.
  - (2) Approval of the financial report for 2015: Including business report, financial statements, and distribution of profits.  
Result: Resolution passed.
  - (3) Proposal on the distribution of 2015 profits: In 2015, the Company had distributable income amounting to NT\$7,909,129,261 and proposed to pay a cash dividend of NT\$7.2 per share.  
Result: Resolution passed and a cash dividend of NT\$7.2 per share was paid out on September 7, 2016.
  - (4) Resolution to Remove PCSC Director Non-Competition Restrictions  
Result: The above resolution was approved by the Shareholders' Meeting and implemented.
2. Major resolutions approved at Board Meetings:  
(The restructuring the investment structure of Shan Dong President Yinzuo Commercial Limited and some applications for the renewal of credit limits from financial institutions are currently being implemented, while PCSC's 2016 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 2017 Shareholders' Meeting. All other resolutions have completed execution.)  
During the fiscal year 2016 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 5th meeting of the 11th Board (Date: March 16, 2016)
    - Approved the motion regarding PCSC's response to the Meinong Earthquake and relevant corporate donations.
    - Approved the sale of all equities in President SATO Co., Ltd.
    - Approved the 2015 employee and director earnings distribution proposal.
    - Approved 2015 financial statements, consolidated financial statements, and business report.
    - Approved the 2015 asset impairment.
    - Approved the 2015 earnings distribution proposal.
    - Approved the 2015 dividend distribution proposal.
    - Presentation of the 2015 PCSC Internal Control Statement.
    - Approved the proposed agenda of 2016 Shareholders' Meeting.
    - Approved the procedures regarding the "Notice of the right of shareholders to make proposals" for the 2016 Shareholders' Meeting.
    - Approved the resolution to remove PCSC director non-competition restrictions.
    - Presentation of the resolutions approved at the 2nd meeting of the 3rd Remuneration Committee.
    - Approved organization adjustments and personnel changes.

- Approved the motion to sign the Management Consulting Services contracts.
- Approved the establishment, change, and removal of Company branches and stores proposal.
- Approved the date and venue for the 6th meeting of the 11th Board.
- (2) The 6th meeting of the 11th Board (Date: May 4, 2016)
  - Approved the PCSC CPA Independence Evaluation Resolution.
  - Approved applications for the renewal of credit limits from financial institutions.
  - Approved motion to increase capital in PCSC (BVI) Holdings Ltd. and invest in Presiclerc Ltd.
  - Approved motion to sign contract for commissioned services.
  - Approved the establishment, change, and removal of Company branches and stores proposal.
  - Approved the date and venue for the 7th meeting of the 11th Board.
- (3) The 7th meeting of the 11th Board (Date: June 15, 2016)
  - Approved the resolution to renewing liability insurance for the directors and key employees.
  - Approved the record date of 2015 earnings distribution.
  - Approved the establishment, change, and removal of Company branches and stores proposal.
  - Approved the date and venue for the 8th meeting of the 11th Board.
- (4) The 8th meeting of the 11th Board (Date: June 29, 2016)
  - Approved personnel appointment.
- (5) The 9th meeting of the 11th Board (Date: August 3, 2016)
  - Approved the sale of all equities in Presiclerc Ltd.
  - Approved revisions to the Procedures for Halt and Resumption Applications.
  - Approved motion to revise "Policies for Endorsements and Guarantees, Lending of Capital, and Audits".
  - Approved the establishment and removal of Company branches and stores proposal.
  - Approved the date and venue for the 10th meeting of the 11th Board.
- (6) The 10th meeting of the 11th Board (Date: November 2, 2016)
  - Approved equity purchase of Philippine Seven Corporation.
  - Approved motion to acquire the 11th floor of the Tong Fong World Trade Building B and affiliated parking spaces.
  - Approved motion for capital loans between subsidiaries President Information Corp. and Uni-President Superior Commissary Corp.
  - Approved motion for capital loans between subsidiaries Uni-President Department Store Corp. and Uni-President Superior Commissary Corp.
  - Approved restructuring of the investment structure for Shan Dong President Yinzu Commercial Limited.
  - Approved applications for the renewal of credit limits from financial institutions.
  - Approved resolution to remove PCSC director non-competition restrictions.
  - Approved resolution for change of Ethical Corporate Management Practice Team chair.
  - Presentation of resolutions approved at the 3rd meeting of the 3rd Remuneration Committee.
  - Approved the establishment and removal of Company branches and stores proposal.
  - Approved the date and venue for the 11th meeting of the 11th Board.
- (7) The 11th meeting of the 11th Board (Date: December 7, 2016)
  - Approved the 2017 operations plan proposal.
  - Approved revisions to the Corporate Social Responsibility Best Practice Principles.
  - Approved revisions to the Procedures for Halt and Resumption Applications.
  - Approved revisions to the Corporate Governance Best Practice Principles.
  - Approved the 2017 audit plan.
  - Approved the 2017 "7-ELEVEN Internal Control System" amendment.
  - Approved proposal for planned donations in 2017.
  - Approved the establishment and removal of Company branches and stores proposal.
  - Approved the date and venue for the 12th meeting of the 11th Board.
- (8) The 12th meeting of the 11th Board (Date: February 22, 2017)
  - Approved the 2016 employee and director earnings distribution proposal.
  - Approved the 2016 asset impairment.
  - Approved 2016 financial statements, consolidated financial statements, and business report.
  - Approved the 2016 earnings distribution proposal.
  - Approved the 2016 dividend distribution proposal.
  - Presentation of the 2016 PCSC Internal Control Statement.
  - Approved the proposed agenda of 2017 Shareholders' Meeting.
  - Approved the procedures regarding the "Notice of the right of shareholders to make proposals" at the 2017 Shareholders' Meeting.
  - Approved resolution regarding the removal of non-competition restrictions for PCSC directors.
  - Approved the amendments to PCSC's Articles of Incorporation.
  - Approved applications for increased credit limits and renewal of credit limits from financial institutions.
  - Approved proposal to invest in new business in Zhejiang, China.
  - Approved proposal to invest in new business in Hangzhou, China.

- Approved the capital increase for Shanghai Cold Stone Creamery Corp.
- Presentation of resolutions approved at the 4th meeting of the 3rd Remuneration Committee.
- Approved proposal for Company donations.
- Approved the establishment and removal of Company branches and stores proposal.
- Approved the date and venue for the 13th meeting of the 11th Board.

3. Major resolutions approved at the Audit Committee:

During the fiscal year 2016 and as of the date of the publication this report, six meetings of the Audit Committee have been convened. Major resolutions approved at these meetings are summarized below:

(1) The 3rd meeting of the 2nd the Audit Committee (Date: March 15, 2016)

- Approved 2015 financial statements and consolidated financial statements.
- Presentation of the 2015 PCSC Internal Control Statement.
- Approved the motion to sign the Management Consulting Services contracts.
- Approved personnel transfer proposal.

(2) The 4th meeting of the 2nd the Audit Committee (Date: May 3, 2016)

- Approved 2015 earnings distribution proposal and business reports.
- Approved the PCSC CPA Independence Evaluation Resolution.
- Approved motion to increase capital in PCSC (BVI) Holdings Ltd. and invest in Presiclrc Ltd.
- Approved motion to sign contract for commissioned services.

(3) The 5th meeting of the 2nd the Audit Committee (Date: August 2, 2016)

- Approved the sale of all equities in Presiclrc Ltd.
- Approved 2016 Q2 consolidated financial report.
- Approved revisions to the Procedures for Halt and Resumption Applications.

(4) The 6th meeting of the 2nd the Audit Committee (Date: November 1, 2016)

- Approved equity purchase of Philippine Seven Corporation.
- Approved motion to acquire the 11th floor of Tong Fong World Trade Building B and affiliated parking spaces.
- Approved motion for capital loans between subsidiaries President Information Corp. and Uni-President Superior Commissary Corp.
- Approved motion for capital loans between subsidiaries Uni-President Department Store Corp. and Uni-President Superior Commissary Corp.

(5) The 7th meeting of the 2nd the Audit Committee (Date: December 6, 2016)

- Approved the 2017 audit plan.
- Approved the 2017 "7-ELEVEN Internal Control System amendment".
- Approved revisions to the Corporate Social Responsibility Best Practice Principles.
- Approved revisions to the Procedures for Halt and Resumption Applications.
- Approved revisions to the Corporate Governance Best Practice Principles.

(6) The 8th meeting of the 2nd the Audit Committee (Date: February 21, 2017)

- Approved 2016 financial statements and consolidated financial statements.
- Presentation of 2016 PCSC Internal Control Statement.
- Approved capital increase for Shanghai Cold Stone Creamery Corp.

(11) Differing opinions in records or written statements from directors 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:

Position	Name	Date Assumed Post	Date Removed	Reason for Removal
Finance Division Manager	Cheng, Yea-Yun	2011.07.01	2016.04.30	Position Adjustment

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

Certificates	Number of employees who hold professional certificates
Certified Internal Auditor (CIA)	1
Certified Information Systems Auditor (CISA)	1
Project Management Professional (PMP)	1
Enterprise Internal Control Basic Skills Examination	14
Certified Public Accountant:	3
Certified Public Bookkeeper	3
Business Continuity Management Systems Lead Auditor: (ISO 22301 LA)	1
TPIPAS Personal Information Management Professional	7
TPIPAS Personal Information Internal Assessment Professional	2

## 4. Independent auditors

## (1) Audit fees

Auditing Firm	Auditor Names		Audit Period	Remarks
PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Chou, Chien-Hung	2016 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		—	4,261	4,261
4	6,000,000 (incl.) – 8,000,000		—	—	—
5	8,000,000 (incl.) – 10,000,000		—	—	—
6	10,000,000 (incl.) and above		12,790	—	12,790
Total			12,790	4,261	17,051

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	12,790	—	—	—	4,261	4,261	2016 Fiscal Year	Other Non-Audit Related Fees include CSR project NT\$2,333,000, transfer pricing NT\$800,000, tax consulting NT\$500,000, and other services fees NT\$628,000.

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

(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	2016		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.	160,000	0	140,000	0
Chairman	Lo, Chih-Hsien	0	0	0	0
Director	Kao, Hsiu-Ling	0	0	0	0
Director	Su, Tsung-Ming	0	0	0	0
Director	Yang, Wen-Long	0	0	0	0
Director	Lu, Long-Hong	0	0	0	0
Director	Hwang, Jau-Kai	0	0	0	0
Director	Wu, Tsung-Ping	0	0	0	0
Director/ PCSC President	Chen, Jui-Tang	0	0	0	0
Director/PCSC Senior Vice President	Huang, Jui-Tien	0	0	0	0
Director/ PCSC Chief Financial Officer (Vice President)	Wu, Wen-Chi	0	0	0	0
Independent Director	Wang, Wen-Yeu	0	0	0	0
Independent Director	Chen, M. David	0	0	0	0
Independent Director	Shu, Pei-Gi	0	0	0	0
Senior Vice President	Wu, Kuo-Hsuan	0	0	0	0
Senior Vice President	Lai, Nan-Bey (Note)	0	0	-	-
Senior Vice President	Chang Jen, Yun-Huei (Note)	0	0	-	-
Senior Vice President	Chung, Mao-Chia (Note)	0	0	-	-
Vice President	Hsieh, Lien-Tang	0	0	0	0
Vice President	Lin, Hung-Chun	0	0	0	0
Chief Auditor (Vice President)	Hsieh Hong, Hui-Tzu	0	0	0	0
Vice President	Tzeng, Fan-Bin	0	0	0	0
Vice President	Lin, Chi-Chang	0	0	0	0
Vice President	Hsieh, Ching-Hsun	0	0	0	0
Vice President	Lee, Chi-Ming (Note)	5,000	0	0	0
Finance Division Manager	Tsung, Hsi-Yung (Note)	0	0	0	0
Finance Division Manager	Cheng, Yea-Yun(Note)	0	0	-	-
Accounting Division Manager	Chang, Li-Ling	0	0	0	0

Note : Chang Jen, Yun-Huei stepped down in January 2016 ; Chung, Mao-Chia stepped down in February 2016 ; Lai, Nan-Bey stepped down in June 2016 ; Cheng, Yea-Yun stepped down in April 2016 ; Lee, Chi-Ming stepped down in March 2017; Tsung, Hsi-Yung began his term in May 2016.

(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 2017

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%	1,014,315	0.10%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Su, Tsung-Ming	0	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Yang, Wen-Long	0	0.00%	0	0.00%	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: Lu, Long-Hong	0	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: Hwang, Jau-Kai	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	—
Matthews Pacific Tiger Fund	21,486,608	2.07%	0	-	0	-	None	None	—
First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund	19,323,208	1.86%	0	-	0	-	None	None	—
PCSC Employees Benefits Trust account in the custody of China Trust Commercial Bank	18,382,162	1.77%	0	-	0	-	None	None	—
Government of Singapore	14,084,044	1.35%	0	-	0	-	None	None	—
Labor Pension Fund (New Scheme)	12,914,500	1.24%	0	-	0	-	None	None	—
Labor Insurance Fund	11,166,000	1.07%	0	-	0	-	None	None	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	9,569,000	0.92%	0	-	0	-	None	None	—
Vanguard Emerging Markets Stock Index Fund	8,795,647	0.85%	0	-	0	-	None	None	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	8,276,910	0.80%	0	-	0	-	None	None	—

Note: Excepts Uni-President Enterprises Corp., the information for other shareholders and their shareholding percentages is as of August 9, 2016 (Date of books close).

## 7. PCSC Company directors, management, and direct or indirect ownership of shares in affiliated enterprises

31 December 2016 / Units: Shares, %

Affiliated Enterprise	PCSC Investment		Direct or Indirect Ownership by Directors, and Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
PCSC (BVI) Holdings Ltd.	140,384,307	100.00%	0	0.00%	140,384,307	100%
PCSC (China) Drugstore Ltd.	8,746,008	92.20%	740,000	7.80%	9,486,008	100%
President Drugstore Business	40,000,000	100.00%	0	0.00%	40,000,000	100%
iCASH Corp.	50,000,000	100.00%	0	0.00%	50,000,000	100%
President Yilan Art and Culture Corp.	20,000,000	100.00%	0	0.00%	20,000,000	100%
Cold Stone Creamery Taiwan Ltd.	12,244,390	100.00%	0	0.00%	12,244,390	100%
Wisdom Distribution Service Corp.	10,847,421	100.00%	0	0.00%	10,847,421	100%
21 Century Enterprise Co., Ltd.	10,000,000	100.00%	0	0.00%	10,000,000	100%
Uni-President Oven Bakery Corp.	6,511,963	100.00%	0	0.00%	6,511,963	100%
President Chain Store Tokyo Marketing Corp.	9,800	100.00%	0	0.00%	9,800	100%
Capital Inventory Services Corp.	2,500,000	100.00%	0	0.00%	2,500,000	100%
President Being Corp.	1,500,000	100.00%	0	0.00%	1,500,000	100%
President Chain Store Corporation Insurance Brokers Co., Ltd.	1,500,000	100.00%	0	0.00%	1,500,000	100%
Ren-Hui Investment Corp.	10,000	100.00%	0	0.00%	10,000	100%
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%
Duskin Serve Taiwan Co.	10,199,999	51.00%	1	0.00%	10,200,000	51.00%
Afternoon Tea Taiwan Co., Ltd.	8,669,999	51.00%	1	0.00%	8,670,000	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	93.33%
President Coffee Corp.	10,691,337	30.00%	7,127,558	20.00%	17,818,895	50.00%
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%
Tonho Development Corp.	19,930,000	19.93%	72,120,000	72.12%	92,050,000	92.05%
PresiCarre Corp.	130,801,027	19.50%	137,511,893	20.50%	268,312,920	40.00%
President Fair Development Corp.	263,387,500	19.00%	561,431,250	40.50%	824,818,750	59.50%
President Technology Corp.	750,000	15.00%	0	0.00%	750,000	15.00%
President International Development Corp.	44,100,000	3.33%	942,430,230	71.24%	986,530,230	74.57%
Grand Bills Finance Corp.	108,160	0.02%	89,574,848	16.56%	89,683,008	16.58%

# 4 Fund Raising

## 1. Capital and shares

### (1) Source of Capital

a. Shares issued:

15 March 2017 / 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
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, 2017 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

9 August 2016 / Unit: Shares

Shareholder Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions and Individuals	Total
Number of Shareholders	0	0	171	16,895	1,043	18,109
Shares Held	0	0	572,352,690	31,742,098	435,527,467	1,039,622,255
Holding Percentage	0.00%	0.00%	55.05%	3.05%	41.90%	100.00%

### (3) Distribution of shareholders

9 August 2016 / Par value NT\$10

Tiers of Shareholding	Number of Shareholders	Total Shares Held	Holding Percentage
1 to 999	9,474	1,864,557	0.18%
1,000 to 5,000	6,613	12,192,385	1.17%
5,001 to 10,000	646	4,669,251	0.45%
10,001 to 15,000	240	2,968,300	0.29%
15,001 to 20,000	123	2,215,209	0.21%
20,001 to 30,000	168	4,211,519	0.41%
30,001 to 50,000	154	6,155,903	0.59%
50,001 to 100,000	207	15,219,469	1.46%
100,001 to 200,000	156	22,263,524	2.14%
200,001 to 400,000	111	31,082,488	2.99%
400,001 to 600,000	46	22,530,972	2.17%
600,001 to 800,000	31	21,141,688	2.03%
800,001 to 1,000,000	26	23,435,540	2.25%
1,000,001 and above	114	869,671,450	83.65%
Total	18,109	1,039,622,255	100.00%



**(4) Major shareholders:**

9 August 2016

Shareholders	Shares	Number of Shares Held	Holding Percentage
Uni-President Enterprises Corp.		471,996,430	45.40%
Matthews Pacific Tiger Fund		21,486,608	2.07%
First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund		19,323,208	1.86%
PCSC Employees Benefits Trust account in the custody of China Trust Commerical Bank		18,382,162	1.77%
Government of Singapore		14,084,044	1.35%
Labor Pension Fund (New Scheme)		12,914,500	1.24%
Labor Insurance Fund		11,166,000	1.07%
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund		9,569,000	0.92%
Vanguard Emerging Markets Stock Index Fund		8,795,647	0.85%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency		8,276,910	0.80%

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

Unit: NT\$

Year			2015	2016	As of 15 March 2017
Item					
Market Price per Share	Highest		259.00	268.50	240.50
	Lowest		191.50	188.00	222.50
	Average		222.68	236.76	228.41
Net Value per Share	Before Distribution		26.08	27.53	—
	After Distribution		18.88	(Note)	—
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)		7.92	9.46	—
	Earnings per Share (Diluted)		7.92	(Note)	—
Dividend per Share	Cash Dividends		7.20	8.00	—
	Stock Dividends	Dividends from Retained Earnings	0	(Note )	—
		Dividends from Capital Surplus	0	(Note )	—
	Accumulated Undistributed Dividends		0	(Note )	—
Return on Investment	Price/Earning Ratio		28.01	25.13	—
	Price/Dividend Ratio		30.82	(Note)	—
	Cash Dividend Yield Rate		3.25%	(Note)	—

Note: The earnings distributions for 2016 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 2016 profit approved by the Board of Directors will be submitted to the 2017 annual Shareholders' Meeting for approval. The proposal approved by the Board of Directors on February 22, 2017 is as follows:**

allocating NT\$8,316,978,040 from the 2016 distributable earnings to be issued as cash dividends, distributing NT\$ 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:**

1. 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.
2. The Board adopted the below employee compensation and director remuneration proposal for 2016 :
  - (1) The Board proposed allocating the amount of NT\$515,634,941 as employee compensation and the amount of NT\$172,271,628 as remuneration for directors.
  - (2) 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	\$ 515,635
Director Remuneration	\$ 172,272

3. Distribution of the previous year's remuneration to employees and directors:

PCSC's distributable earnings in 2015 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	\$ 443,949
Director Remuneration	\$ 148,322

4. 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.
5. In the 2015 financial statement, employee compensation totaled NT\$443,949,053, while remuneration for directors totaled NT\$148,321,652. These amounts are consistent with the amounts approved by the Shareholders' Meeting.

6. The recipients of employee compensation in 2015 are listed below with the amount distributed:

Unit: NT\$1000

	Title	Name	Value of Stock Dividend	Cash Dividend	Total
Managers	President	Chen, Jui-Tang	-	13,436	13,436
	Senior Vice President	Chang Jen, Yun-Huei			
	Senior Vice President	Wu, Kuo-Hsuan			
	Senior Vice President	Lai, Nan-Bey			
	Senior Vice President (Note)	Hsieh, Po-Chung			
	Senior Vice President	Chung, Mao-Chia			
	Vice President	Tzeng, Fan-Bin			
	Vice President	Hsieh, Lien-Tang			
	Vice President	Lin, Hung-Chun			
	Vice President	Lin, Chi-Chang			
	Vice President	Hsieh, Ching-Hsun			
	Chief Financial Officer(Vice President)	Wu, Wen-Chi			
	Chief Auditor(Vice President)	Hsieh Hong, Hui-Tzu			
	Vice President	Lee, Chi-Ming			
	Vice President(Note)	Chang, Chia-Hua			
	Vice President(Note)	Hong, Gin-Guu			
	Finance Division Manager	Cheng, Yea-Yun			
	Accounting Division Manager	Chang, Li-Ling			

Note: Hsieh, Po-Chung was dismissed in February 2015. Chang, Chia-Hua was dismissed in March 2015. Hong, Gin-Guu was dismissed in May 2015.

#### (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, 2016: None

(2) Status of implementation:

Analysis of the purpose of each capital investment project as of December 31, 2016 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                                      | elsewhere classified   |
| (2) F206020 Daily necessities retailing  | (30) F401161 Importing of tobacco  |
| (3) F203010 Food, groceries, and beverage retailing                            | (31) F401171 Importing of alcohol  |
| (4) F208040 Cosmetics retailing  | (32) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval. |
| (5) F399990 Retailing other products   | (33) F301010 Department stores   |
| (6) IZ01010 Photocopy services   | (34) F301020 Supermarkets  |
| (7) F201070 Floral retailing   | (35) F399010 Convenience stores  |
| (8) F209060 Educational, musical, and entertainment products retailing         | (36) F501030 Coffee/tea shops and bars   |
| (9) JE01010 Leasing  | (37) F501060 Restaurants   |
| (10) IE01010 Distribution of telecommunications contracts                      | (38) G902011 Type II telecommunications enterprise   |
| (11) I401010 Advertising services  | (39) I301010 Software design services  |
| (12) F207050 Fertilizer retailing  | (40) I301030 Digital information supply services   |
| (13) F210010 Watch and clock retailing   | (41) F206010 Retail sale of ironware   |
| (14) F210020 Eyeglass retailing  | (42) F212011 Gasoline stations   |
| (15) F216010 Photographic and film equipment retailing                         | (43) F212050 Retail sale of petrochemical fuel products  |
| (16) JZ99030 Photography   | (44) JA01990 Other automobile services   |
| (17) F204110 Cloth, clothes, shoes, hats, umbrellas, and accessories retailing | (45) F212061 Automobile Liquefied Petroleum Gas Station  |
| (18) A102060 Sales of staple foods   | (46) I101090 Food consultancy  |
| (19) F213010 Electronic appliance retailing                                    | (47) IZ09010 Management system verification  |
| (20) F208031 Medical equipment retailing                                       | (48) J701020 Amusement parks   |
| (21) F205040 Furniture, bedding, kitchenware, and decorative item retailing    | (49) F102040 Wholesale of nonalcoholic beverages   |
| (22) F207030 Cleaning product retailing  | (50) F102170 Wholesale of food and grocery   |
| (23) F401010 International trade   | (51) F106020 Wholesale of articles for daily use   |
| (24) JA01010 Automotive repair services  | (52) I103060 Management consulting services  |
| (25) F214030 Automotive and motorcycle accessory retailing                     | (53) J304010 Book publishers   |
| (26) G202010 Operation of parking lots   | (54) J303010 Magazine and periodical publication   |
| (27) IZ14011 Public welfare lottery  | (55) IZ12010 Manpower services   |
| (28) JZ99050 Agency services   | (56) JA03010 Laundry services  |
| (29) IZ99990 Other industry and commerce services not                          | (57) F201010 Retail sale of agricultural products  |
|  | (58) F501990 Other food or beverage establishment not elsewhere classified   |

#### 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			
	2015		2016	
	Revenue	%	Revenue	%
Convenience stores	132,826,559	64.64%	139,575,426	64.81%
Retail Business	59,938,346	29.17%	63,685,723	29.57%
Logistics Business	2,233,152	1.09%	2,865,678	1.33%
Other Business Divisions	10,483,260	5.10%	9,232,262	4.29%
Total Consolidated Revenues	205,481,317	100.00%	215,359,089	100.00%

#### 3. Present and future products and services

Taiwan's market for freshly brewed coffee continues to change. Coffee has become a mainstream beverage. Many people who used to drink lattes now drink Americano. As they become more discerning about coffee, they care more and more about the flavor and quality. Faced with changes in consumer trends, in 2016, CITY CAFE's SCAA coffee certification team imported sun-dried Sidamo coffee beans from Ethiopia and the five major types of beans from Central and South America. These were then roasted professionally in Taiwan to ensure freshness and win over the taste buds of consumers with the wholesome taste. In addition to continuing to make advances in our coffee, CITY CAFE has taken the initiative roll out another product line — freshly brewed teas. Everything, from the tea leaves and milk to the equipment and personnel training, was carefully developed and planned to draw more young people as well as new clients that do not drink coffee and to enhance the image of CITY CAFE being a purveyor specializing in freshly brewed beverages that are the best choice in terms of taste, convenience, and safety for the people of Taiwan.

In recent years, the public has become increasingly health conscious, as a result, agricultural products that emphasize food traceability and national certification have become popular. PCSC has strategically partnered with Formosa Vegetable Farm and set up organic vegetables sections in physical stores to continually emphasize on healthy foods. PCSC also collaborated with Taiwan Banana Research Institute as PCSC continued to develop "superior bananas" as well as light repasts and soy milk to be included in our variety set meals. PCSC also introduced convenient, steamed corn-on-the-cob and steamed sweet potatoes.

To win a share of the mobile payment market in this age of mobile commerce, iCash Corp. has expanded into the e-ticket market, collaborating with banks and various channels to make the iCash card 2.0 more convenient to use. The channels in which the card can be utilized in over 6,000 sales points, encompassing such commercial activities as convenience stores, establishments selling food and beverages, drug stores, gas stations, hypermarts, transportation, tourist markets, amusement parks, and electronics stores. In 2016, PCSC even began collaborating with airline companies, setting up a two-way exchange mechanism, increasing the scope within which OPENPOINT member loyalty points can be used. ibon was integrated with a mobile phone app to virtualize ibon kiosks. Through continued improvement, the ibon App is becoming a personal on-the-go secretary that offers such services as printing, payment, buying, and ticket purchasing at the touch of a finger as we enter the age of ibon 3.0.

In addition, the Group continues to make good use of its synergy as PCSC has taken the initiative to work closely with other brand names, e.g., bringing MUJI, Starbucks, Duskin, and Mister Donut into 7-ELEVEN outlets. PCSC has been using the transboundary alliance of these various brand names to create unique looks for its various stores, while making the stores themselves more enjoyable to wander about in and offering a more complete selection of products to meet the needs of more consumers.

## (2) Macro-economic and industry overview

### 1. Macro-economic analysis

Though global economy gradually recovers, Chinese economy still shows slow growth. Meanwhile, the US has begun hiking interest rates, and president Trump is expected to adopt international trade protection policies. Furthermore, upcoming elections in a number of European nations, and geographic risks in Asia. The abovementioned factors continue to cast uncertainty on the global economy, and have impacted Taiwan exports and overall economy. In addition, amendments to the labor laws have improved the rights of laborers, resulting in corresponding increases in labor costs. These are expected to affect the operation model and costs in the service and dining industries. In 2016, Taiwanese exports fell 1.7% and economic growth stood at 1.50%. Although both of these figures represent improvements over 2015, Taiwan's economic environment continues to be faced with serious challenges. As for commodity prices, in 2016, the Consumer Price Index (CPI) annual growth rate grew by 1.40%, while the average unemployment rate for 2016 was 3.92%, representing a small increase over 2015.

### 2. Industry overview

In 2016, turnover in the retail sector totaled NT\$4.1 trillion, a 1.9% increase over 2015. In the general merchandise category, turnover was a NT\$1.2047 trillion, which represents a 4.67% increase over the previous year. The supermarket category saw the greatest growth, with a total turnover of NT\$197.3 billion, 9.35% higher than 2015. The convenience store performed second best with overall turnover standing at NT\$308.8 billion, a 4.68% increase over 2015. Annual growth in the department store and hypermarket categories both grew at around 4.5%. All four major store formats saw trends toward growth.

International raw material and precious metals prices dropped. In 2016, the Consumer Price Index (CPI) had a y-o-y increase of 1.40%, While the core CPI rose 0.84%. Prices of foods rose 5.24% among which take-away meals rose 1.48%. In 2016, however, the average monthly total pay of employees (including both regular pay and irregular pay) only increased 0.62% over 2015. Consumers hoped to be able to receive products with better quality and more value for their money. This principle must be adhered to meet the needs of consumers in their daily lives. In addition, PCSC's future direction will be to gradually improve the differentiation of our products and services to meet the demand of high-end consumers for a sense of value.

Through the end of 2016, the key players in the convenience store industry had the below numbers of stores:

	7-ELEVEN	FamilyMart	Hi-Life	OK	Total
No. of Stores	5,107	3,057	1,273	873	10,310

### 3. Vertical supply chain

To ensure the quality of fresh food raw materials, PCSC enhanced control over the entire food process, staying informed about the sources of raw materials of our foods. PCSC not only works directly with farmers and develops new products with local suppliers, we also continue to invest significant resources to build a raw material management system in coordination with our suppliers. By actively strengthening such mechanisms as source management and food safety risk controls, strictly adhering to ethical principles in labeling and advertising, and expanding the auditing range from first tier suppliers to second tier raw material suppliers, PCSC can further increase customer satisfaction. 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 continually expands our testing capabilities to provide customers with safer, more convenient, and more delicious food products.



#### 4. Product development trends and competitiveness

##### (1) Product development trends

With an aging population, people choosing to have fewer children, marry later, or remain single, the demographics of and lifestyles in Taiwan are changing. These have served to cause the take-away food market to continue to grow and competitors to increase. As awareness of food safety issues has risen, consumers are increasingly choosing organic, healthy, traceable, and branded food products, so being consumer-centered and winning the trust of the consumer is of the utmost importance for any brand. In addition, due to stagnant wages, the Taiwanese public's shopping habits tend more and more towards planned rather than spontaneous purchases. At the same time, they are relying more heavily on the web and social networks to make shopping decisions. All industries are looking to capitalize on these new trends and create innovative business opportunities, such as own-brand products, online shopping, products targeting the elderly, healthy foods and beverages, and take-away foods and other products to meet the needs of Taiwan's singles and small families, which all have great potential.

##### (2) Product competitiveness

- Take-away food business opportunities: To meet the needs of singles and small families, we continue to develop a variety of ingredients and food products that are healthy, safe, and tasty, especially in small servings to serve as fast, convenient, worry-free options for individuals that eat out.
- Mobile business opportunities: The internet, social media, and smart mobile devices have greatly altered consumer behavior. PCSC continues to monitor new technologies and integrate the Group's 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.
- Own-brand products: Faced with global economic and consumer trends, PCSC continues to adjust its product structure and its brand positioning as it establishes strategic alliances with large manufacturers both in Taiwan and abroad, engaging in technical collaborations to produce unique customized products to create differentiated own-brand products that are customer-oriented and which meet their needs in terms of "value, style, and design".

##### (3) Technology and R&D

PCSC continues to integrate a variety of innovative products and services to meet the needs of our evolving stores and differing modes of competition:

1. iCash2.0: Since 2016, it is officially accepted to be used in the payment systems of Taiwan Railway and the Kaohsiung MRT. The card also allows holders to accumulate OPENPOINT member loyalty points, increasing the card's convenience and ability of businesses to draw customers.
2. OPENPOINT member loyalty points: In addition to collaborating with the credit cards of major banks to convert cardholder credit card points to OPENPOINT member loyalty points, now the frequent flier miles of four major airlines as well as point from three department stores and Books.com can also be converted, making it easier to use points.
3. ibon app: The app now includes mobile printing and multiple file uploads. Simply scan the QR Code to carry out multiple printing jobs, thereby saving a great deal of time. Mobile ticket reservation and barcode payment service. The mobile phone becomes a ticket folder. Payments are paperless and the services more convenient.
4. Upgrades to the 7-ELEVEN app: To provide consumers with improved services, the 7-ELEVEN app has been significantly revised and upgraded, incorporating coffee delivery services, allowing users to enjoy a cup of coffee from CITY CAFE anytime with just a touch of the finger.
5. Mobile payment platform: The mobile payment platform is welcoming the advent of mobile payment by incorporating Alipay, LINE PAY, and WeChat Pay. It also allows foreign visitors to Taiwan to enjoy a convenient shopping experience.
6. E-Commerce related service: In order to meet the trend of personal online auction marketplace, PCSC works with C2C platforms and online shopping websites to capitalize the E-Commerce business through the convenient delivery and pickup services and marketing promotion in our stores. Through linking E-commerce related services with the ibon app, it can effectively enlarge the business scale and capture the new business opportunity from the trend.
7. International mailing: PCSC works exclusively with FedEx, and provide "FedEx convenient mailing" service to satisfy the needs of consumers.
8. Convenience Services: To provide our customers with a wider variety of thoughtful services, PCSC is collaborating with the Taipei Public Library to offer consumers book borrowing and return services. This service gives individuals the convenient option of reserving, borrowing, and returning books over the internet. PCSC is also the first to work with Warner Village Cinemas, the largest movie theater franchise in Taiwan, to reserve tickets on their official website and pick them up at a convenient 7-ELEVEN. Moviegoers are no longer required to pick up their tickets at the venue 40 minutes before the start of movies nor are they charged any fees for this convenient service.
9. iPickup: PCSC, President Transnet Corp., and ITRI worked together to introduce Taiwan first iPickup intelligent pick

up stations. This new service accepts and manages home delivery packages on behalf of consumers 24/7. This is a tremendous breakthrough for package delivery services and package recipients that are unable to meet as a result of time constraints.

10. In 2016, a total of NT\$144,980,000 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) Strengthen store-by-store management 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 operations.

## 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 a convenient, safe, happy business district and living center". After overcoming logistical difficulties, 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 2016, PCSC held a 49.53% share in 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 a 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 capacity to rapidly develop new products (services) to meet customers' changing needs and use integrated marketing techniques to promote them.
- (3) Comprehensive channels 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 as has 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 businesses 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 cautious and conservative in their purchases.

(3) Strategic responses:

To keep up with the ever-changing consumer marketplace and new purchasing trends, PCSC is committed to launching differentiated products and services to meet consumers' needs and enhance the enjoyment of wandering about the stores further build our competitive advantages. Through strict controls, we can offer a variety of safe, 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. By mastering new technologies, we can make our customers' lives easier through digital services.

**(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	2015			Name	2016		
	Amount	Percent of Annual Net Purchase	Affiliation to the Issuer		Amount	Percent of Annual Net Purchase	Affiliation to the Issuer
Uni-President Enterprises Corp.	13,988,419	10%	Ultimate parent company	Uni-President Enterprises Corp.	14,443,403	10%	Ultimate parent company
Net Purchase	139,200,450	100%	—	Net Purchase	144,752,447	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	2015	2016
	Domestic Sales Value	Domestic Sales Value
Convenience Stores	132,826,559	139,575,426
Retail Business	59,938,346	63,685,723
Logistics Business	2,233,152	2,865,678
Other Operating Segments	10,483,260	9,232,262
Total Consolidated Revenues	205,481,317	215,359,089

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

### 3. Human Resources

#### (1) Personnel information

Year		2015	2016	As of March 15, 2017
Numbers of Employees	Store Employees	12,365	14,881	14,915
	Management	4,263	6,310	6,328
	Part-Time	15,878	18,893	19,080
	Total	32,506	40,084	40,323
Average Age		32-years old	33-years old	33-years old
Average Years of Service		4.9 years	5 years	5 years
Education Level (as a % of the total)	PhD	0.04%	0.07%	0.04%
	Masters Degree	9.17%	7.63%	7.75%
	Bachelors Degree	66.88%	60.51%	62.20%
	High School	22.11%	28.41%	26.20%
	Junior High School or Below	1.81%	3.38%	3.80%

Note: The information above includes PCSC and its subsidiaries.

#### (2) Training and development

- In accordance with the Group's core values, PCSC has developed training programs for various positions within the organization to build employee skills and standards. Such programs help managers and employees strengthen their performance and abilities, ensuring they can achieve their goals. Based on their individual needs, employees can participate in internal or external training classes. 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 most suitable training sequence. Giving employees a goal and a plan will encourage disciplined learning and growth to ultimately enrich their professional knowledge and skills.
- For some key employees, PCSC has mapped out a program of training and development that includes courses, mobile learning, and personal development plans 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 exacting standards. Depending on the nature of the course and the participants, each class utilizes unique educational activities that may include case studies, group discussions, experiential activities, and mobile learning. These diverse options make learning more interesting, resulting in an ultimately more effective learning environment. In addition, utilizing the latest technology, PCSC has built a digital learning platform that empowers employees to literally take education into their own hands. These high-quality online courses, available through mobile devices, can be accessed anywhere, anytime for a more convenient way to build a competitive edge.

PCSC's training statistics for 2016 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	Number of Trainees	Hours of Training	Training Costs
3,777	87,853	479,036	NT\$69,524,000	440	4,760.30	NT\$248,500	165,563	355,791	253,856	839,587.30	NT\$69,773,000

#### 3. 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, external and internal training programs, lectures and seminars, online learning, on-the-job training, and continuing education. 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.

#### 4. Career development

##### (1) Multi-channel career development opportunities

PCSC has spared no effort in the training and personal development of employees and we fully support employees' quest for knowledge and enhanced work skills. Through training programs, 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 expand their learning by working in various departments within the Company where they can broaden their vision 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. At the same time, we work 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 our 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 2016, PCSC investments and costs related to environmental protection totaled NT\$1 billion, which comprises (1) environment-friendly packaging and testing costs of NT\$230 million (2) energy and carbon emissions reduction activities and installation of inverter air conditioning units in stores costing NT\$240 million (3) environmental cleaning, greening, and waste handling expenses of NT\$290 million (4) installation of environment-friendly equipment in stores and green procurement costs of NT\$160 million (5) environmental advocacy and CSR activities totaling NT\$78 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 material-PLA and coffee cup holders; refrained from using preservatives in fresh foods; tested for pesticide residues.	Protecting consumers' health, while also taking into consideration safety and the environmental impact.	-	234,196	234,196
Stores	Energy-saving measures	Purchased 390 pieces of energy-saving equipment for stores; Installed 1,561 A/C circulation fans, 1,127 inverter A/C units, 29,393 energy saving T5 light fixtures, 2,216 variable-frequency plug-in drives for freezing and refrigeration units, and turning off 1,736 Slurpee machines during the offseason in stores.	Saving energy and reducing carbon emissions.	241,155	1,172	242,327
	Cleaning and waste disposal	Store cleanliness, greening, and disposal of waste.	Maintaining a clean environment	-	290,512	290,512
	Extending the life span of equipment and building materials	Installed steel counters in 530 stores, reclaimed and reused existing equipment.	Reducing lumber use and wasted resources	81,347	27,877	109,224
	Green procurement	Purchased energy-saving equipment, environmentally-friendly paper and building materials, and expanded e-invoice use.	Meeting European Union standards, FCS certification, saving energy and reducing carbon emissions.	-	46,473	46,473
Delivery	Worked with President Logistics International Corp., Retail Support International, and Wisdom Distribution logistics center using reverse logistics to increase delivery efficiency and implement recycling.	Invested manpower and equipment in reverse logistics recycling operations at stores.	Recycling in stores: 260.7 tons of dry batteries, 59.5 tons of CDs, 6,000 discarded notebook computers, 84,000 cell phones, 79,000 cell phone chargers	-	3,107	3,107
Internal Environmental Education	Environmental education and office resource recycling	Promoted reduced-paper operations, environmental cleaning and greening, and recycling of waste.	Back office recycling: 3,308 kgs of plastic bottles, 15,510 kgs of paper, 577 kgs of metal cans, and 411 kgs of other materials (CDs, batteries, light fixtures)	-	30,908	30,908



Category	Item	Details	Effect and Reduction in Resource Use or Greenhouse Gas Emissions	Investment	Expense	Total
Social Contributions	Community environmental awareness advocacy	Taught energy-saving and conservation, while promoting CSR and sponsoring environmental groups	Promoted activities related to environmental education and resource reuse	-	1,420	47,350
	Holding or participation in environmental protection and social charity events	Donated money to and organized community activities and other public benefits to aid victims of the Tainan earthquake.	As part of our community outreach efforts, PCSC set up OPEN! Children's Reading Spaces in 26 of our stores in Taiwan to promote reading. PCSC collaborated with the Good Neighbor Foundation community activities, organizing 5,456 Good Neighbor Parties in 2016. Our kiosks and the Bring Back the Love Charity Donation Platform was able to collect change in our stores all over Taiwan to help over 100 disadvantaged families receive attention from society.	-	45,930	
Total				322,502	681,595	1,004,097

- Due to breaches of the Building Act, Tobacco Hazards Prevention Act, and Labor Standards Act stores were fined a total of NT\$1,546,000 in 2016. In addition, in the case in which the Company was fined NT\$5 million in 2017 by the Fair Trade Commission for not disclosing complete information in our franchise contract, the company is currently planning to file administrative litigation.
- 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 2016

Ventilation fans were added to a total of 1,561 air conditioning systems at a cost of NT\$3,746,000, which helped to save 188,000 kWh of electricity / month and 2,260,000 kWh / year

##### (2) Installation of energy-saving equipment in 2016

These appliances were introduced in 390 stores at a cost of NT\$32,760,000 and helped to save 511,000 kWh of electricity / month and 6,140,000 kWh / year.

##### (3) Installation of steel counters in 2016

Installed 530 steel counters at a cost of NT\$81,347,000, which helped to prevent the felling of 2,650 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.

##### (4) Installation of inverter air conditioning units in 2016

Installed 1,127 inverter air conditioning units at a cost of NT\$101,430,000, which helped to save 447,000 kWh of electricity / month and 5,360,000 kWh / year.

##### (5) Introduction of VFD to existing refrigerators in 2016

Installed VFD to 2,216 refrigerators at a cost of NT\$60,500,000, which helped to save 572,000 kWh / month and 3,430,000 kWh / year.

##### (6) Installation of T5 light fixtures in 2016

A total of 29,393 light fixtures were installed at a cost of NT\$22,419,000, which helped to save 1,348,000 kWh / month and 1,620,000 kWh / year.

##### (7) Slurpee machine offseason shutdowns in 2016

1,736 Slurpee machines were turned off all day or for 6 hours each day during the four month slow season, which helped to save 4,580,000 kWh over the entire year.

#### 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 2016, we invested NT\$31,576,000 in testing fresh food products.

### (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) By the decree of 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 on-the-job training.

(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 leaves, dormitories for female employees, group insurance, employee travel allowances, and other benefits provided by Employee Benefits Committee to meet the needs of employees.

(3) In order to assist employees to effectively and efficiently manage their work, home life, and health, bolster their physical and emotional health, and encourage positive interpersonal relationships, the Company commissioned the Teacher Chang Foundation in 2009 to provide consultation services and organize psychological health colloquiums for employees.

(4) In 2010, the Company decided to become more proactive in our care for employees and therefore established the "Happy Cooperative" in May of that year. In 2016, the program boasted 53 volunteers and began individual case grading management. Together, the program assisted employees in a total of 2,302 cases.

(5) In November 2016, the Company established "Operational Procedures of Employees assistance on Severe Accident", building a considerate workplace through offering paid leave and subsidy to take care of employees when severe accident happens.

#### 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:

PCSC provides its employees with a safe and harmonious workplace that encourages positive interactions between male and female employees. To best ensure employee rights and interests, the Company has defined a set of related crisis management policies. In accordance with the Labor Safety and Health Act, the Company has taken the following steps:

(1) Establishment of a health and safety organization: Established the Health and Safety Committee and Work Safety Office to review and implement health and safety affairs.

(2) Implementation of health and safety management: In accordance with the Labor Safety and Health Act, PCSC issues a health and safety bulletin to update employees on new regulations.

(3) Health 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.

#### (4) Health and safety inspections:

Check for any unsafe equipment or situations and improve if found. In 2016, we held 77 unannounced workplace safety audits, provided improvement suggestions, and tracked related progress.

Tested indoor air quality, water quality, and lighting levels, and performed regular cleaning and disinfection.

(5) Healthcare: As soon as employees first report for work, they are signed up for group accident insurance, life insurance, medical insurance, and we provide subsidies for physicals. PCSC also hired specialized nurse practitioners and doctors from NTU Hospital who provide health counseling services. PCSC further employed health education campaigns, such as the "Health Passport", e-newsletters, and lectures, to encourage employees to manage their personal health and create a warm, harmonious, and safe working environment.

#### (6) Health and safety activities:

Every two months, the Company holds occupational injury advocacy sessions to remind employees of the importance of work safety and encourage them to stay aware of any potential hazards.

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

(7) Event safety control: PCSC employs safety control processes to ensure the safety of activities held by the Company both internally and externally with the goal of no incidents occurring in any of its events. There were no incidents in our events held in 2016, i.e., 610,000 people entered venues in which events were held in which 32 deficiencies were noted. When a single deficiency was noted, the entire event was reviewed and the rate of deficiency was rectified 100%.

### (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 month shall be calculated as half a year; while any service period that is between six months and twelve months shall be calculated as one full year. The number of basic units in the calculation of pensions is capped at 45. Pensions are calculated on the basis of 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 felt that our employees are our 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, 2017

Contract Type	Contracting Party	Term of Agreement	Summary	Clauses
Regional licensing agreement	7-ELEVEN, INC.	2000.07.20 ~ Perpetuity	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. 2. PCSC is required to pay royalties to 7-ELEVEN Inc. each month.	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	2016.12.29~2018.12.29	NT\$300 million credit loan	None
Long-term loan agreement	E.SUN Commercial Bank	2016.03.22~2018.03.22	NT\$300 million credit loan	None
Long-term loan agreement	HSBC Bank	2016.07.01~2018.06.30	US\$12 million credit loan.	None
Long-term loan agreement	Chang Hwa Bank	2017.03.01~2019.02.28	NT\$770 million credit loan	None
Long-term loan agreement	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2016.07.31~2019.07.31	NT\$690 million credit loan	None
Long-term loan agreement	Fubon Financial	2016.11.10~2018.11.09	NT\$300 million credit loan	None
Long-term loan agreement	Bank SinoPac	2016.06.22~2018.06.30	NT\$1.5 billion credit loan	None
Long-term loan agreement	Mizuho Bank	2017.01.06~2019.01.06	NT\$2 billion credit loan	None
Long-term loan agreement	DBS Bank	2016.05.19~2021.05.18	NT\$2 billion credit loan	None

# 6 Financial Information

## 1. Five year condensed balance sheet and comprehensive income statement

### (1) Condensed balance sheet (non-consolidated)

Unit: NT\$1,000

Year		Financial information for the most recent five years				
		2012	2013	2014 (Note)	2015	2016
Item						
Current Assets		23,838,586	25,197,126	26,242,755	28,671,817	32,408,988
Property, Plants and Equipment		9,210,594	9,118,823	9,735,711	8,953,551	8,608,695
Intangible Assets		395,969	465,268	451,139	356,179	278,320
Other Assets		22,935,410	22,637,051	22,777,068	23,425,548	25,893,774
Total Assets		56,380,559	57,418,268	59,206,673	61,407,095	67,189,777
Current Liabilities	Before Distribution	29,849,885	27,872,628	27,664,928	29,156,110	33,126,538
	After Distribution	34,892,053	34,110,362	34,942,284	36,641,390	Not yet distributed
Non-Current Liabilities		5,693,976	5,805,764	5,029,271	5,137,299	5,446,961
Total Liabilities	Before Distribution	35,543,861	33,678,392	32,694,199	34,293,409	38,573,499
	After Distribution	40,586,029	39,916,126	39,971,555	41,778,689	Not yet distributed
Capital-Common Stock		10,396,223	10,396,223	10,396,223	10,396,223	10,396,223
Capital Surplus		910,278	890,234	7,031	7,733	1,158
Retained Earnings	Before Distribution	9,153,181	11,886,156	15,400,786	16,117,194	18,047,308
	After Distribution	4,111,013	5,648,422	8,123,430	8,631,914	Not yet distributed
Other Equity		377,016	567,263	708,434	592,536	171,589
Treasury Stock		—	—	—	—	—
Total Equity	Before Distribution	20,836,698	23,739,876	26,512,474	27,113,686	28,616,278
	After Distribution	15,794,530	17,502,142	19,235,118	19,628,406	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				
		2012	2013	2014 (Note)	2015	2016
Current Assets		45,145,793	46,451,616	47,066,566	49,022,957	54,322,992
Property, Plants and Equipment		21,375,351	21,542,772	22,107,291	22,339,376	22,329,291
Intangible Assets		1,395,529	1,205,388	1,197,505	1,150,914	1,076,176
Other Assets		14,299,511	14,298,192	15,472,864	16,869,465	17,390,058
Total Assets		82,216,184	83,497,968	85,844,226	89,382,712	95,118,517
Current Liabilities	Before Distribution	49,252,124	47,136,578	47,334,489	49,685,820	52,594,724
	After Distribution	54,294,292	53,374,312	54,611,845	57,171,100	Not yet distributed
Non-Current Liabilities		8,812,427	8,862,950	8,216,760	8,605,390	9,262,863
Total Liabilities	Before Distribution	58,064,551	55,999,528	55,551,249	58,291,210	61,857,587
	After Distribution	63,106,719	62,237,262	62,828,605	65,776,490	Not yet distributed
Equity Attributable to Owners of the Parent		20,836,698	23,739,876	26,512,474	27,113,686	28,616,278
Capital-Common Stock		10,396,223	10,396,223	10,396,223	10,396,223	10,396,223
Capital Surplus		910,278	890,234	7,031	7,733	1,158
Retained Earnings	Before Distribution	9,153,181	11,886,156	15,400,786	16,117,194	18,047,308
	After Distribution	4,111,013	5,648,422	8,123,430	8,631,914	Not yet distributed
Other Equity		377,016	567,263	708,434	592,536	171,589
Treasury Stock		—	—	—	—	—
Non-controlling Interest		3,314,935	3,758,564	3,780,503	3,977,816	4,644,652
Total Equity	Before Distribution	24,151,633	27,498,440	30,292,977	31,091,502	33,260,930
	After Distribution	19,109,465	21,260,706	23,015,621	23,606,222	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 balance sheet (non-consolidated) - ROC GAAP

Unit: NT\$1,000

Item	Year	Recent Historical Financial Information	
		2012	
Current Assets		23,703,570	
Funds & Investments		20,870,339	
Fixed Assets		9,210,594	
Intangible Assets		395,969	
Other Assets		2,396,992	
Total Assets		56,577,464	
Current Liabilities	Before Distribution	29,330,748	
	After Distribution	34,372,916	
Long-Term Liabilities		1,200,000	
Other Liabilities		3,136,306	
Total Liabilities	Before Distribution	33,667,054	
	After Distribution	38,709,222	
Capital-Common Stock		10,396,222	
Capital Surplus		5,082	
Retained Earnings	Before Distribution	12,847,558	
	After Distribution	7,805,390	
Unrealized Revaluation Increments from Financial Products		48,553	
Unrealized Gains (Losses) from Financial Products		488,133	
Accumulated Translation Adjustments		-256,925	
Net Loss Not Recognized as Pension Cost		-618,213	
Shareholders' Equity	Before Distribution	22,910,410	
	After Distribution	17,868,242	

## (4) Condensed balance sheet (consolidated) - ROC GAAP

Unit: NT\$1,000

Item	Year	Recent Historical Financial Information	
		2012	
Current Assets		45,131,133	
Funds & Investments		9,328,594	
Fixed Assets		21,435,776	
Intangible Assets		1,493,434	
Other Assets		3,823,803	
Total Assets		81,212,740	
Current Liabilities	Before Distribution	48,173,129	
	After Distribution	53,215,297	
Long-Term Liabilities		2,263,568	
Other Liabilities		4,141,739	
Total Liabilities	Before Distribution	54,578,436	
	After Distribution	59,620,604	
Capital-Common Stock		10,396,222	
Capital Surplus		5,082	
Retained Earnings	Before Distribution	12,847,558	
	After Distribution	7,805,390	
Unrealized Revaluation Increments from Financial Products		48,553	
Unrealized Gains (Losses) from Financial Products		488,133	
Accumulated Translation Adjustments		-256,925	
Net Loss Not Recognized as Pension Cost		-618,213	
Total Parent Company Shareholders' Equity		22,910,410	
Minority Interest		3,723,894	
Shareholders' Equity	Before Distribution	26,634,304	
	After Distribution	21,592,136	

## (5) Condensed comprehensive income statement (non-consolidated)

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

Item	Year	Financial information for the most recent five years				
		2012	2013	2014 (Note)	2015	2016
Operating Revenue		124,760,009	126,998,794	131,330,857	133,407,688	140,147,135
Gross Profit		39,779,492	41,082,720	43,179,892	45,109,265	48,083,751
Operating Income		5,955,560	6,293,799	6,300,851	6,412,115	6,673,576
Non-Operating Income (Expenses)		973,653	2,835,388	4,011,268	3,154,631	4,439,125
Net Income Before Tax		6,929,213	9,129,187	10,312,119	9,566,746	11,112,701
Net Income from Continuing Operations		5,915,636	8,036,752	9,090,462	8,238,993	9,836,690
Income (or Loss) from Discontinued Operations		—	—	—	—	—
Net Income (Loss)		5,915,636	8,036,752	9,090,462	8,238,993	9,836,690
Other Comprehensive Income (Loss)		353,437	-71,362	-59,319	-361,127	-601,669
Total Comprehensive Income (Loss)		6,269,073	7,965,390	9,031,143	7,877,866	9,235,021
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\$)		5.69	7.73	8.74	7.92	9.46

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.

## (6) Condensed comprehensive income statement (consolidated)

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

Item	Year	Financial information for the most recent five years				
		2012	2013	2014 (Note)	2015	2016
Operating Revenue		192,602,970	200,610,839	200,438,379	205,481,317	215,359,089
Gross Profit		63,214,670	63,422,059	62,658,847	66,280,867	70,606,642
Operating Income		8,767,877	10,196,565	9,504,879	9,609,813	10,404,620
Non-Operating Income (Expenses)		-161,693	1,096,231	2,843,845	2,071,990	2,957,238
Net Income Before Tax		8,606,184	11,292,796	12,348,724	11,681,803	13,361,858
Net Income from Continuing Operations		6,756,260	9,242,293	10,248,160	9,442,454	11,138,569
Income (or Loss) from Discontinued Operations		—	—	—	—	—
Net Income (Loss)		6,756,260	9,242,293	10,248,160	9,442,454	11,138,569
Other Comprehensive Income (Loss)		159,437	-72,378	-60,289	-437,305	-734,950
Total Comprehensive Income (Loss)		6,915,697	9,169,915	10,187,871	9,005,149	10,403,619
Net Income Attributable to Owners of the Parent		5,915,636	8,036,752	9,090,462	8,238,993	9,836,690
Net Income Attributable to Non-Controlling Interests		840,624	1,205,541	1,157,698	1,203,461	1,301,879
Total Comprehensive Income Attributable to Owners of the Parent		6,269,073	7,965,390	9,031,143	7,877,866	9,235,021
Total Comprehensive Income Attributable to Non-Controlling Interests		646,624	1,204,525	1,156,728	1,127,283	1,168,598
Earnings per Share (NT\$)		5.69	7.73	8.74	7.92	9.46

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.

## (7) Condensed income statement (non-consolidated) - ROC GAAP

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

Item	Year	Recent historical financial information	
		2012	
Operating Revenue		134,569,525	
Gross Profit		39,408,208	
Operating Income		5,785,988	
Non-Operating Income		3,159,156	
Non-Operating Expenses		-1,165,195	
Pre-tax Income from Continuing Operations		7,779,949	
After-tax Income from Continuing Operations		6,789,362	
Profit/Loss from Discontinued Operations		—	
Extraordinary Gains/Losses		—	
Accumulated Adjustments due to Changes of Accounting Principles		—	
Net Income		6,789,362	
Earnings per Share (NT\$)		6.53	

## (8) Condensed income statement (consolidated) - ROC GAAP

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

Item	Year	Recent historical financial information	
		2012	
Operating Revenue		208,263,975	
Gross Profit		63,219,746	
Operating Income		8,727,160	
Non-Operating Income		2,541,845	
Non-Operating Expenses		-1,795,277	
Pre-tax Income from Continuing Operations		9,473,728	
Consolidated Gross Profit/Loss		7,623,507	
Profit/Loss from Discontinued Operations		—	
Extraordinary Gains/Losses		—	
Accumulated Adjustments due to Changes of Accounting Principles		—	
Net Income Attributable to owners of the Parent		6,789,362	
Earnings per Share (NT\$)		6.53	

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

Year	Auditing Firm	Auditor Names		Audit Opinions
2012	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Tseng, Hui-Chin	Modified Unqualified
2013	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Tseng, Hui-Chin	Modified Unqualified
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

**(10) Changes of independent auditors in the past five years**

Due to internal changes at PRICEWATERHOUSECOOPERS (Taiwan), in the first quarter of 2012, the independent auditors were changed to Hsiao, Chun-Yuan and Tseng, Hui-Chin. Since the first quarter of 2014, Hsiao, Chun-Yuan and Chou, Chien-Hung have served as independent auditors.



## 2. Five year financial analysis

### (1) Financial analysis (non-consolidated)

Item	Year	Financial information for the most recent five years				
		2012	2013	2014	2015	2016
Financial Structure	Debt to Assets Ratio (%)	63.04	58.65	55.22	55.85	57.41
	Long-Term Capital to Property, Plant and Equipment Ratio (%)	288.05	324.01	324.02	360.20	395.68
Liquidity	Current Ratio (%)	79.86	90.40	94.86	98.34	97.83
	Quick Ratio (%)	62.61	71.73	74.26	76.67	79.12
	Interest Coverage (Note 3)	224.09	291.62	366.70	282.36	362.33
Operating Performance	Accounts Receivable Turnover (times) (Note 1)	—	—	—	—	—
	Average Collection Days (Note 1)	—	—	—	—	—
	Inventory Turnover (times)	19.71	17.53	17.07	15.19	15.18
	Accounts Payable Turnover (times)	6.77	6.73	7.28	7.03	6.60
	Average Inventory Turnover Days	18.57	20.82	21.39	24.03	24.12
	Property, Plant and Equipment Turnover (times)	13.55	13.93	13.49	14.28	16.28
	Total Assets Turnover (times)	2.21	2.21	2.22	2.21	2.09
Profitability	ROA (%)	10.95	14.17	15.62	13.71	15.34
	ROE (%)	29.95	36.06	36.16	30.73	35.30
	Ratio of Pre-tax Profit to Paid-in Capital (%)	66.65	87.81	99.14	92.02	106.89
	Net Margin (%)	4.74	6.33	6.92	6.18	7.02
	Earnings per Share (NT\$)	5.69	7.73	8.74	7.92	9.46
Cash Flow	Cash Flow Ratio (%) (Note 3)	45.09	24.75	34.81	39.63	52.83
	Cash Flow Adequacy (%)	153.99	148.10	130.06	126.93	130.55
	Cash Flow Reinvestment Ratio (%) (Note 3)	23.04	4.69	8.02	9.86	21.74
Leverage	Operating Leverage	1.86	1.86	1.98	1.96	1.98
	Financial Leverage	1.01	1.01	1.00	1.01	1.00

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 67, which are based on IFRS.

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

Interest Coverage: The change was primarily due to higher pre-tax net profits growth in 2016.

Cash Flow Ratio: The change was primarily caused by increased cash inflows in 2016 from operations.

Cash Flow Reinvestment Ratio: The change was primarily caused by increased cash inflows in 2016 from operations.

## (2) Financial analysis (consolidated)

Item	Year	Financial information for the most recent five years				
		2012	2013	2014	2015	2016
Financial Structure	Debt to Assets Ratio (%)	70.62	67.07	65.50	65.22	65.03
	Long-Term Capital to Property, Plant and Equipment Ratio (%)	154.22	168.79	168.60	177.70	190.44
Liquidity	Current Ratio (%)	91.66	98.55	99.11	98.67	103.29
	Quick Ratio (%)	67.88	74.54	73.98	72.96	77.75
	Interest Coverage (Note 3)	75.66	95.30	123.87	110.05	141.86
Operating Performance	Accounts Receivable Turnover (times)(Note 1)	—	—	—	—	—
	Average Collection Days (Note 1)	—	—	—	—	—
	Inventory Turnover (times)	12.28	13.20	13.31	12.47	12.27
	Accounts Payable Turnover (times)	6.34	6.65	6.84	6.81	6.81
	Average Inventory Turnover Days	29.81	27.65	27.42	29.27	29.74
	Property, Plant and Equipment Turnover (times)	9.01	9.31	9.07	9.25	9.64
	Total Assets Turnover (times)	2.34	2.40	2.37	2.35	2.33
Profitability	ROA (%)	8.71	11.27	12.05	10.88	12.16
	ROE (%)	29.34	35.79	35.44	30.76	34.62
	Ratio of Pre-tax Profit to Paid-in Capital (%)	82.78	108.62	121.29	112.37	128.53
	Net Margin (%)	3.51	4.61	4.92	4.60	5.17
	Earnings per Share (NT\$)	5.69	7.73	8.74	7.92	9.46
Cash Flow	Cash Flow Ratio (%) (Note 3)	34.62	27.95	32.86	32.92	44.95
	Cash Flow Adequacy (%)	129.36	136.76	131.32	121.06	128.10
	Cash Flow Reinvestment Ratio (%) (Note 3)	22.71	14.09	16.06	12.98	22.94
Leverage	Operating Leverage	2.28	2.09	2.27	2.24	2.16
	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 67, which are based on IFRS.

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

Interest Coverage: The change was primarily due to higher pre-tax net profits growth in 2016.

Cash Flow Ratio: The change was primarily caused by increased cash inflows in 2016 from operations.

Cash Flow Reinvestment Ratio: The change was primarily caused by increased cash inflows in 2016 from operations.

※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) Financial analysis (non-consolidated) - ROC GAAP

Item		Year	Recent historical financial information
			2012
Financial Structure	Debt to Assets Ratio (%)		59.51
	Long-Term Capital to Fixed Asset Ratio (%)		261.77
Liquidity	Current Ratio (%)		80.81
	Quick Ratio (%)		63.26
	Interest Coverage		251.47
Operating Performance	Accounts Receivable Turnover (times) (Note 1)		—
	Average Collection Days (Note 1)		—
	Inventory Turnover (times)		22.07
	Accounts Payable Turnover (times)		7.58
	Average Inventory Turnover Days		17.00
	Fixed Assets Turnover (times)		14.61
	Total Assets Turnover (times)		2.38
Profitability	ROA (%)		12.52
	ROE (%)		31.14
	Ratio to Paid-in Capital (%)	Operating Income	55.65
		Pre-tax Profit	74.83
	Net Margin (%)		5.05
	Earnings per Share (NT\$)		6.53
Cash Flow	Cash Flow Ratio (%)		45.92
	Cash Flow Adequacy (%)		153.97
	Cash Flow Reinvestment Ratio (%)		21.39
Leverage	Operating Leverage		1.85
	Financial Leverage		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 69 based on ROC GAAP.

## (4) Financial analysis (consolidated) - ROC GAAP

Item	Year		Recent historical financial information	
			2012	
Financial Structure	Debt to Assets Ratio (%)		67.20	
	Long-Term Capital to Fixed Asset Ratio (%)		134.81	
Liquidity	Current Ratio (%)		93.69	
	Quick Ratio (%)		69.33	
	Interest Coverage		83.19	
Operating Performance	Accounts Receivable Turnover (times) (Note 1)		—	
	Average Collection Days (Note 1)		—	
	Inventory Turnover (times)		13.76	
	Accounts Payable Turnover (times)		7.11	
	Average Inventory Turnover Days		26.59	
	Fixed Assets Turnover (times)		9.72	
	Total Assets Turnover (times)		2.56	
Profitability	ROA (%)		9.92	
	ROE (%)		29.98	
	Ratio to Paid-in Capital (%)	Operating Income	83.95	
		Pre-tax Profit	91.13	
	Net Margin (%)		3.66	
	Earnings per Share (NT\$)		6.53	
Cash Flow	Cash Flow Ratio (%)		35.26	
	Cash Flow Adequacy (%)		130.54	
	Cash Flow Reinvestment Ratio (%)		21.74	
Leverage	Operating Leverage		2.29	
	Financial Leverage		1.01	

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

Note 2: The calculations of the above financial ratios utilize the below formulas based on ROC GAAP:

※Calculations based on ROC GAAP:

※Financial Structure

(1) Debt to Assets Ratio = total liabilities / total assets

(2) Long-term Capital to Fixed Asset Ratio = (shareholders' equity + long-term liabilities) / net fixed assets

※Liquidity

(1) Current Ratio = current assets / current liabilities

(2) Quick Ratio = (current assets – inventory – prepaid expenses) / current liabilities

(3) Interest Coverage = earnings before interest and taxes / interest expenses

#### ※Operating Performance

- (1) Average Accounts Receivable Turnover (including accounts receivable and notes receivable 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) Fixed Asset Turnover = net sales / net fixed assets
- (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 after tax – 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 fixed assets + long-term investments + other 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 84.
4. The audited consolidated financial report for the most recent fiscal year: Please refer to pages 85–138.
5. The audited parent company only financial report for the most recent fiscal year: Please refer to pages 139–192.
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, Operating Results and Risk Management

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## 1. Financial position analysis (consolidated)

Unit: NT\$1,000

Item	Year	2015	2016	Variance	
				Difference	%
Current Assets		49,022,957	54,322,992	5,300,035	10.81%
Property, Plant and Equipment		22,339,376	22,329,291	-10,085	-0.05%
Intangible Assets		1,150,914	1,076,176	-74,738	-6.49%
Other Assets		16,869,465	17,390,058	520,593	3.09%
Total Assets		89,382,712	95,118,517	5,735,805	6.42%
Current Liabilities		49,685,820	52,594,724	2,908,904	5.85%
Non-current Liabilities		8,605,390	9,262,863	657,473	7.64%
Total Liabilities		58,291,210	61,857,587	3,566,377	6.12%
Capital		10,396,223	10,396,223	0	0.00%
Capital Surplus		7,733	1,158	-6,575	-85.03%
Retained Earnings		16,117,194	18,047,308	1,930,114	11.98%
Equity Attributable to the Parent Company		27,113,686	28,616,278	1,502,592	5.54%
Total Equities		31,091,502	33,260,930	2,169,428	6.98%

### 1. Reasons for variance over the past two years:

- Capital surplus decrease: Primarily due to the difference between proceeds on actual acquisition of equity interest in a subsidiary and its carry amount.
- 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	2015	2016	Variance	
				Difference	%
Operating Revenue		205,481,317	215,359,089	9,877,772	4.81%
Gross Profit		66,280,867	70,606,642	4,325,775	6.53%
Operating Profit		9,609,813	10,404,620	794,807	8.27%
Total Non-operating Income (Expenses)		2,071,990	2,957,238	885,248	42.72%
Net Pre-tax Income		11,681,803	13,361,858	1,680,055	14.38%
Net Income		9,442,454	11,138,569	1,696,115	17.96%
Other consolidated profit and loss		-437,305	-734,950	-297,645	-
Total comprehensive income		9,005,149	10,403,619	1,398,470	15.53%
Net Income Attributable to the Parent Company		8,238,993	9,836,690	1,597,697	19.39%
Total Comprehensive Income Attributable to the Parent Company		7,877,866	9,235,021	1,357,155	17.23%

### 1. Explanation of variance:

- (1) Increases in Total Non-operating Income and Expenditures: Primarily due to increase in income from the disposal of investments and growth in profits from subsidiaries.
- (2) Decreases in Other Comprehensive Income: Primarily due to reduction in exchange differences from translation of foreign operations.
- 2. Factors that may impact the Company's sales and financial status over the coming year and proposed responses: The Company expects to maintain steady growth by developing innovative and differentiated products and services.

### 3. Cash flow analysis

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

Unit: NT\$1,000

Cash Balance at the Beginning of 2016	Net Cash Inflow from Operating Activities in 2016	Net Cash Outflows in 2016	Cash Surplus (Shortage)	Remedies for Cash Shortage	
				Investment Plan	Financial Plan
22,990,314	23,640,528	(14,627,209)	32,003,633	-	-

1. Operating activities: The net cash inflow from operating activities was NT\$23.64 billion. The cash inflow remained steady primarily due to stable profits.
2. Investing activities: The net cash outflow from investing activities totaled about NT\$5.69 billion, which was primarily due to purchases of operations-related fixed assets.
3. Financing activities: The net cash outflow from financing activities was about NT\$8.93 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 2017	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
32,003,633	17,806,248	(16,271,631)	33,538,250	-	-

1. Operating activities: Stable revenue is expected in 2017, 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 year 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				
				2014	2015	2016	2017	2018
Investments in new stores and POS Equipment	Working capital and loans	Annual	5,456,948	1,119,643	1,216,830	1,033,137	1,043,669	1,043,669
Remodeling of Existing Stores	Working capital and loans	Annual	2,431,240	406,040	693,550	294,408	518,621	518,621
Store Equipment Purchases / Replacement	Working capital and loans	Annual	4,630,100	882,175	620,588	690,239	1,218,549	1,218,549

##### 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		
				2016	2017	2018
Investments in new stores	Working capital and loans	Annual	6,976,293	2,214,383	2,243,383	2,518,527
Remodeling of existing stores	Working capital and loans	Annual	1,076,570	341,638	414,481	320,451
Store equipment purchases / replacement	Working capital and loans	Annual	1,315,315	498,152	471,772	345,390
Investments in IT equipment (including purchases of hardware, software and POS equipment)	Working capital and loans	Annual	1,978,520	643,328	765,069	570,123
Purchase and replacement of logistics system or related equipment	Working capital and loans	Annual	3,796,944	1,192,671	1,737,199	867,075
Other (e.g., establishment of fresh food commissary, logistics centers, and distribution centers)	Working capital and loans	Annual	1,336,621	80,985	440,236	815,400

**(2) Estimated benefits:**

## 1. Anticipated increase in sales and gross profits:

Unit: NT\$1,000

Year	Item	Sales Value	Gross Profit
2017	Investments in new and existing stores	3,234,290	1,031,092
2018	Investments in new and existing stores	3,331,318	1,065,210
2019	Investments in new and existing stores	3,431,258	1,100,458
2020	Investments in new and existing stores	3,534,196	1,136,872
2021	Investments in new and existing stores	3,640,222	1,174,491

## 2. Other potential benefits:

The capital expenditures in 2016 was 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 2016, PCSC and its subsidiaries boasted a total of 9,693 retail locations, 1,995 of which are 7-ELEVEN stores in the Philippines. PCSC continues to increase its presence in the nation. Together, Starbucks Taiwan and Starbucks Shanghai have now exceeded 1,600 locations. They are working hard to make their stores unique as they continue to maintain their brand name's leading position. Cosmed pharmacies are giving customers a fresh shopping experience through new store designs and an enhanced brand image as it works hard to enhance customer service and make its stores more competitive. 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 2016 include the following:

Unit: NT\$1,000

Company	Amount of Investment in 2016	Main reasons for profit / loss
Philippine Seven Corp. (Note 1)	266,428	The number of retail locations continued to grow rapidly, resulting in steady increase in profits.
iCASH Corp.	175,000	The profit model has not yet stabilized, so the affiliate operated at a loss.
President Logistic ShanDong Co., Ltd. (Note 2)	92,873	Newly established company.

Note 1: The investment path is from President Chain Store (BVI) Holdings Ltd. to president Chain Store (Labuan) Holdings Ltd.. Then President Chain Store (Labuan) Holdings acquired Philippine Seven Corp. equities.

Note 2: Funded by Shanghai President Logistics Co.

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

To improve performance at affiliated enterprises showing a loss, the Company will adjust their business model, improve the product mix offered, and implement effective cost control measures.

The long-term investments planned for 2017 are shown in the table below:

Company	Planned investment in 2017
President Chain Store (Shanghai) Ltd.	RMB 60 million
Shanghai Cold Stone Ice Cream Corporation	RMB 60 million

## 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:

The US economic recovery is now on track, but the overall global economy has been sluggish and domestic growth slowed. The Directorate-General of Budget, Accounting and Statistics estimates 2017 GDP growth at 1.87%. With modest growth and no inflation worries, Taiwan's Central Bank monetary policy will move from "moderately loose" to "loose" in order to spur economic growth.

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 2016 was 1.4%, while the Directorate-General of Budget, Accounting and Statistics predicts 2017's CPI increase rate will rise to 0.75% showing that price levels continue to remain stable.

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 "Operational Procedures for Granting Loans", "Operational Procedures for Acquisitions or Disposals of Assets" and "Operational Procedures for Making of Endorsements and Guarantees". 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: In 2016, subsidiary Uni-President Ustyle Department Store Corp. loaned NT\$150 million to Uni-President Superior Commissary Corp.. Subsidiary President Information Corp. loaned NT\$100 million to Uni-President Superior Commissary Corp.. The abovementioned subsidiaries made loans to others in accordance with "Operational Procedures for Granting Loans".
- 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) Incorporating Brand Differentiation: Collaborating with the Group to combine brand differentiation will enhance brand development and incorporation into stores to satisfy the needs of more consumers.

(2) Means of Payment Platform: To respond 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.

(3) R&D Plans for 2017 are expected to cost NT\$82.97 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
Optimization of quality assurance management system	Process and system in development	NT\$3.46 million	2017/07	To meet the needs for food safety management, PCSC is enhancing its quality assurance data base and management system integrity.
Optimization of store operations	Process and system in development	NT\$4.93 million	2017/09	In response to amendments to the law, PCSC is assisting stores upgrade the efficiency of such operations as inventorying and arranging work schedules to improve labor-saving system.
Upgrading E-SERVICES	Process and system in development	NT\$24.55 million	2017/12	In response to E-Commerce development trends, PCSC is enhancing current relevant trade service platforms.
O2O Application Services	Process and system in development	NT\$13.71 million	2017/12	PCSC is continuing to develop its O2O gift application mechanism and optimizing relevant operating procedures.
Mobile Business Opportunities and Payment Platform Related Business	Process and system in development	NT\$27.02 million	2017/12	PCSC is continuing expand its mobile business opportunities and payment platform related business to provide consumers more convenient services.
Customer loyalty program and Consumer Trend Analysis	Process and system in development	NT\$9.30 million	2017/12	PCSC is utilizing membership and points systems to increase customer loyalty and learn more about our customers and potential opportunities.

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) 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.
- (2) 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.
- (3) 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 2016, PCSC was ranked among the top 5% in the 2nd Taiwan Corporate Governance Evaluation System. PCSC was also selected for the first time on 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:  
2016 Consolidated Business Report of Affiliated Companies: Please refer to pages 193 – 204.
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 3, 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 3, Item 2 of the Securities and Exchange Act that have had major impacts on shareholders' equity or share prices.

# Appendix

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# 1 Positions Concurrently Held by Director in Other Companies

As of December 31, 2016

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, Kai Yu Investment Co., Ltd., President Packaging Corp., President International Development Corp., 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., Tong Yu Investment Corp., President Property Corporation, Uni-President (Vietnam) Co., Ltd., Uni-President (Thailand) Ltd., Uni-President (Philippines) Corp., Changjiagang President Nisshin Food Co., Ltd., Foshan Sanshui Jianlibao Commerce Co., Ltd., Uni-President China Holdings Ltd., Uni-President Enterprises (China) Investment Co., Ltd., Tong Ren Corp. Limited, Beijing President Enterprises Food Co., Ltd.</p> <p>Vice Chairman : President Nisshin Corp., Prince Housing &amp; Development Corp., Time Square International Co., Ltd.</p> <p>Director : President Baseball Team Corp., Nanlien International Corp., President Entertainment Corp., Tone Sang Construction Corp., Retail Support International Corp., Presicarre Corp., President Fair Development Corp., Tainan Spinning Retail &amp; Distribution Co., Ltd., ScinoPharm Taiwan, Ltd., President Starbucks Coffee 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 &amp; Distribution Co., Ltd., Weilih Food Corp., Ming Da Enterprises Co., Ltd., Keng Ting Enterprises Co., Ltd., Cheng-Shi Investment Holding Co., Prince Property Management, Prince Corp., Prince Real Estate Co., Ltd., Uni-President Dream Parks Corp (Shanghai), Kao Chyuan Investment Co., Ltd., President Chain Store (BVI) Holdings Ltd., President Chain Store (Labuan) Holdings Ltd., President Coffee (Cayman) Holdings Ltd., Shanghai President Starbucks Coffee Corp., Cayman President Holdings Ltd., Kai Yu (BVI) Investment Co., Ltd., President Packing Holdings Ltd., Uni-President Southeast Asia Holdings Ltd., PT. ABC President Indonesia, President Energy Development (Cayman Islands) Ltd., Uni-President Asia Holdings Ltd., Uni-President Hong Kong Holdings Limited, Champ Green Capital Co., Limited, Champ Green (Shanghai) Consulting Co., Ltd., Yantai Tongli Beverage Industries Co., Ltd., Beijing President Enterprises Drinks Co., Ltd., Wuhan President Enterprises Food Co., Ltd., Kunshan President Enterprises Food Co., Ltd., Kunming President Enterprises Food Co., Ltd., Chengdu President Enterprises Food Co., Ltd., Xinjiang President Enterprises Food Co., Ltd., President Enterprise (Kunshan) Food Technology Co., Ltd., Beijing President Enterprise Drink &amp; Food Co., Ltd., Uni-President Enterprises (Shanghai) Drink &amp; Food Co., Ltd., Guangzhou President Enterprises Co., Ltd., Shenyang President Enterprises Co., Ltd., Harbin President Enterprises Co., Ltd., Hefei President Enterprises Co., Ltd., Fuzhou President Enterprises Co., Ltd., Nanchang President Enterprises Co., Ltd., Zhenzhou President Enterprises Co., Ltd., Changsha President Enterprises Co., Ltd., Zhanjiang President Enterprises Co., Ltd., Nanning President Enterprises Co., Ltd., Taizhou President Enterprises Co., Ltd., Chongqing President Enterprises Co., Ltd., Changchun President Enterprises Co., Ltd., Shijiazhuang President Enterprises Co., Ltd., Hainan President Enterprises Co., Ltd., Jinan President Enterprises Co., Ltd., Baiyin President Enterprises Co., Ltd., Xuzhou President Enterprises Co., Ltd., Guiyang President Enterprises Co., Ltd., Akesu President Enterprises Co., Ltd., Hangzhou President Enterprises Co., Ltd., Henan President Enterprises Co., Ltd., Shaanxi President Enterprises Co., Ltd., President Enterprises (Shanghai) Co., Ltd., Ningxia President Enterprises Co., Ltd., President Enterprises (Inner Mongolia) Co., Ltd., Shanxi President Enterprises Co., Ltd., Uni-President Enterprises (Tianjin) Co., Ltd., Jiangsu President Enterprises Co., Ltd., Uni-President Enterprises (Hunan) Co., Ltd., President (Kunshan) Trading Co., Ltd., Uni-President Trading (Hubei) Co., Ltd., President (Shanghai) Trading Co., Ltd., Changbaishan Mountain President Enterprises (Jilin) Mineral Water Co., Ltd., Wuyuan President Enterprises Mineral Water Co., Ltd., Bama President Mineral Water Co., Ltd., Wuxue President Mineral Water Co., Ltd., Uni-President Enterprise (Hutubi) Tomato Products Technology Co., Ltd., Uni-President (Shanghai) Pearly Century Co., Ltd., Uni-President Shanghai Managment Consulting Co., Ltd., Uni-President Enterprises (Kunshan) Real Estate Development Co., Ltd.</p> <p>President : Presco Netmarketing Inc.</p>
Kao, Shiow-Ling	<p>Chairman : Kao Chyuan Investment Co., Ltd., President Being Corp., Uni-President Ustyle Department Store Corp, President Pharmaceutical Corp., President Fair Development Corp., President Drugstore Business Corp., Afternoon Tea Taiwan Co., Ltd.</p> <p>Director : Uni-President Enterprises Corp., Ton Yi Industrial Corp., ScinoPharm Taiwan Ltd., President International Development Corp., Prince Housing &amp; Development Corp., President Securities Corp., Uni-President Development Corp., Time Square International Co., Ltd., President Starbucks Coffee Corporation, Tainan Spinning Retail &amp; Distribution Co., Ltd., President (Shanghai) Health Product Trading Co., Ltd.</p>
Su, Tsung-Ming	<p>Chairman : Uni-President Development Corp., President Life Sciences Co., Ltd., AndroSciences Corp.</p> <p>Director : Kai Yu Investment Co., Ltd., Grand Bills Finance Corporation, President Fair Development Corp., Tainan Spinning Retail &amp; Distribution Co., Ltd., ScinoPharm Taiwan, Ltd., President Tokyo Corp., President Tokyo Auto Leasing Corp., Tong-Sheng Finance Leasing Co., Ltd., Tong-Sheng (Suzhou) Car Rental Co., Ltd., Kai Nan Investment Co., Ltd., President International Development Corp., Tong Yu Investment Corp., CDIM &amp; Partners Investment Holding Corp., President Property Corporation, Uni-President China Holdings Ltd. Uni-President Hong Kong Holdings Limited, Xiang Lu Industrial Ltd., Tong Ting Gas Corp., Kuan Tang Industrial Harbor Corp., Tanvex Biologics, Inc., President Life Sciences Cayman Co., Ltd., President (BVI) International Investment Holdings Ltd., President Energy Development (Cayman Islands) Ltd.</p> <p>Independent Director : Senao International Co., Ltd.</p> <p>Supervisor : Presicarre Corp., Presco Netmarketing Inc., Uni-President Enterprises (China) Investment Co., Ltd.</p> <p>President : President International Development Corp., President Life Sciences Co., Ltd., President Property Corporation.</p>

Name	Current Position in Other Companies	
Yang, Wen-Lung	Chairman	: President Global Corp., Uni-President Vendor Corp., Tung-Ju Enterprise Corp., PT. Uni President Indonesia
	Director	: Tait Marketing & Distribution Co., Ltd., Tung Ang Enterprises Corp., Tung-Xiang Corp., Foshan Sanshui Jianlibao Commerce Co., Ltd., Uni-President (Vietnam) Co., Ltd., Uni-President Marketing Co., Ltd., PT. ABC President Indonesia
Chen, Jui-Tang	Chairman	: President Yilan Art and Culture Corp., President Transnet Corp., President Collect Services Co., Ltd., President Starbucks Coffee Corp., Retail Support International Corp., Uni-President Superior Commissary Corp., Ren-Hui Investment Corp., President Chain Store (Shanghai) Ltd., Shanghai President Starbucks Coffee Corp., President (Shanghai) Health Product Trading Company Ltd.
	Director	: Uni-President Enterprises Corp., President Drugstore Business Corp., President Being Corp., President Pharmaceutical Corp., Uni-President Ustyle Department Store Corp., 21 Century Enterprise Co., Ltd., Wisdom Distribution Service Corp., Uni-President Cold-Chain Corp., President Development Corp., President International Development Corp., Philippine Seven 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, President Coffee (Cayman) Holdings Ltd., Uni-President Logistics (BVI) Holdings Limited., Nanlien International Corp., President Fair Development Corp.
	President	: Ren-Hui Investment Corp.
Lu, Long-Hong	Director	: President Packaging Corp., Uni-President Glass Industrial Co., Ltd., Uni-President Superior Commissary Corp., President Energy Development (Cayman Islands) Ltd., Uni-President (Vietnam) Co., Ltd.
	Supervisor	: Kuan Tang Industrial Harbor Corp.
Huang, Jui-Tien	Chairman	: iCASH Corp., Tait Marketing & Distribution Co., Ltd., Tianjiang President Enterprises Food Co., Ltd., Shanghai Songjiang President Enterprises Co., Ltd.
	Director	: President Pharmaceutical Corp., Uni-President Cold-Chain Corp., Retail Support International Corp., President International Development Corp., President Pharmaceutical (Hong Kong) Holdings Limited, Uni-President Foodstuff (BVI) Holdings Ltd., President Nisshin Corp., Dr. C. Y. Kao' s Non-Profit Foundation of Culture & Education (In Memory of His Mother), Zhongshan President Enterprises Co., Ltd., Changjiagang President Nisshin Food Co., Ltd., Foshan Sanshui Jianlibao Commerce Co., Ltd.
	President	: President Pharmaceutical Corp., President Pharmaceutical (Hong Kong) Holdings Limited
Hwang, Jau-Kai	Chairman	: Tung Ang Enterprises Corp.
	Director	: Ton Yi Industrial Corp., Mech-President Corp., Uni-President Cold-Chain Corp., Tung-You International Corp., Uni-President (Vietnam) Co., Ltd.
Wu, Tsung-Ping	Chairman	: Uni-President Assets Management Co., Ltd.
	Director	: President International Trade & Investment Corp., Prince Housing & Development Corp., Prince Real Estate Co., Ltd., Time Square International Co., Ltd., Ton Yi Pharmaceutical Corp., ScinoPharm Taiwan Ltd., Kuang Chuan Dairy Co., Ltd., Kuang Chuan Foods Co., Tong Yu Investment Corp., Ltd., Uni-President Hong Kong Holdings Limited
	Supervisor	: President Baseball Team Corp., President Entertainment Corp., Tone Sang Construction Corp., President Kikkoman Inc., Kai Yu Investment Co., Ltd., President International Development Corp., President Property Corporation, Kai Nan Investment Co., Ltd., Tait Marketing & Distribution Co., Ltd., President Kikkoman Zhenji Foods Co., Ltd.
Wu, Wen-Chi	Vice Chairman	: Philippine Seven Corp.
	Director	: PCSC (Cayman) Restaurant Limited, Grand Bills Finance Corporation
	Supervisor	: President Pharmaceutical Corp., President Transnet Corp., President Collect Services Co., Ltd., Uni-President Ustyle Department Store Corp., Books.com. Co., Ltd., Mister Donut Taiwan Corp., President Starbucks Coffee Corp., Q-ware Systems & Services Corp., President Information Corp., Ren-Hui Investment Corp., President Chain Store (Shanghai) Ltd., Shanghai President Starbucks Coffee Corp., President (Shanghai) Health Product Trading Company Ltd.
Wang, Wen-Yeu	Independent Director	: Xintec Inc., KGI Bank, Global Unichip Corp.
Chen, M.David	Director	: Ampoc Far-East Co., Ltd., Kedge Construction Co., Ltd., Global Mall Co., Ltd.

## 2 Positions Concurrently Held by Management in Other Companies

As of December 31, 2016

Name		Current Position in Other Companies
Chen, Jui-Tang	Chairman	: President Yilan Art and Culture Corp., President Transnet Corp., President Collect Services Co., Ltd., President Starbucks Coffee Corp., Retail Support International Corp., Uni-President Superior Commissary Corp., Ren-Hui Investment Corp., President Chain Store (Shanghai) Ltd., Shanghai President Starbucks Coffee Corp., President (Shanghai) Health Product Trading Company Ltd.
	Director	: Uni-President Enterprises Corp., President Drugstore Business Corp., President Being Corp., President Pharmaceutical Corp., Uni-President Ustyle Department Store Corp., 21 Century Enterprise Co., Ltd., Wisdom Distribution Service Corp., Uni-President Cold-Chain Corp., President Development Corp., President International Development Corp., Philippine Seven 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, President Coffee (Cayman) Holdings Ltd., Uni-President Logistics (BVI) Holdings Limited., Nanlien International Corp., President Fair Development Corp.
	President	: Ren-Hui Investment Corp.
Wu, Kuo-Hsuan	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., Capital Inventory Services Corp.
	Director	: President Transnet Corp., President Collect Services Co., Ltd., Uni-President Cold-Chain Corp., Retail Support International Corp., Ren-Hui Investment Corp., President Chain Store (Hong Kong) Holdings Limited, PCSC (China) Drugstore Limited
Huang, Jui-Tien	Chairman	: iCASH Corp., Tait Marketing & Distribution Co., Ltd., Tianjiang President Enterprises Food Co., Ltd., Shanghai Songjiang President Enterprises Co., Ltd.
	Director	: President Pharmaceutical Corp., Uni-President Cold-Chain Corp., Retail Support International Corp., President International Development Corp., President Pharmaceutical (Hong Kong) Holdings Limited, Uni-President Foodstuff (BVI) Holdings Ltd., President Nisshin Corp., Dr. C. Y. Kao's Non-Profit Foundation of Culture & Education (In Memory of His Mother), Zhongshan President Enterprises Co., Ltd., Changjiagang President Nisshin Food Co., Ltd., Foshan Sanshui Jianlibao Commerce Co., Ltd.
	President	: President Pharmaceutical Corp., President Pharmaceutical (Hong Kong) Holdings Limited
Hsieh, Lien-Tang	Chairman	: Mister Donut Taiwan Corp., Duskin Serve Taiwan Co.
	Director	: Books.com. Co., Ltd., iCASH Corp., Ren-Hui Investment Corp., Uni-President Cold-Chain Corp., Philippine Seven Corp., President Baseball Team Corp., Uni-President Superior Commissary Corp., President Transnet Corp., President Collect Services Co., Ltd., President Chain Store Tokyo Marketing Corporation, President Chain Store (Shanghai) Ltd., PCSC Restaurant (Cayman) Holdings Limited, President Chain Store Good Neighbor Foundation
Tzeng, Fan-Bin	Director	: Capital Inventory Services Corp.
	Supervisor	: Duskin Serve Taiwan Co.
Lin, Chi-Chang	Chairman	: Cold Stone Creamery Taiwan Ltd., President Chain Store Corporation Insurance Brokers Co., Ltd., President Chain Store Good Neighbor Foundation
	Director	: Philippine Seven Corp., Capital Inventory Services Corp., iCASH Corp.
	Supervisor	: Uni-President Cold-Chain Corp.
Hsieh Hong, Hui-Tzu	Director	: President Securities Corp.
Wu, Wen-Chi	Vice Chairman	: Philippine Seven Corp.
	Director	: PCSC (Cayman) Restaurant Limited, Grand Bills Finance Corporation
	Supervisor	: President Pharmaceutical Corp., President Transnet Corp., President Collect Services Co., Ltd., Uni-President Ustyle Department Store Corp., Books.com. Co., Ltd., Mister Donut Taiwan Corp., President Starbucks Coffee Corp., Q-ware Systems & Services Corp., President Information Corp., Ren-Hui Investment Corp., President Chain Store (Shanghai) Ltd., Shanghai President Starbucks Coffee Corp., President (Shanghai) Health Product Trading Company Ltd.
Lin, Hung-Chun	Chairman	: PCSC (Chengdu) Hypermarket Limited, Shanghai Cold Stone Ice Cream Corporation, Shanghai President Logistics Co., Ltd., Shanghai President Chain Store Corporation Trade Co., Ltd., President Cosmed Chain Store (Shen Zhen) Co., Ltd., Zhejiang Uni-Champion Logistics Development Co., Ltd., President Chain Store (Taizhou) Ltd., President Logistic ShanDong Co., Ltd.
	Director	: President Chain Store (Shanghai) Ltd., Shan Dong President Yinzuo Commercial Limited, Duskin (Shanghai) Co., Ltd., Duskin China (BVI) Holdings Limited
	President	: President Chain Store (Shanghai) Ltd., Shanghai President Chain Store Corporation Trade Co., Ltd., Shanghai Cold Stone Ice Cream Corporation, PCSC (Chengdu) Hypermarket Limited
Hsieh, Ching-Hsun	Director	: President Information Corp., President Chain Store Corporation Insurance Brokers Co., Ltd., Tung Ho Development Corp., President Chain Store Good Neighbor Foundation
Tsung, Hsi-Yung	Director	: PK Venture Capital Corp., Uni-President Asset Management Corp.
	Supervisor	: President Drugstore Business Corp., President Chain Store Tokyo Marketing Corporation, President Chain Store Corporation Insurance Brokers Co., Ltd., President Chain Store (Taizhou) Ltd., Shanghai President Logistics Co., Ltd., President Logistic ShanDong Co., Ltd.
Chang, Li-Ling	Supervisor	: President Yilan Art and Culture Corp., Cold Stone Creamery Taiwan Ltd., 21 Century Enterprise Co., Ltd., Uni-President Oven Bakery Corp., Afternoon Tea Taiwan Co., Ltd.



# 3 Statement of Internal Control System

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

Date: February 22, 2017

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 2016:

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 22, 2017, and those 13 directors in presence all affirm at the contents of this statement.

President Chain Store Corporation

Chairman : Lo, Chih-Hsien

President : Chen, Jui-Tang

# 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 2016 Business Report, Financial Statements, and Proposal for Allocation of 2016 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. 2017

President Chain Store Corp.

Chairman of the Audit Committee      Shu, Pei-Gi

Date: May 2, 2017

# 5 Consolidated Financial Statements and Report of Independent Accountants

## Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2016, 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 22, 2017

## 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016. 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.

### Completeness and accuracy of retail sales revenue

#### Description

Please refer to Notes 4(23) and 6(23) 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 has thus been identified as a key audit matter.

#### How our audit addressed the matter

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

- Inspected additions and changes to the merchandise master file data had been properly approved and supported by relevant documents;
- Inspected approved additions and changes to the merchandise master file data had been correctly entered in the merchandise master file;
- Inspected merchandise master file data had been periodically transferred to POS terminals in stores;
- Inspected sales information in POS terminals was periodically and completely transferred to the ERP system and automatically generated sales revenue journal entries;
- Inspected manual sales revenue journal entries and relevant documents;
- Inspected daily cash reports and relevant documents;
- Inspected 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 has thus been identified as a key audit matter.

How our audit addressed the matter

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

Interviewed management to understand the calculation of the cost-to-retail ratio under the retail inventory method, and inspected that it had been consistently applied in the comparative periods of the financial statements;

- Inspected 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;
- Inspected the cost and retail price of inventory purchased as per delivery receipts were in agreement with POS purchase records after acceptance of the inventory;
- Inspected the POS records for the cost and retail price of inventory purchased were periodically and completely transferred to the ERP system and that the records could not be changed manually;
- Calculated the cost-to-retail ratio to verify its accuracy.

**Other matters – Using the work of other auditors**

We did not audit the financial statements of certain consolidated subsidiaries, which reflect total assets of NT\$7,791,391 thousand and NT\$6,800,620 thousand, representing 8.2% and 7.6% of total consolidated assets as of December 31, 2016 and 2015, respectively, and total operating revenue of NT\$21,895,513 thousand and NT\$17,924,596 thousand, representing 10.2% and 8.7% of total consolidated operating revenue for the years then ended, respectively. In addition, we did not audit the financial statements of certain investee companies accounted for using the equity method. Investments in these companies amounted to NT\$5,078,101 thousand, representing 5.7% of total consolidated assets as of December 31, 2015, and total net comprehensive income including the share of profit and other comprehensive income of associates and joint ventures accounted for using the equity method of NT\$218,314 thousand, representing 2.4% of total consolidated comprehensive income for the year then ended. 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 on the parent company only financial statements of President Chain Store Corp. as of and for the years ended December 31, 2016 and 2015.

**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, 2016 and are, therefore, considered to be the key audit matters. We describe these matters in our auditor's report unless the law or regulations precludes 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

22 February, 2017

(Expressed in thousands of New Taiwan dollars)



# PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

Appendix

Consolidated Financial  
Statements and  
Report of Independent  
Accountants

Assets		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 32,003,633	34	\$ 22,990,314	26
1110	Financial assets at fair value through profit or loss - current	6(2)	847,954	1	5,620,386	6
1170	Accounts receivable, net	6(3) and 7(2)	4,325,889	4	4,294,865	5
1200	Other receivables		1,143,071	1	1,336,252	2
1220	Current income tax assets	6(28)	1,448	-	6,322	-
130X	Inventories, net	6(4)	12,043,420	13	11,550,553	13
1410	Prepayments		1,387,459	1	1,223,826	
1470	Other current assets		2,570,118	3	2,000,439	2
11XX	Total current assets		54,322,992	57	49,022,957	55
Non-current assets						
1523	Available-for-sale financial assets - non-current	6(5)	899,490	1	923,129	1
1543	Financial assets measured at cost - non-current	6(6)	27,494	-	27,526	-
1550	Investments accounted for using equity method	6(7)	11,071,449	12	10,598,635	12
1600	Property, plant and equipment, net	6(8)(26), 7 and 8	22,329,291	24	22,339,376	25
1760	Investment property, net	6(9)(31)	1,359,189	1	1,416,269	2
1780	Intangible assets	6(10)(26)	1,076,176	1	1,150,914	1
1840	Deferred income tax assets	6(28)	1,208,032	1	1,149,951	1
1900	Other non-current assets	6(11) and 8	2,824,404	3	2,753,955	3
15XX	Total non-current assets		40,795,525	43	40,359,755	45
1XXX	Total assets		\$ 95,118,517	100	\$ 89,382,712	100

Liabilities and Equity		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current Liabilities						
2100	Short-term borrowings	6(13) and 8	\$ 1,660,825	2	\$ 2,454,299	3
2110	Short-term notes and bills payable		274,000	-	395,000	-
2150	Notes payable	7(2)	2,207,113	2	1,146,992	1
2170	Accounts payable		17,582,498	19	16,933,015	19
2180	Accounts payable - related parties	7(2)	2,344,741	2	2,276,068	3
2200	Other payables	6(14)	22,942,333	24	21,528,252	24
2230	Current income tax liabilities	6(28)	1,151,241	1	1,190,288	1
2300	Other current liabilities	6(15)	4,431,973	5	3,761,906	4
21XX	Total current liabilities		52,594,724	55	49,685,820	55
Non-current liabilities						
2540	Long-term borrowings	6(16) and 8	869,479	1	664,911	1
2570	Deferred income tax liabilities	6(28)	10,219	-	38,195	-
2640	Net defined benefit liability	6(18)	4,265,972	5	4,105,592	5
2670	Other non-current liabilities	6(17)	4,117,193	4	3,796,692	4
25XX	Total non-current liabilities		9,262,863	10	8,605,390	10
2XXX	Total liabilities		61,857,587	65	58,291,210	65
Equity attributable to owners of the parent						
Share capital						
3110	Share capital - common stock	6(19)	10,396,223	11	10,396,223	12
Capital surplus						
3200	Capital surplus	6(20)	1,158	-	7,733	-
Retained earnings						
3310	Legal reserve	6(21)	8,208,064	9	7,384,165	8
3350	Unappropriated retained earnings		9,839,244	10	8,733,029	10
Other equity						
3400	Other equity interest	6(22)	171,589	-	592,536	-
31XX	Equity attributable to owners of the parent		28,616,278	30	27,113,686	30
36XX	Non-controlling interest		4,644,652	5	3,977,816	5
3XXX	Total equity		33,260,930	35	31,091,502	35
3X2X	Total liabilities and equity		\$ 95,118,517	100	\$ 89,382,712	100

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			
		2016		2015	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(23) and 7(2)	\$ 215,359,089	100	\$ 205,481,317	100
5000 Operating costs	6(26) and 7(2)	( 144,752,447 )	( 67 )	( 139,200,450 )	( 68 )
5900 Gross profit		<u>70,606,642</u>	<u>33</u>	<u>66,280,867</u>	<u>32</u>
Operating expenses	6(26)(27)				
6100 Selling expenses		( 51,620,116 )	( 24 )	( 48,532,757 )	( 23 )
6200 General and administrative expenses		( 8,581,906 )	( 4 )	( 8,138,297 )	( 4 )
6000 Total operating expenses		<u>( 60,202,022 )</u>	<u>( 28 )</u>	<u>( 56,671,054 )</u>	<u>( 27 )</u>
6900 Operating profit		<u>10,404,620</u>	<u>5</u>	<u>9,609,813</u>	<u>5</u>
Non-operating income and expenses					
7010 Other income	6(24)	1,739,886	1	1,751,552	1
7020 Other gains and losses	6(25)	( 303,634 )	-	( 817,748 )	( 1 )
7050 Finance costs	6(13)(16)	( 94,859 )	-	( 107,121 )	-
7060 Share of profit of associates and joint ventures accounted for using equity method	6(7)	<u>1,615,845</u>	<u>-</u>	<u>1,245,307</u>	<u>1</u>
7000 Total non-operating income and expenses		<u>2,957,238</u>	<u>1</u>	<u>2,071,990</u>	<u>1</u>
7900 Profit before income tax		13,361,858	6	11,681,803	6
7950 Income tax expense	6(28)	<u>( 2,223,289 )</u>	<u>( 1 )</u>	<u>( 2,239,349 )</u>	<u>( 1 )</u>
8000 Profit for the year from continuing operations		<u>11,138,569</u>	<u>5</u>	<u>9,442,454</u>	<u>5</u>
8200 Profit for the year		<u>\$ 11,138,569</u>	<u>5</u>	<u>\$ 9,442,454</u>	<u>5</u>
Other comprehensive income (loss)					
8311 Remeasurements of net actuarial loss on defined benefit plan		( \$ 198,626 )	-	( \$ 359,692 )	-
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		( 18,942 )	-	( 16,749 )	-
8349 Income tax related to the components of other comprehensive income that will not be reclassified to profit or loss	6(28)	<u>31,738</u>	<u>-</u>	<u>56,535</u>	<u>-</u>
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		<u>( 185,830 )</u>	<u>-</u>	<u>( 319,906 )</u>	<u>-</u>
8361 Exchange differences from translation of foreign operations	6(22)	( 519,926 )	-	( 16,434 )	-
8362 Unrealized loss on valuation of available-for-sale financial assets	6(22)	( 23,595 )	-	( 74,866 )	-
8370 Share of other comprehensive 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(22)	( 2,462 )	-	( 19,400 )	-
8399 Income tax relating to the components of other comprehensive loss that will be reclassified to profit or loss	6(22)(28)	<u>( 3,137 )</u>	<u>-</u>	<u>( 6,699 )</u>	<u>-</u>
8360 Components of other comprehensive loss that will be reclassified to profit or loss		<u>( 549,120 )</u>	<u>-</u>	<u>( 117,399 )</u>	<u>-</u>
8300 Total other comprehensive loss for the year		<u>( \$ 734,950 )</u>	<u>-</u>	<u>( \$ 437,305 )</u>	<u>-</u>
8500 Total comprehensive income for the year		<u>\$ 10,403,619</u>	<u>5</u>	<u>\$ 9,005,149</u>	<u>5</u>
Profit attributable to:					
8610 Owners of the parent		\$ 9,836,690	4	\$ 8,238,993	4
8620 Non-controlling interests		<u>1,301,879</u>	<u>1</u>	<u>1,203,461</u>	<u>1</u>
		<u>\$ 11,138,569</u>	<u>5</u>	<u>\$ 9,442,454</u>	<u>5</u>
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 9,235,021	4	\$ 7,877,866	4
8720 Non-controlling interests		<u>1,168,598</u>	<u>1</u>	<u>1,127,283</u>	<u>1</u>
		<u>\$ 10,403,619</u>	<u>5</u>	<u>\$ 9,005,149</u>	<u>5</u>
9750 Basic earnings per share (in dollars)	6(29)	<u>\$ 9.46</u>		<u>\$ 7.92</u>	
9850 Diluted earnings per share (in dollars)	6(29)	<u>\$ 9.43</u>		<u>\$ 7.90</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							Non-controlling interest	Total equity
		Share capital- common stock	Capital surplus	Retained Earnings		Other Equity Interest		Total		
				Legal reserve	Unappropriated retained earnings	Exchange differences from translation of foreign operations	Unrealized gain or loss on available- for-sale financial assets			
For the year ended December 31, 2015										
Balance at January 1, 2015		\$ 10,396,223	\$ 7,031	\$ 6,493,041	\$ 8,907,745	\$ 216,347	\$ 492,087	\$ 26,512,474	\$ 3,780,503	\$ 30,292,977
Distribution of 2014 earnings:	6(21)									
Legal reserve		-	-	891,124	( 891,124 )	-	-	-	-	-
Cash dividends		-	-	-	( 7,277,356 )	-	-	( 7,277,356 )	-	( 7,277,356 )
Adjustment of capital surplus due to associates' adjustment of capital surplus		-	702	-	-	-	-	702	-	702
Profit for the year		-	-	-	8,238,993	-	-	8,238,993	1,203,461	9,442,454
Other comprehensive loss for the year	6(22)	-	-	-	( 245,229 )	( 7,021 )	( 108,877 )	( 361,127 )	( 76,178 )	( 437,305 )
Non-controlling interest		-	-	-	-	-	-	-	( 929,970 )	( 929,970 )
Balance at December 31, 2015		<u>\$ 10,396,223</u>	<u>\$ 7,733</u>	<u>\$ 7,384,165</u>	<u>\$ 8,733,029</u>	<u>\$ 209,326</u>	<u>\$ 383,210</u>	<u>\$ 27,113,686</u>	<u>\$ 3,977,816</u>	<u>\$ 31,091,502</u>
For the year ended December 31, 2016										
Balance at January 1, 2016		\$ 10,396,223	\$ 7,733	\$ 7,384,165	\$ 8,733,029	\$ 209,326	\$ 383,210	\$ 27,113,686	\$ 3,977,816	\$ 31,091,502
Distribution of 2015 earnings:	6(21)									
Legal reserve		-	-	823,899	( 823,899 )	-	-	-	-	-
Cash dividends		-	-	-	( 7,485,280 )	-	-	( 7,485,280 )	-	( 7,485,280 )
Acquisition of additional equity interest in a subsidiary	6(30)	-	( 6,554 )	-	( 240,574 )	-	-	( 247,128 )	( 19,300 )	( 266,428 )
Adjustment of capital surplus due to associates' adjustment of capital surplus		-	( 21 )	-	-	-	-	( 21 )	-	( 21 )
Profit for the year		-	-	-	9,836,690	-	-	9,836,690	1,301,879	11,138,569
Other comprehensive loss for the year	6(22)	-	-	-	( 180,722 )	( 395,554 )	( 25,393 )	( 601,669 )	( 133,281 )	( 734,950 )
Non-controlling interest		-	-	-	-	-	-	-	( 482,462 )	( 482,462 )
Balance at December 31, 2016		<u>\$ 10,396,223</u>	<u>\$ 1,158</u>	<u>\$ 8,208,064</u>	<u>\$ 9,839,244</u>	<u>( \$ 186,228 )</u>	<u>\$ 357,817</u>	<u>\$ 28,616,278</u>	<u>\$ 4,644,652</u>	<u>\$ 33,260,930</u>

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)

		(Expressed in thousands of New Taiwan dollars)	
		For the years ended December 31	
	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before income tax for the year		\$ 13,361,858	\$ 11,681,803
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)	( 561 )	( 2,223 )
Provision for doubtful accounts	6(3)	16,379	12,498
Depreciation on property, plant and equipment	6(8)	5,169,678	5,069,564
Amortization		332,981	377,064
Depreciation on investment property	6(9)	17,401	14,757
Finance costs		94,859	107,121
Share of profit of associates and joint ventures accounted for using equity method		( 1,615,845 )	( 1,245,307 )
(Gain) loss on disposal of investments in subsidiaries		( 114,212 )	2,055
Loss on disposal of investments accounted for using equity method		-	5,705
Loss on disposal of property, plant and equipment, net	6(25)	35,203	75,984
Interest income	6(24)	( 150,027 )	( 171,709 )
Dividend income	6(24)	( 26,669 )	( 45,949 )
Impairment loss on other non-current assets	6(12)	-	289,691
Impairment loss on intangible assets	6(12)	11,574	14,485
Impairment loss on property, plant and equipment	6(8)	59,639	152,199
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		4,772,993	917,300
Accounts receivable		( 14,793 )	( 23,214 )
Other receivables		177,623	329,712
Inventories		( 492,867 )	( 778,015 )
Prepayments		( 163,633 )	63,278
Other current assets		( 569,679 )	( 743,411 )
Net changes in liabilities relating to operating activities			
Notes payable		1,060,121	( 60,593 )
Accounts payable		718,156	( 88,786 )
Other payables		1,684,931	1,746,582
Advance receipts		596,772	167,066
Net defined benefit liabilities - non-current		( 38,245 )	( 18,638 )
Cash generated from operations		24,923,637	17,849,019
Interest received		132,975	165,282
Income tax paid		( 2,307,701 )	( 2,351,356 )
Interest paid		( 94,897 )	( 106,135 )
Dividends received		986,514	799,737
Net cash provided by operating activities		23,640,528	16,356,547

(Continued)

	Notes	For the years ended December 31	
		2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from capital reduction of financial assets measured at cost - non-current		\$ -	\$ 16,800
Acquisition of investments accounted for using equity method		-	( 870,200 )
Proceeds from disposal of investments accounted for using equity method		-	29,841
Acquisition of property, plant and equipment	6(32)	( 5,747,445 )	( 6,363,925 )
Proceeds from disposal of property, plant and equipment		162,782	359,883
Return of capital from available-for-sale financial assets - non-current		151	218
Acquisition of subsidiaries (less proceeds from acquisition)		-	( 13,373 )
Proceeds from disposal of investments in subsidiaries		241,222	13,130
Increase in guarantee deposits paid		( 55,524 )	( 68,670 )
Acquisition of intangible assets		( 127,603 )	( 151,317 )
Increase in other non-current assets		( 166,047 )	( 363,796 )
Net cash used in investing activities		( 5,692,464 )	( 7,411,409 )
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		( 793,474 )	798,342
Decrease in short-term notes and bills payable		( 121,000 )	( 5,000 )
Increase in long-term borrowings		588,341	185,988
Repayment of long-term borrowings		( 299,388 )	( 517,772 )
Acquisition of equity interest in subsidiaries	6(30)	( 266,428 )	-
Increase in guarantee deposits received		183,268	284,002
Decrease in other non-current liabilities		137,232	63,166
Change in non-controlling interests		( 94,832 )	( 146,282 )
Payment of cash dividends - the company	6(21)	( 7,485,280 )	( 7,277,356 )
Payment of cash dividends - subsidiaries		( 387,630 )	( 783,688 )
Net cash used in financing activities		( 8,539,191 )	( 7,398,600 )
Effect of foreign exchange rate changes on cash and cash equivalents		( 395,554 )	( 7,021 )
Increase in cash and cash equivalents		9,013,319	1,539,517
Cash and cash equivalents at beginning of year		22,990,314	21,450,797
Cash and cash equivalents at end of year		\$ 32,003,633	\$ 22,990,314

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, 2016 AND 2015

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

### 1. HISTORY AND ORGANIZATION

- (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, the 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 AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on February 22, 2017.

### 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")  
None.
- (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 FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, "Regulatory deferral accounts"	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, "Levies"	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

Amendments to IAS 36, "Recoverable amount disclosures for non-financial assets"

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. When a material impairment loss has been recognised or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques used and key assumptions.



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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	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, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

## A. 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 amortised 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 recognise 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).

## B. IFRS 16, "Leases"

IFRS 16, "Leases", replaces IAS 17, "Leases" and related interpretations and SICs. The standard requires lessees to recognise 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.

**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) Available-for-sale financial assets measured at fair value.
  - (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 compliance with IFRSs requires the use of certain critical accounting estimates and the exercise of management's judgment in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

**(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, 2016	December 31, 2015	
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	Uni-President Yi-Lan 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	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2016	December 31, 2015	
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. (formerly known as "President Musashino 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	President SATO Co., Ltd.	Operation of restaurants	-	80.00	(a)
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 Ustyle 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	Bank Pro E-Service Technology Co., Ltd.	Enterprise information management and consultancy	-	58.33	(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	
President Chain Store (BVI) Holdings Ltd.	Presiclrc Limited	Professional investment	-	100.00	(c)
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	
Duskin Serve Taiwan Co.	Duskin China (BVI) Holdings Limited	Professional investment	100.00	100.00	
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.	Safety Elevator Corp.	Elevator installation, repair and maintenance	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	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2016	December 31, 2015	
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corporation	Operation of chain store	52.22	51.56	(d)
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 (Cayman) Restaurant Limited	Professional investment	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	Shan Dong President Yinzuo Commercial Limited	Supermarkets	55.00	55.00	
President Chain Store (Hong Kong) Holdings Limited	PCSC (Sichuan) Hypermarket Limited	Retail hypermarket	-	100.00	(e)
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 Royal Host (Shanghai) Ltd.	Operation of restaurants	-	51.00	(f)
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 Logistics Shan Dong Co., Ltd.	Logistics and warehousing	100.00	-	(g)
Shanghai President Logistics Co., Ltd.	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehousing	50.00	50.00	(h)
PCSC (Cayman) Restaurant Limited	Shanghai President Chain Store Corporation Trade Co., Ltd.	Trade of food and commodities	100.00	100.00	
Presiclerc Limited	Presiclerc (Beijing) Supermarket Co., Ltd.	Retail hypermarket	-	92.33	(c)
Uni-President Logistics (BVI) Holdings Limited	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehousing	50.00	50.00	(h)

(a) The Company sold its shares of the subsidiaries, President SATO Co., Ltd. and Bank Pro E-Service Technology Co., Ltd., in January and February 2016, respectively, resulting in losing its control over the subsidiaries. All the related payments are received and the Company recognized \$114,242 as gain on disposal of subsidiaries.

(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 sold its shares of the subsidiaries, Presiclerc Limited and Presiclerc (Beijing) Supermarket Co., Ltd., in July 2016. All the related payments are received.

(d) The Company acquired additional 0.66% shares of the subsidiary, Philippine Seven Corp., in September 2016. Please refer to Note 6(30).

(e) The Company liquidated the subsidiary, PCSC (Sichuan) Hypermarket Limited, in December 2016. However, the process of cancellation of registration has not yet been completed as of December 31, 2016.

(f) The subsidiary, President Royal Host (Shanghai) Ltd., was liquidated in April 2015.

(g) The subsidiary of the Company was established in December 2016.

(h) The Company and its subsidiary held 50% shareholding in Zhejiang Uni-Champion Logistics Development Co., Ltd. and the investee was recognized using equity method. Shanghai President Logistics Co., Ltd. acquired the other 50% shareholding in Zhejiang Uni-Champion Logistics Development Co., Ltd. in December 2015. After the acquisition, Zhejiang Uni-Champion Logistics Development Co., Ltd. became a consolidated entity of the Group since December 2015.

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 is 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 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, if 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 held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. 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.

B. 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.

**(8) Available-for-sale financial assets**

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

B. Available-for-sale financial assets 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" .

**(9) 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. Accounts receivable 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.

**(10) Impairment of financial assets**

A. 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 and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. 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:

(a) Financial assets measured 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.

(b) Financial assets measured 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.



## (c) 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.

## (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 / Subsidiaries, associates and joint ventures

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 per cent 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 are not recognized in 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 under 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 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.

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	4-50 years
Transportation equipment	3-8 years
Office equipment	2-15 years
Leasehold assets	2-28 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 28 to 50 years.

**(18) Intangible assets**

A. Trademarks and licences

Separately acquired trademarks and licences are stated at historical cost. Trademarks and licences acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licences have a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 10 to 30 years.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 10 years.

C. Goodwill

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

**(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) 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.

#### (21) 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 expenses in that period when the employees render service.

##### B. Pensions

###### (a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses 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 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 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 expenses and liabilities, 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.

#### (22) 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. 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 10% 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 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 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.

### (23) Revenue recognition

#### A. Sales of goods

- (a) The Group's revenue is measured at the fair value of the consideration received or receivable taking into account 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.
- (b) The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognized.
- (c) The Group has customer loyalty programmes where the Group grants loyalty award credits 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 delivery services. Revenue from delivering services is recognised when the services have accomplished and the outcome of services can be estimated reliably. If the outcome of a service cannot be estimated reliably, service revenue is recognised only to the extent that service costs incurred are likely to be recoverable.

### (24) 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, 2016	December 31, 2015
Cash on hand and petty cash	\$ 1,603,230	\$ 1,031,565
Checking accounts and demand deposits	8,906,034	7,471,302
Cash equivalents		
Time deposits	12,763,518	10,015,833
Short-term financial instruments	8,730,851	4,471,614
	<u>\$ 32,003,633</u>	<u>\$ 22,990,314</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 – current**

	December 31, 2016	December 31, 2015
Financial assets held for trading		
Open-ended fund	\$ 843,882	\$ 5,616,875
Valuation adjustment of financial assets held for trading	4,072	3,511
	<u>\$ 847,954</u>	<u>\$ 5,620,386</u>

The Group recognized net gain of \$12,352 and \$42,249 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

**(3) Accounts receivable**

	December 31, 2016	December 31, 2015
Accounts receivable	\$ 4,557,391	\$ 4,512,401
Less: allowance for sales returns and discounts	( 118,853)	( 88,656)
allowance for doubtful accounts	( 112,649)	( 128,880)
	<u>\$ 4,325,889</u>	<u>\$ 4,294,865</u>

A. The sales revenue of the Group is mainly received in the form of cash and credit card charges. Accounts receivable mainly consist of payments due from banks for third-party credit cards and operating income from department stores. The maximum exposure to credit risk at the balance sheet date is the carrying amount of accounts receivable less allowance for doubtful accounts.

B. An ageing analysis based on the past due date of accounts receivable that were past due but not impaired is provided below:

	December 31, 2016	December 31, 2015
Up to 90 days	\$ 146,432	\$ 101,639
91 to 180 days	8,194	17,842
181 to 365 days	4,476	3,426
Over 365 days	6,175	386
	<u>\$ 165,277</u>	<u>\$ 123,293</u>

C. Movement analysis of financial assets that were impaired is as follows:

(a) As of December 31, 2016 and 2015, the Group's accounts receivable that were impaired amounted to \$112,649 and \$128,880, respectively.

(b) Movements on the Group's provision for impairment of accounts receivable are as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
At January 1	\$ 128,880	\$ 118,477
Provision for impairment	16,379	12,498
Write-offs	( 32,610)	( 2,095)
At December 31	<u>\$ 112,649</u>	<u>\$ 128,880</u>

#### (4) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials and work in process	\$ 109,091	\$ -	\$ 109,091
Merchandise and finished goods	12,197,707	( 263,378)	11,934,329
	<u>\$ 12,306,798</u>	<u>( \$ 263,378)</u>	<u>\$ 12,043,420</u>

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials and work in process	\$ 77,729	\$ -	\$ 77,729
Merchandise and finished goods	11,650,678	( \$ 177,854)	11,472,824
	<u>\$ 11,728,407</u>	<u>( 177,854)</u>	<u>\$ 11,550,553</u>

The cost of inventories recognized as expense for the year:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Cost of goods sold	\$ 142,917,476	\$ 137,385,989
Loss on valuation of inventories	85,524	74,269
Spoilage	1,517,211	1,503,281
Others	232,236	236,911
	<u>\$ 144,752,447</u>	<u>\$ 139,200,450</u>

#### (5) Available-for-sale financial assets - non-current

	December 31, 2016	December 31, 2015
Listed stocks	\$ 265,606	\$ 265,606
Unlisted stocks	42,079	42,230
Government bonds	199,733	199,626
	507,418	507,462
Valuation adjustment	392,072	415,667
	<u>\$ 899,490</u>	<u>\$ 923,129</u>

A. The Group recognized \$23,595 and \$74,866 in other comprehensive loss in relation to fair value changes for the years ended December 31, 2016 and 2015, respectively.

B. The counterparties of debt instrument investments the Group invests in are of good credit quality.



## (6) Financial assets carried at cost - non-current

A. Based on the Group's intention, its investment in unlisted stocks should be classified as "available-for-sale financial assets". However, as those unlisted stocks are not traded in an active market, and no sufficient industry information of companies similar to these unlisted stocks can be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. As a result, the Group classified those stocks as "financial assets carried at cost".

B. As of December 31, 2016 and 2015, no financial assets carried at cost held by the Group were pledged to others.

## (7) Investments accounted for using the equity method

	December 31, 2016	December 31, 2015
Associates:		
PresiCarre Corp.	\$ 5,142,151	\$ 5,078,101
President Fair Development Corp.	1,952,428	2,018,057
Uni-President Development Corp.	819,847	910,037
President International Development Corp.	466,663	457,066
Tung Ho Development Corp.	88,539	97,015
President Organics Corp., etc.	61,403	58,592
	<u>8,531,031</u>	<u>8,618,868</u>
Joint ventures:		
President Coffee (Cayman) Holdings	1,998,444	1,495,870
President Starbucks Coffee Corp.	450,659	407,163
	<u>91,315</u>	<u>76,734</u>
Mister Donut Taiwan Corp., Ltd.	<u>2,540,418</u>	<u>1,979,767</u>
	<u>\$ 11,071,449</u>	<u>\$ 10,598,635</u>

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, 2016	For the year ended December 31, 2015
Profit for the year from continuing operations	\$ 277,848	\$ 207,532
Other comprehensive loss-net of tax	( 17,655)	( 30,500)
Total comprehensive income	<u>\$ 260,193</u>	<u>\$ 177,032</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, 2016	For the year ended December 31, 2015
Profit for the year from continuing operations	\$ 1,337,997	\$ 1,037,775
Other comprehensive loss-net of tax	( 3,749)	( 5,649)
Total comprehensive income	<u>\$ 1,334,248</u>	<u>\$ 1,032,126</u>

## (8) 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
<u>At January 1, 2016</u>							
Cost	\$ 2,249,588	\$ 4,038,997	\$ 5,459,989	\$ 18,713,302	\$ 12,242,425	\$ 7,556,878	\$ 50,261,179
Accumulated depreciation and impairment	-	( 1,457,639)	( 3,362,211)	( 12,108,333)	( 6,771,150)	( 4,222,470)	( 27,921,803)
	<u>2,249,588</u>	<u>2,581,358</u>	<u>2,097,778</u>	<u>6,604,969</u>	<u>5,471,275</u>	<u>3,334,408</u>	<u>22,339,376</u>
<u>2016</u>							
Opening net book amount as of January 1	\$ 2,249,588	\$ 2,581,358	\$ 2,097,778	\$ 6,604,969	\$ 5,471,275	\$ 3,334,408	\$ 22,339,376
Additions	-	3,914	561,658	1,798,193	1,612,986	1,763,374	5,740,125
Disposals	-	( 12,462)	( 33,420)	( 60,139)	( 82,260)	( 9,704)	( 197,985)
Reclassifications	-	41,243	68,203	285,825	( 574,208)	169,223	( 9,714)
Depreciation charge	-	( 180,774)	( 574,578)	( 2,130,489)	( 1,256,143)	( 1,027,694)	( 5,169,678)
(Impairment loss) reversal of impairment loss	( 16,520)	( 1,449)	-	( 50,130)	263	8,197	( 59,639)
Net exchange differences	( 2,673)	( 4,661)	( 7,567)	( 20,252)	( 105,043)	( 172,998)	( 313,194)
Closing net book amount as of December 31	<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>
<u>At December 31, 2016</u>							
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>
	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Others	Total
<u>At January 1, 2015</u>							
Cost	\$ 2,026,495	\$ 4,271,693	\$ 4,895,140	\$ 18,918,874	\$ 11,523,905	\$ 6,233,524	\$ 47,869,631
Accumulated depreciation and impairment	-	( 1,331,990)	( 2,894,871)	( 11,678,597)	( 6,385,639)	( 3,471,243)	( 25,762,340)
	<u>\$ 2,026,495</u>	<u>\$ 2,939,703</u>	<u>\$ 2,000,269</u>	<u>\$ 7,240,277</u>	<u>\$ 5,138,266</u>	<u>\$ 2,762,281</u>	<u>\$ 22,107,291</u>
<u>2015</u>							
Opening net book amount as of January 1	\$ 2,026,495	\$ 2,939,703	\$ 2,000,269	\$ 7,240,277	\$ 5,138,266	\$ 2,762,281	\$ 22,107,291
Additions	226,693	42,295	665,350	1,588,616	1,595,516	2,108,033	6,226,503
Disposals	-	( 211)	( 71,826)	( 113,750)	( 225,920)	( 24,160)	( 435,867)
Reclassifications	-	( 233,326)	61,286	236,537	136,800	( 475,073)	( 273,776)
Depreciation charge	-	( 166,604)	( 556,887)	( 2,166,047)	( 1,161,359)	( 1,018,667)	( 5,069,564)
(Impairment loss) reversal of impairment loss	-	-	-	( 146,253)	234	( 6,180)	( 152,199)
Net exchange differences	( 3,600)	( 499)	( 414)	( 34,411)	( 12,262)	( 11,826)	( 63,012)
Closing net book amount as of December 31	<u>\$ 2,249,588</u>	<u>\$ 2,581,358</u>	<u>\$ 2,097,778</u>	<u>\$ 6,604,969</u>	<u>\$ 5,471,275</u>	<u>\$ 3,334,408</u>	<u>\$ 22,339,376</u>
<u>At December 31, 2015</u>							
Cost	\$ 2,249,588	\$ 4,038,997	\$ 5,459,989	\$ 18,713,302	\$ 12,242,425	\$ 7,556,878	\$ 50,261,179
Accumulated depreciation and impairment	-	( 1,457,639)	( 3,362,211)	( 12,108,333)	( 6,771,150)	( 4,222,470)	( 27,921,803)
	<u>\$ 2,249,588</u>	<u>\$ 2,581,358</u>	<u>\$ 2,097,778</u>	<u>\$ 6,604,969</u>	<u>\$ 5,471,275</u>	<u>\$ 3,334,408</u>	<u>\$ 22,339,376</u>

B. Information on reversal of impairment loss on property, plant and equipment is provided in Note 6(12).

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

## (9) Investment property

	Land	Buildings	Total
2016			
January 1, 2016	\$ 902,270	\$ 513,999	\$ 1,416,269
Reclassification	-	( 39,679)	( 39,679)
Depreciation charge	-	( 17,401)	( 17,401)
December 31, 2016	\$ 902,270	\$ 456,919	\$ 1,359,189

	Land	Buildings	Total
2015			
January 1, 2015	\$ 902,270	\$ 300,699	\$ 1,202,969
Reclassification	-	228,057	228,057
Depreciation charge	-	( 14,757)	( 14,757)
December 31, 2015	\$ 902,270	\$ 513,999	\$ 1,416,269

The fair value of the investment property held by the Group ranged from \$2,958,496 to \$3,447,020 over the period from December 12, 2015 to December 31, 2016. These figures are based on similar investment properties in the neighboring area or valued by independent appraisers. The valuations were made using the comparative method and income approach. The key assumptions include a growth rate of 2% and a discount rate 2.63%.

## (10) Intangible assets

	December 31, 2016	December 31, 2015
Software	\$ 593,921	\$ 600,546
Goodwill	378,673	393,414
Others	103,582	156,954
	\$ 1,076,176	\$ 1,150,914

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

B. Information about impairment loss on intangible assets is provided in Note 6(12).

## (11) Other non-current assets

	December 31, 2016	December 31, 2015
Guarantee deposits paid	\$ 2,376,488	\$ 2,320,964
Others	447,916	432,991
	\$ 2,824,404	\$ 2,753,955

## (12) Impairment loss

A. The Group recognized impairment loss for the years ended December 31, 2016 and 2015 amounting to \$71,213 and \$456,375, respectively. Details of impairment loss are as follows:

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
Impairment loss				
Other assets	\$ -	\$ -	\$ 289,691	\$ -
Intangible assets - goodwill	11,574	-	14,485	-
Property, plant and equipment	59,639	-	152,199	-
	\$ 71,213	\$ -	\$ 456,375	\$ -

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.

## (13) Short-term borrowings

Type of borrowings	December 31, 2016	Interest rate range	Collateral
<u>Bank borrowings</u>			
Credit loan	\$ 1,660,825	0.98%~4.35%	None
<u>Bank borrowings</u>			
Credit loan	\$ 2,404,299	0.9%~6.05%	None
Secured borrowing	50,000	1.23%	Property, plant and equipment
	<u>\$ 2,454,299</u>		

There was no capitalisation of borrowing costs for the years ended December 31, 2016 and 2015. Relevant interest expense on borrowings is recognized as "finance costs" .

## (14) Other payables

	December 31, 2016	December 31, 2015
Store collections	\$ 9,577,091	\$ 8,375,014
Wages, salaries and bonus payable	4,194,182	3,968,227
Sales receipt on behalf of others	1,175,306	1,513,759
Employees' compensation and remuneration for directors and supervisors	886,756	684,172
Payables for acquisition of property, plant and equipment	883,723	891,043
Incentive bonus payable to franchisees	853,388	729,214
Rent payable	682,966	776,089
Payables for labor and health insurance	224,975	225,058
Others	4,463,946	4,365,676
	<u>\$ 22,942,333</u>	<u>\$ 21,528,252</u>

## (15) Other current liabilities

	December 31, 2016	December 31, 2015
Advance receipts for gift certificates	\$ 1,200,808	\$ 1,098,233
Advance receipts of deposits in icash cards	894,940	765,642
Advance receipts for gift cards	697,721	436,648
Advance receipts of members' deposits	457,262	407,205
Advance receipts for franchise fee	233,901	223,016
Current portion of long-term liabilities	203,652	130,357
Others	743,689	700,805
	<u>\$ 4,431,973</u>	<u>\$ 3,761,906</u>

## (16) Long-term borrowings

Type of borrowings	Interest rate range	Collateral	December 31, 2016
<u>Long-term bank borrowings</u>			
Credit loan	0.88%~3.10%		\$ 772,591
Secured borrowings	1.99%~2.24%	Property, plant and equipment	294,277
			<u>1,066,868</u>
Less: current portion			( 197,389 )
			<u>\$ 869,479</u>

Type of borrowings	Interest rate range	Collateral	December 31, 2015
Long-term bank borrowings			
Credit loan	0.983%~1%		\$ 513,818
Secured borrowings	2.225%~2.385%	Property, plant and equipment	249,063
			762,881
Less: current portion			( 97,970)
			<u>\$ 664,911</u>

A. There was no capitalization of borrowing costs for the years ended December 31, 2016 and 2015. Relevant interest expense on borrowings is recognized as "finance costs" .

B. The Group had undrawn long-term borrowings of \$7,946,043 and \$8,407,408 as of December 31, 2016 and 2015, respectively.

#### (17) Other non-current liabilities

	December 31, 2016	December 31, 2015
Guarantee deposit received	\$ 3,239,187	\$ 3,055,919
Provision for decommissioning liability	376,896	361,752
Deferred income	185,412	179,689
Others	315,698	199,332
	<u>\$ 4,117,193</u>	<u>\$ 3,796,692</u>

#### (18) 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 contribute monthly an amount equal to 2%-15% 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 and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution 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 employee's to the employee's individual pension accounts.

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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	(\$ 6,851,392)	(\$ 6,628,994)
Fair value of plan assets	2,585,420	2,523,402
Net defined benefit liability	<u>( 4,265,972)</u>	<u>( 4,105,592)</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, 2016			
Balance at January 1	(\$ 6,628,994)	\$ 2,523,402	(\$ 4,105,592)
Current service cost	( 101,701)	-	( 101,701)
Interest (expense) income	( 104,115)	40,309	63,806
Past service cost	1,524	-	1,524
	( 6,833,286)	2,563,711	( 4,269,575)
Remeasurements:			
Return on plan assets (not including the amount included in interest income or expense)	-	( 19,969)	( 19,969)
Change in demographic assumptions	( 18,512)	-	( 18,512)
Change in financial assumptions	( 109,857)	-	( 109,857)
Experience adjustments	( 50,288)	-	( 50,288)
Pension fund contribution	( 178,657)	( 19,969)	( 198,626)
Paid pension	-	149,094	149,094
	160,551	( 107,416)	53,135
Balance at December 31	160,551	41,678	202,229
	(\$ 6,851,392)	\$ 2,585,420	(\$ 4,265,972)
For the year ended December 31, 2015			
Balance at January 1	(\$ 6,172,203)	\$ 2,407,665	(\$ 3,764,538)
Current service cost	( 100,396)	-	( 100,396)
Interest (expense) income	( 128,274)	51,276	( 76,998)
Settlement profit or loss	5,395	-	5,395
	( 6,395,478)	2,458,941	( 3,936,537)
Remeasurements:			
Return on plan assets (not including the amount included in interest income or expense)	-	11,927	11,927
Change in demographic assumptions	( 36,962)	-	( 36,962)
Change in financial assumptions	( 325,477)	-	( 325,477)
Experience adjustments	( 9,180)	-	( 9,180)
	( 371,619)	11,927	( 359,692)
Pension fund contribution	-	181,028	181,028
Paid pension	138,103	( 128,494)	9,609
	138,103	52,534	190,637
Balance at December 31	(\$ 6,628,994)	\$ 2,523,402	(\$ 4,105,592)

(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 utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 utilisation 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, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.



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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Discount rate	1.25%~5.41%	1.25%~5.10%
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, 2016				
Effect on present value of defined benefit obligation	(\$ 225,824)	\$ 236,604	\$ 232,426	(\$ 222,621)
December 31, 2015				
Effect on present value of defined benefit obligation	(\$ 224,656)	\$ 214,952	\$ 231,373	(\$ 221,647)

The sensitivity analysis above was arrived at 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 method and the assumption of sensitivity analysis are the same for the years ended December 31, 2016 and 2015.

- (e) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 are \$161,567.
- (f) As of December 31, 2016, the weighted average duration of the retirement plan is 10 to 23 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 127,980
1-2 year(s)	229,208
2-5 years	788,943
Over 5 years	12,687,217
	<u>\$ 13,833,348</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 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, 2016 and 2015 was 13%~21% and 14%~22%, 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, 2016 and 2015 were \$807,481 and \$811,949, respectively.

#### (19) Share capital

As of December 31, 2016, 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 1,039,622,255 as of December 31, 2016 and 2015.

#### (20) 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.

## (21) 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 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 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 2015 and 2014 as resolved by the shareholders on June 15, 2016 and June 18, 2015, respectively, are as follows:

	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 823,899		\$ 891,124	
Cash dividends	7,485,280	\$ 7.20	7,277,356	\$ 7.00

E. The appropriations for 2016 as resolved by the Board of Directors on February 22, 2017 is as follows:

	2016	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 983,669	
Cash dividends	8,316,978	\$ 8.00

F. See Note 6(27) for information on employees' remuneration (bonuses) and directors' and supervisors' remuneration.

## (22) Other equity items

	For the year ended December 31, 2016		
	Exchange differences from translation of foreign operations	Unrealized gains/(losses) on available-for-sale financial assets	Total
At January 1, 2016	\$ 209,326	\$ 383,210	\$ 592,536
Revaluation:			
–Group	- ( 23,595)	( 23,595)	( 23,595)
–Associates	- 1,339	1,339	1,339
Revaluation-tax	- ( 3,137)	( 3,137)	( 3,137)
Currency translation differences:			
–Group	( 391,753)	- ( 391,753)	( 391,753)
–Associates	( 3,801)	- ( 3,801)	( 3,801)
At December 31, 2016	\$ 186,228	\$ 357,817	\$ 171,589

	For the year ended December 31, 2015		
	Exchange differences from translation of foreign operations	Unrealized gains/(losses) on available-for-sale financial assets	Total
At January 1, 2015	\$ 216,347	\$ 492,087	\$ 708,434
Revaluation:			
–Group	-	( 74,866)	( 74,866)
–Associates	-	( 27,312)	( 27,312)
Revaluation-tax	-	( 6,699)	( 6,699)
Currency translation differences:			
–Group	( 14,933)	-	( 14,933)
–Associates	7,912	-	7,912
At December 31, 2015	\$ 209,326	\$ 383,210	\$ 592,536

## (23) Operating revenue

	For the year ended December 31, 2016	For the year ended December 31, 2015
Sales revenue	\$ 193,292,683	\$ 184,982,474
Service revenue	11,663,782	11,603,272
Other operating revenue	10,402,624	8,895,571
	<u>\$ 215,359,089</u>	<u>\$ 205,481,317</u>

## (24) Other income

	For the year ended December 31, 2016	For the year ended December 31, 2015
Grants income	\$ 589,413	\$ 553,587
Rental revenue	180,275	279,984
Interest income	150,027	171,709
Dividend income	26,669	45,949
Others	793,502	700,323
	<u>\$ 1,739,886</u>	<u>\$ 1,751,552</u>

## (25) Other gains and losses

	For the year ended December 31, 2016	For the year ended December 31, 2015
Gain on disposal of investments	\$ 126,003	\$ 32,266
Loss on disposal of property, plant and equipment	( 35,203)	( 75,984)
Impairment loss	( 71,213)	( 456,375)
Others	( 323,221)	( 317,655)
	<u>(\$ 303,634)</u>	<u>(\$ 817,748)</u>

## (26) Expenses by nature

	For the year ended December 31, 2016	For the year ended December 31, 2015
Cost of goods sold	\$ 128,526,593	\$ 126,545,536
Employee benefit expense	21,960,533	20,450,005
Incentive bonuses for franchisees	18,106,047	15,880,747
Operating lease payments	10,330,256	9,830,549
Depreciation and amortization	5,502,659	5,446,628
Utilities expense	3,793,049	4,036,540
Other costs and expenses	16,735,332	13,681,499
Total operating costs and operating expenses	<u>\$ 204,954,469</u>	<u>\$ 195,871,504</u>

## (27) Employee benefit expense

	For the year ended December 31, 2016	For the year ended December 31, 2015
Wages and salaries	\$ 18,123,049	\$ 16,799,934
Labor and health insurance fees	1,608,670	1,608,237
Pension costs	971,464	983,948
Other personnel expenses	1,257,350	1,057,886
	<u>\$ 21,960,533</u>	<u>\$ 20,450,005</u>

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, 2016 and 2015, employees' compensation was accrued at \$515,635 and \$443,949, respectively; while directors' and supervisors' remuneration was accrued at \$172,272 and \$148,322, 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, 2016. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$515,635 and \$172,272, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2015 as resolved during the meeting of Board of Directors were in agreement with those amounts recognized in the 2015 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.

## (28) Income tax

## A. Income tax expense

## (a) Components of income tax expense:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Current tax:		
Current tax on profits for the year	\$ 2,288,412	\$ 2,244,998
Tax on undistributed surplus earnings	203	72,585
(Over) under provision of prior year's income tax	( 7,870)	17,359
Total current tax	2,280,745	2,334,942
Deferred tax:		
Origination and reversal of temporary differences	( 57,456)	( 95,593)
Income tax expense	<u>\$ 2,223,289</u>	<u>\$ 2,239,349</u>

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Fair value gains/losses on available-for-sale financial assets	\$ 3,137	\$ 6,699
	( 31,738)	( 56,535)
Remeasurement of defined benefit obligations	<u>(\$ 28,601)</u>	<u>(\$ 49,836)</u>

## B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2016	For the year ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	\$ 2,928,172	\$ 2,539,032
Expenses disallowed by tax regulation	( 682,546)	( 381,365)
Capital reduction plan to offset accumulated deficit	( 14,670)	( 8,262)
Additional 10% tax on undistributed earnings	203	72,585
( Over) under provision of prior year' s income tax	( 7,870)	17,359
Tax expense	\$ 2,223,289	\$ 2,239,349

The difference between the Group's accounting income and taxable income in 2016 and 2015 was mainly due to the dividend income, investment tax credits and the operating loss of subsidiaries.

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

	For the year ended December 31, 2016			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred tax assets</u>				
Allowance for doubtful accounts	\$ 27,375	(\$ 2,789)	\$ -	\$ 24,586
Unrealized sales allowance	15,138	1,102	-	16,240
Loss on inventory market value decline	35,059	8,134	-	43,193
Unrealized expenses	259,195	8,616	-	267,811
Book-tax difference of pension	71,490	( 48)	-	71,442
Remeasurements of the net defined benefit plan	634,052	-	31,738	665,790
Tax losses	80,457	1,843	-	82,300
Others	27,185	12,622	( 3,137)	36,670
	1,149,951	29,480	28,601	1,208,032
<u>Deferred tax liabilities</u>				
Unrealized exchange gain	( 38,195)	27,976	-	( 10,219)
	\$ 1,111,756	\$ 57,456	\$ 28,601	\$ 1,197,813
	For the year ended December 31, 2015			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred tax assets</u>				
Allowance for doubtful accounts	\$ 26,565	\$ 810	\$ -	\$ 27,375
Unrealized sales allowance	15,635	( 497)	-	15,138
Loss on inventory market value decline	23,837	11,222	-	35,059
Unrealized expenses	168,767	90,428	-	259,195
Book-tax difference of pension	72,396	( 906)	-	71,490
Remeasurements of the net defined benefit plan	577,517	-	56,535	634,052
Tax losses	113,253	( 32,796)	-	80,457
Others	10,400	23,484	( 6,699)	27,185
	1,008,370	91,745	49,836	1,149,951
<u>Deferred tax liabilities</u>				
Unrealized exchange gain	( 42,043)	3,848	-	( 38,195)
	\$ 966,327	\$ 95,593	\$ 49,836	\$ 1,111,756

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

December 31, 2016				
Year incurred	Amount filed /assessed	Unused amount	Unrecognized deferred tax assets	Usable until
2007~2016	\$ 5,138,543	\$ 5,138,543	\$ 4,629,475	2017~2026

December 31, 2015				
Year incurred	Amount filed /assessed	Unused amount	Unrecognized deferred tax assets	Usable until
2004~2015	\$ 4,330,656	\$ 4,330,656	\$ 3,857,380	2016~2025

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

	December 31, 2016	December 31, 2015
Deductible temporary differences	\$ 169,695	\$ 129,015

F. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.  
G. All the unappropriated earnings were generated on and after January 1, 1998.

H. The balance of the imputation tax credit account was \$1,125,612 and \$1,312,218 as of December 31, 2016 and 2015, respectively. The creditable tax rate was 21.61% for 2015 and the estimated creditable tax rate is 20.48% for 2016.

#### (29) Earnings per share

	For the year ended December 31, 2016		
	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	\$ 9,836,690	1,039,622	\$ 9.46
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 9,836,690	1,039,622	
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	3,073	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 9,836,690	1,042,695	\$ 9.43

	For the year ended December 31, 2015		
	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	\$ 8,238,993	1,039,622	\$ 7.92
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 8,238,993	1,039,622	
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	3,274	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 8,238,993	1,042,896	\$ 7.90



## (30) Transactions with non-controlling interest

## A. Acquisition of additional equity interest in a subsidiary

In September, 2016, the Group acquired an additional 0.66% shares of the subsidiary, Philippine Seven Corp., for a cash consideration of \$266,428. The carrying amount of non-controlling interest in Philippine Seven Corp. was \$19,300 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$19,300 and a decrease in the equity attributable to owners of the parent by \$247,128. The effect of changes in interests in Philippine Seven Corp. on the equity attributable to owners of the parent for the year ended December 31, 2016 is shown below:

	For the year ended December 31, 2016
Carrying amount of non-controlling interest acquired	\$ 19,300
Consideration received from non-controlling interest	( 266,428 )
Capital surplus - difference between proceeds on actual acquisition of equity interest in a subsidiary and its carrying amount (Decrease in "Capital surplus" and "Unappropriated retained earnings" )	(\$ 247,128 )

B. The Group did not conduct any transaction with non-controlling interest in 2015.

## (31) Operating leases

Lessor

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

	December 31, 2016	December 31, 2015
Less than one year	\$ 82,807	\$ 93,234
Over one year but less than five years	207,925	275,409
Over five years	67,573	98,700
	<u>\$ 358,305</u>	<u>\$ 467,343</u>

Lessee

A. The Group leases business premises for its stores. The lease terms are between three 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, 2016 and 2015 are as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Rental expenses	\$ 9,948,663	\$ 9,406,358
Contingent rent	<u>\$ 381,593</u>	<u>\$ 424,191</u>

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

	December 31, 2016	December 31, 2015
Less than one year	\$ 8,595,157	\$ 8,403,055
Over one year but less than five years	27,192,685	25,302,142
Over five years	14,443,449	12,869,558
	<u>\$ 50,231,291</u>	<u>\$ 46,574,755</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, 2016 and 2015 are as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Sublease revenues	\$ 227,240	\$ 295,246
Contingent rent	<u>\$ 1,228,653</u>	<u>\$ 1,234,907</u>

In accordance with non-cancellable sub-lease agreements as of December 31, 2016, sub-lease payments totalling \$534,540 are expected to be collected between 2017 and 2026.

(32) Supplemental cash flow information  
Investing activities with partial cash payments

	For the year ended December 31, 2016	For the year ended December 31, 2015
Purchase of property, plant and equipment	\$ 5,740,125	\$ 6,226,503
Add: opening balance of payable on equipment	891,043	1,028,465
Less: ending balance of payable on equipment	( 883,723)	( 891,043)
Cash paid during the year	\$ 5,747,445	\$ 6,363,925

## 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, 2016.

## (2) Significant related party transactions and balances

## A. Operating revenue

	For the year ended December 31, 2016	For the year ended December 31, 2015
<u>Sales of goods</u>		
Ultimate parent	\$ 511,881	\$ 514,133
Associates	917,685	717,159
Sister companies	265,635	172,662
Other related parties	58,409	25,456
<u>Sales of services</u>		
Ultimate parent	8,955	9,212
Associates	138,774	87,014
Sister companies	8,571	7,903
Other related parties	4,195	3,197
	\$ 1,914,105	\$ 1,536,736

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, 2016	For the year ended December 31, 2015
Ultimate parent	\$ 14,443,403	\$ 13,988,419
Associates	368,036	268,898
Sister companies	4,311,155	4,225,744
Other related parties	1,125,787	950,688
	\$ 20,248,381	\$ 19,433,749

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

## C. Receivables from related parties

	December 31, 2016	December 31, 2015
Ultimate parent	\$ 183,293	\$ 177,174
Associates	143,208	165,058
Sister companies	74,809	77,148
Other related parties	4,916	5,342
	\$ 406,226	\$ 424,722

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, 2016	December 31, 2015
Ultimate parent	\$ 1,615,103	\$ 1,566,385
Associates	117,549	93,602
Sister companies	479,849	449,336
Other related parties	197,161	189,467
	<u>\$ 2,409,662</u>	<u>\$ 2,298,790</u>

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

## E. Long-term installment payable

The subsidiaries, President Transnet Corp., Chieh-Shuen Logistics International Corp. and President Logistics International Corp., acquired transportation equipment on installment payments for up to five years. Details of the related long-term installment payables (under "Other current liabilities" and "Other non-current liabilities" ) are as follows:

	December 31, 2016	December 31, 2015
Sister companies	\$ 6,317	\$ 40,675
Discount on the long-term installment payable	( 49)	( 646)
Net amount	6,268	40,029
Less: Current portion	( 6,263)	( 32,387)
	<u>\$ 5</u>	<u>\$ 7,642</u>

## (3) Key management compensation

	For the year ended December 31, 2016	For the year ended December 31, 2015
Other short-term employee benefits	\$ 597,354	\$ 620,759

## 8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2016	December 31, 2015	
Land	\$ 368,869	\$ 368,869	Long-term and short-term borrowings and guarantee facilities
Buildings	211,041	232,830	Long-term and short-term borrowings and guarantee facilities
Transportation equipment	474,585	542,964	Long-term borrowings and long-term installment payable
Pledged time deposits (Recognized as "Other non-current assets - guarantee deposits paid")	31,065	39,879	
	<u>\$ 1,085,560</u>	<u>\$ 1,184,542</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. Fair value information of financial instruments

(a) Except for the items listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, financial assets carried at cost, short-term borrowings, notes payable, accounts payable, other payables and long-term borrowings) are approximate to their fair values. See Note 12(3) for information on financial instruments measured at fair value.

	December 31, 2016		December 31, 2015	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Guarantee deposit paid	\$ 2,376,488	\$ 2,359,056	\$ 2,320,964	\$ 2,247,333
Financial liabilities:				
Guarantee deposit received	\$ 3,239,187	\$ 3,212,077	\$ 3,055,919	\$ 2,973,355

(b) The methods and assumptions of fair value measurement are as follows:

Guarantee deposits paid/received are measured at the estimated fair value of the expected present cash flow.

B. Financial 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. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

I. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currencies.

II. 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:

(Foreign currency: functional currency)	December 31, 2016			December 31, 2015		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets						
Monetary items						
USD : NTD	\$ 942	32.250	\$ 30,380	\$ 4,241	32.825	\$ 139,211
RMB : NTD	31,493	4.6436	146,241	3,371	4.9950	16,838
JPY : NTD	221,092	0.2756	60,933	210,620	0.2730	57,499
HKD : NTD	9,136	4.1582	37,989	18,624	4.2350	78,873
Non-monetary items						
JPY : NTD	\$ 720,900	0.2756	\$ 198,680	\$ 660,900	0.273	\$ 180,426
Financial liabilities						
Monetary items						
USD : NTD	\$ 585	32.250	\$ 18,866	\$ 858	32.825	\$ 28,164
JPY : NTD	45,432	0.2756	12,521	174,196	0.273	47,556

III. Total exchange gains, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Group amounted to \$162 and 42,749 for the years ended December 31, 2016 and 2015, respectively.

Price risk

I. The Group is exposed to price risk on its equity securities investments, which are classified on the consolidated balance sheet as either available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage price risk on its equity securities investments, the Group seeks to maintain diversified portfolio in line with set policy.

II. The Group's equity securities investments comprise domestic listed stocks and open-ended funds. The prices of equity securities and open-ended funds may change due to changes in the future value of investee companies. If the prices of these equity securities increase or decrease by 5%, and open-ended funds increase or decrease by 0.25%, with all other variables held constant, the post-tax profit for the years ended December 31, 2016 and 2015 would have increased/decreased

by \$2,120 and \$14,051, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$31,596 and \$32,778, respectively, over the same periods as a result of gains/losses on equity securities classified as available-for-sale.

#### 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.
- II. The Group's invested open-ended funds are mainly quasi money market funds. The holding durations of short-term financial instruments are short. The Group has assessed there is no significant market risk.

#### (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 under contract obligations. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum credit rating of "A" are accepted.
- II. Management has assessed there are no significant losses due to non-performance by these counterparties for the years ended December 31, 2016 and 2015.

#### (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 (see Note 6(16)), 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 \$847,954 and \$5,620,386 as at December 31, 2016 and December 31, 2015, respectively, which are expected to readily generate cash inflows for the purpose of managing liquidity risk.
- III. 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, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Short-term borrowings	\$ 1,697,601	\$ -	\$ -	\$ -
Short-term notes and bills payable	274,000	-	-	-
Notes payable	2,207,113	-	-	-
Accounts payable	19,927,239	-	-	-
Other payables	22,942,333	-	-	-
Long-term borrowings (including current portion)	225,744	439,038	71,141	399,393

#### Non-derivative financial liabilities:

December 31, 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Short-term borrowings	\$ 2,518,332	\$ -	\$ -	\$ -
Short-term notes and bills payable	395,000	-	-	-
Notes payable	1,146,992	-	-	-
Accounts payable	19,209,083	-	-	-
Other payables	21,528,252	-	-	-
Long-term borrowings (including current portion)	144,381	583,080	101,399	-

## (3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(9).

B. 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.

C. 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:

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Open-ended funds	\$ 847,954	\$ -	\$ -	\$ 847,954
Available-for-sale financial assets				
Equity securities	631,928	-	64,577	696,505
Government bond	202,985	-	-	202,985
Subtotal	834,913	-	64,577	899,490
Total	\$ 1,682,867	\$ -	\$ 64,577	\$ 1,747,444
December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Open-ended funds	\$ 5,620,386	\$ -	\$ -	\$ 5,620,386
Available-for-sale financial assets				
Equity securities	655,553	-	64,728	720,281
Government bond	202,848	-	-	202,848
Subtotal	858,401	-	64,728	923,129
Total	\$ 6,478,787	\$ -	\$ 64,728	\$ 6,543,515

D. The methods and assumptions the Group uses to measure fair value are as follows:

(a) 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

(b) 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, 2016 and 2015, there was no significant transfer in or out of Level 3.



F. The Group 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.

G. 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, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 64,577	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value

	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 64,728	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value, and considers 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, 2016 and 2015.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to Table 1.
- 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 2.
- 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 3.
- 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 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to Table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 7.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to Table 8.
- 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 this 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 Company, 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, China business group and supporting business group. The latter 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, 2016					
	Convenience stores	Retail business group	Logistics business group	Other operating segments	Adjustment and elimination	Total
External revenue (net)	\$ 139,575,426	\$ 63,685,723	\$ 2,865,678	\$ 9,232,262	\$ -	\$ 215,359,089
Internal department revenue	571,709	2,509,633	11,658,022	6,036,028	( 20,775,392)	-
Total segment revenue	\$ 140,147,135	\$ 66,195,356	\$ 14,523,700	\$ 15,268,290	(\$ 20,775,392)	\$ 215,359,089
Segment income	\$ 11,112,701	\$ 3,267,657	\$ 1,016,000	\$ 1,625,494	(\$ 3,659,994)	\$ 13,361,858
Depreciation and amortization	(\$ 2,206,735)	(\$ 1,979,186)	(\$ 684,285)	(\$ 632,453)	\$ -	(\$ 5,502,659)
Gain (loss) on investments accounted for using equity method	\$ 3,316,251	\$ -	\$ -	\$ -	(\$ 1,700,406)	\$ 1,615,845
Income tax expense	(\$ 1,276,011)	(\$ 686,447)	(\$ 152,882)	(\$ 107,949)	\$ -	(\$ 2,223,289)
Interest income	\$ 98,695	\$ 20,930	\$ 5,456	\$ 24,946	\$ -	\$ 150,027
Interest expense	(\$ 30,755)	(\$ 35,205)	(\$ 10,322)	(\$ 18,577)	\$ -	(\$ 94,859)

	For the year ended December 31, 2015					
	Convenience stores	Retail business group	Logistics business group	Other operating segments	Adjustment and elimination	Total
External revenue (net)	\$ 132,826,559	\$ 59,938,346	\$ 2,233,152	\$ 10,483,260	\$ -	\$ 205,481,317
Internal department revenue	581,129	2,664,863	10,985,202	5,788,349	( 20,019,543)	-
Total segment revenue	\$ 133,407,688	\$ 62,603,209	\$ 13,218,354	\$ 16,271,609	(\$ 20,019,543)	\$ 205,481,317
Segment income	\$ 9,566,746	\$ 3,267,565	\$ 932,915	(\$ 287,586)	(\$ 1,797,837)	\$ 11,681,803
Depreciation and amortization	(\$ 2,342,132)	(\$ 1,788,056)	(\$ 578,871)	(\$ 737,569)	\$ -	(\$ 5,446,628)
Gain (loss) on investments accounted for using equity method	\$ 2,147,664	\$ -	\$ -	\$ -	(\$ 902,357)	\$ 1,245,307
Income tax expense	(\$ 1,327,753)	(\$ 672,242)	(\$ 136,735)	(\$ 102,619)	\$ -	(\$ 2,239,349)
Interest income	\$ 87,564	\$ 29,012	\$ 5,986	\$ 49,147	\$ -	\$ 171,709
Interest expense	(\$ 34,002)	(\$ 34,812)	(\$ 11,019)	(\$ 27,288)	\$ -	(\$ 107,121)

## (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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Convenience stores	\$ 163,004,661	\$ 152,058,340
Sales of daily items	25,037,454	26,141,724
Gas station	9,152,819	10,011,432
Delivery service	10,374,721	9,819,717
Logistics service	2,865,678	2,233,152
Restaurants	1,743,845	1,881,528
Others	3,179,911	3,335,424
	<u>\$ 215,359,089</u>	<u>\$ 205,481,317</u>

## (6) Information on geographic area

As of and for the years ended December 31, 2016 and 2015, the information on geographic area is as follows:

	2016		2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 185,297,250	\$ 23,767,335	\$ 178,325,111	\$ 20,937,917
Others	30,061,839	5,029,757	27,156,206	4,065,140
	<u>\$ 215,359,089</u>	<u>\$ 28,797,092</u>	<u>\$ 205,481,317</u>	<u>\$ 25,003,057</u>

## (7) Major customer information

No customers constituted more than 10% of the Group's total revenue for the years ended December 31, 2016 and 2015.

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES**  
**Loan to others**

Table 1

For the year ended December 31, 2016  
Expressed in thousands of NTD  
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2016	Balance at December 31, 2016	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Footnote
													Item	Value			
1	President Information Corp.	Uni-President Superior Commissary Corp.	Other receivables	Y	\$ 100,000	\$ 100,000	\$ 100,000	0.97	Short-term financing	\$ -	Additional operating capital	\$ -	-	\$ -	\$ 194,633	\$ 194,633	
2	Uni-President Ustyle Department Store Corp.	Uni-President Superior Commissary Corp.	Other receivables	Y	150,000	150,000	150,000	0.99	Short-term financing	-	Additional operating capital	-	-	-	264,441	264,441	

Note 1: The maximum amount for total loan and the maximum amount of individual enterprise are 40% of its net worth.

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES****Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)**

Table 2

December 31, 2016  
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, 2016				Footnote
				Number of shares	Book value (Note)	Ownership (%)	Fair value	
Stock :								
President Chain Store Corp.	President Securities Corp.	Investees of Uni-President Enterprises Corp. under the Equity Method	Available-for-sale financial assets - non-current	36,715,907	\$ 433,248	2.75	\$ 433,248	
President Chain Store Corp.	Duskin Co., Ltd.	None	"	300,000	198,680	0.54	198,680	
President Chain Store Corp.	President Investment Trust Corp., etc.	"	"	-	64,577	-	64,577	
President Chain Store Corp.	Kaohsiung Rapid Transit Corp., etc.	"	Financial assets measured at cost - non-current	-	25,721	-	-	
Open ended funds :								
Shanghai President Chain Store Corporation Trade Co., Ltd., etc	CIFM Cash Liquidity Money Market Fund, etc	None	Financial assets at fair value through profit or loss - current	-	\$ 278,564	-	\$ 278,564	
President Pharmaceutical Corp.	Jih Sun Money Market Fund	"	"	15,426,309	226,299	-	226,299	
Shan Dong President Yinzuo Commercial Limited	Harvest Prime Liquidity Money Market Fund, etc	"	"	-	116,091	-	116,091	
Q-ware Systems & Services Corp.	Yuanta Wan Tai Money Market Fund	"	"	8,194,155	123,000	-	123,000	
Q-ware Systems & Services Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	7,719,715	104,000	-	104,000	
Stock :								
Duskin China (BVI) Holdings Limited	Duskin (Shanghai) Co., Ltd.	None	Financial assets measured at cost - non-current	7,000	\$ 1,773	8.75	\$ -	
Bond :								
icash Corp.	Government bond	None	Available-for-sale financial assets - non-current	-	\$ 202,985	-	\$ 202,985	

Note : The amounts less than \$100,000 are combined disclosure.

**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 3

For the year ended December 31, 2016  
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, 2016		Addition		Disposal				Other increase (decrease)		Balance as at December 31, 2016	
					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 :																
President Chain Store Corp.	Jih Sun Money Market Fund	Note 1	Not applicable	Not applicable	82,070,923	\$ 1,200,000	-	\$ -	82,070,923	\$ 1,200,484	\$ 1,200,000	\$ 484	-	\$ -	-	\$ -
President Chain Store Corp.	Mega Diamond Money Market Fund	"	"	"	137,352,649	1,700,000	-	-	137,352,649	1,702,651	1,700,000	2,651	-	-	-	-
President Chain Store Corp.	Prudential Financial Money Market Fund	"	"	"	64,063,551	1,000,000	-	-	64,063,551	1,002,787	1,000,000	2,787	-	-	-	-
President Chain Store Corp.	UPAMC James Bond Money Market Fund	"	"	"	30,287,795	500,000	90,701,962	1,500,000	120,989,757	2,000,616	2,000,000	616	-	-	-	-
President Chain Store Corp.	CTBC Hwa-win Money Market Fund	"	"	"	-	-	91,724,606	1,000,000	91,724,606	1,000,339	1,000,000	339	-	-	-	-
President Chain Store Corp.	FSITC Money Market Fund	"	"	"	-	-	4,533,313	800,000	4,533,313	800,352	800,000	352	-	-	-	-
Books.com. Co., Ltd.	Jih Sun Money Market Fund	"	"	"	10,605,306	155,000	104,454,945	1,530,000	109,605,904	1,605,579	1,605,000	579	-	14	5,454,347	80,014
Books.com. Co., Ltd.	CTBC Hwa-win Money Market Fund	"	"	"	-	-	51,373,432	560,000	51,373,432	560,109	560,000	109	-	-	-	-
Chieh-Shuen Logistics International Corp.	UPAMC James Bond Money Market Fund	"	"	"	1,365,894	22,549	27,388,932	453,000	25,976,596	429,633	429,540	93	- (	5)	2,778,230	46,004
Chieh-Shuen Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	"	4,507,830	60,550	32,269,986	434,000	35,293,123	474,638	474,547	91	- (	2)	1,484,693	20,001
President Drugstore Business Corp.	Union Money Market Fund	"	"	"	8,432,937	110,009	35,990,234	470,000	44,423,171	580,078	580,000	78	- (	9)	-	-
President Drugstore Business Corp.	Jih Sun Money Market Fund	"	"	"	3,420,253	50,009	24,573,062	360,000	27,993,315	410,077	410,000	77	- (	9)	-	-
President Pharmaceutical Corp.	Jih Sun Money Market Fund	"	"	"	-	-	59,502,166	872,000	44,075,857	646,003	645,753	250	-	52	15,426,309	226,299
Q-ware Systems & Services Corp.	Yuanta Wan Tai Money Market Fund	"	"	"	-	-	61,509,656	922,000	53,315,501	799,228	799,000	228	-	-	8,194,155	123,000
Q-ware Systems & Services Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	"	5,211,358	70,000	42,868,964	577,000	40,360,607	543,120	543,000	120	-	-	7,719,715	104,000
Stock :																
President Chain Store Corp.	President Chain Store (BVI) Holdings Ltd.	Note 2	Cash capital increase	Parent company to subsidiary	138,899,066	3,945,077	27,369,163	887,181	-	-	-	-	( 25,883,922)	221,625	140,384,307	5,053,883
President Chain Store (BVI) Holdings Ltd.	Presidentc Limited	"	"	"	46,537,630	( 810,343)	27,369,163	887,181	73,906,793	3,136	( 32,842)	35,978	( 2,576,394)	( 109,680)	-	-

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

Note 2: The marketable 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 4

For the year ended December 31, 2016  
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	\$ 14,236,472	15	Net 30-40 days from the end of the month when invoice is issued	No significant differences	No significant differences	(\$ 1,238,404)	8	
	Uni-President Superior Commissary Corp.	Subsidiary	"	3,244,038	4	Net 45 days from the end of the month when invoice is issued	"	"	( 553,533)	4	
	Tung Ang Enterprise Corp.	Sister company	"	1,981,052	2	Net 30 days from the end of the month when invoice is issued	"	"	( 170,617)	1	
	Lien-Bo Enterprises Corp.	"	"	966,035	1	Net 10-54 days from the end of the month when invoice is issued	"	"	( 123,408)	1	
	Vision Distribution Service Corp.	Subsidiary	"	695,832	1	Net 30-60 days from the end of the month when invoice is issued	"	"	( 74,099)	-	
	Tait Marketing & Distribution Co., Ltd.	Sister company	"	433,307	-	Net 20-70 days from the end of the month when invoice is issued	"	"	( 41,463)	-	
	Q-ware Systems & Services Corp.	Subsidiary	"	578,204	1	Net 15-40 days from the end of the month when invoice is issued	"	"	( 98,382)	1	
	President Packaging Corp.	Sister company	"	341,040	-	Net 15-60 days from the end of the month when invoice is issued	"	"	( 57,901)	-	
	President Transnet Corp.	Subsidiary	"	242,938	-	Net 60 days from the end of the month when invoice is issued	"	"	( 17,277)	-	
	Kuang Chuan Dairy Corp.	Other related party	"	237,300	-	Net 30-65 days from the end of the month when invoice is issued	"	"	( 61,953)	-	
	Weilih Food Industrial Co., Ltd.	"	"	227,719	-	Net 30-60 days from the end of the month when invoice is issued	"	"	( 36,990)	-	
	21 Century Enterprise Co., Ltd.	Subsidiary	"	227,353	-	Net 30-60 days from the end of the month when invoice is issued	"	"	( 78,887)	1	
	Mister Donut Taiwan Co., Ltd.	Other related party	"	125,791	-	Net 55-60 days from the end of the month when invoice is issued	"	"	( 22,156)	-	
	President Pharmaceutical Corp.	Subsidiary	"	111,849	-	Net 10-54 days from the end of the month when invoice is issued	"	"	( 9,669)	-	
21 Century Enterprise Co., Ltd.	President Chain Store Corp.	Parent company	Sales revenue	( 227,353)	( 17)	Net 30-60 days from the end of the month when invoice is issued	"	"	78,887	34	
Capital Inventory Services Corp.	President Chain Store Corp.	"	Service revenue	( 161,101)	( 78)	Net 20 days from the end of the month when invoice is issued	"	"	32,200	70	
Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary of President Chain Store Corp.	Delivery revenue	( 874,818)	( 53)	Net 40 days from the end of the month when invoice is issued	"	"	163,954	70	
	President Logistics International Corp.	Parent company	"	( 723,964)	( 44)	Net 20 days from the end of the month when invoice is issued	"	"	67,122	29	
Duskin Serve Taiwan Co.	President Chain Store Corp.	"	Service revenue	( 229,704)	( 22)	Net 15-60 days from the end of the month when invoice is issued	"	"	26,063	18	
President Drugstore Business Corp.	President Pharmaceutical Corp.	Subsidiary of President Chain Store Corp.	Purchases	944,350	11	Net 30-110 days from the end of the month when invoice is issued	"	"	( 23,397)	( 1)	
President Information Corp.	President Chain Store Corp.	Parent company	Service revenue	( 796,419)	( 66)	Net 45 days from the end of the month when invoice is issued	"	"	164,456	68	
	President Transnet Corp.	Subsidiary of President Chain Store Corp.	"	( 127,358)	( 11)	Net 45 days from the end of the month when invoice is issued	"	"	26,306	11	

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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.	Retail Support International Corp.	Parent company	Delivery revenue	\$ 734,710	( 28)	Net 20 days from the end of the month when invoice is issued		No significant differences	\$ 66,696	27	
	Uni-President Cold-Chain Corp.	Subsidiary of President Chain Store Corp.	"	( 982,130)	( 38)	Net 20 days from the end of the month when invoice is issued	"	"	83,305	34	
	Wisdom Distribution Service Corp.	"	"	( 541,171)	( 21)	Net 20 days from the end of the month when invoice is issued	"	"	65,629	27	
	Chieh-Shuen Logistics International Corp.	Subsidiary	Service cost	723,964	29	Net 20 days from the end of the month when invoice is issued	"	"	( 67,122)	( 28)	
Uni-President Superior Commissary Corp.	President Chain Store Corp.	Parent company	Sales revenue	( 3,244,038)	( 100)	Net 45 days from the end of the month when invoice is issued	"	"	553,533	100	
President Pharmaceutical Corp.	President Chain Store Corp.	"	"	( 111,849)	( 4)	Net 10-54 days from the end of the month when invoice is issued	"	"	9,669	2	
	President Drugstore Business Corp.	Subsidiary of President Chain Store Corp.	"	( 944,350)	( 38)	Net 30-110 days from the end of the month when invoice is issued	"	"	23,397	6	
	President Pharmaceutical (Hong Kong) Holdings Limited	Subsidiary	"	( 180,072)	( 7)	Net 90 days from the end of the month when invoice is issued	"	"	36,891	9	
	President Chain Store Tokyo Marketing Corp.	Subsidiary of President Chain Store Corp.	"	( 105,980)	( 4)	Net 210 days from the end of the month when invoice is issued	"	"	25,209	6	
President Transnet Corp.	President Chain Store Corp.	Parent company	"	( 242,938)	( 2)	Net 60 days from the end of the month when invoice is issued	"	"	17,277	1	
	Chieh-Shuen Logistics International Corp.	Subsidiary of President Chain Store Corp.	Service cost	874,818	8	Net 40 days from the end of the month when invoice is issued	"	"	( 163,954)	( 10)	
Retail Support Taiwan Corp.	Retail Support International Corp.	Parent company	Delivery revenue	( 280,119)	77	Net 15-20 days from the end of the month when invoice is issued	"	"	20,178	62	
Vision Distribution Service Corp.	President Chain Store Corp.	"	Sales revenue	( 695,832)	( 51)	Net 65 days from the end of the month when invoice is issued	"	"	74,099	47	
Q-ware Systems & Services Corp.	President Chain Store Corp.	"	"	( 578,204)	( 66)	Net 15-40 days from the end of the month when invoice is issued	"	"	98,382	75	
Wisdom Distribution Service Corp.	Books.com. Co., Ltd.	Subsidiary of President Chain Store Corp.	Delivery revenue	( 262,570)	( 14)	Net 30 days from the end of the month when invoice is issued	"	"	23,440	5	
President Pharmaceutical (Hong Kong) Holdings Ltd.	President Pharmaceutical Corp.	Parent company	Purchases	180,072	100	Net 90 days from the end of the month when invoice is issued	"	"	( 36,891)	( 100)	

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES****Receivables from related parties reaching \$100 million or 20% of paid-in capital or more**

December 31, 2016

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as of December 31, 2016	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
President Chain Store Corp.	Wisdom Distribution Service Corp.	Subsidiary	\$ 565,738	Note	\$ -	None	\$ 298,299	\$ -
	icash Corp.	"	136,493	"	-	"	3,882	-
Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary of President Chain Store Corp.	163,954	6.32	-	"	133,076	-
President Information Corp.	President Chain Store Corp.	Parent company	164,456	4.97	-	"	139,560	-
Uni-President Superior Commissary Corp.	President Chain Store Corp.	"	553,533	6.03	-	"	280,136	-
Books.com. Co., Ltd.	President Chain Store Corp.	"	158,401	-	-	"	158,401	-

Note : It is not applicable to calculate receivables turnover ratio since most of the collections pertain to purchase rebate and accounts receivable for icash.

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES**  
**Significant inter-company transactions during the reporting periods**

Table 6

For the year ended December 31, 2016  
Expressed in thousands of NTD  
(Except as otherwise indicated)

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.	icash Corp.	Parent company to subsidiary	Other receivables	\$ 133,784	Net 30-60 days from the end of the month when invoice is issued	0.14
0	President Chain Store Corp.	Wisdom Distribution Service Corp.	Parent company to subsidiary	Other receivables	565,738	Net 30-60 days from the end of the month when invoice is issued	0.59
0	President Chain Store Corp.	Books.com. Co., Ltd.	Parent company to subsidiary	Other operating revenue	( 174,032)	Net 60 days from the end of the month when invoice is issued	0.08
0	President Chain Store Corp.	President Transnet Corp.	Parent company to subsidiary	Other operating revenue	( 167,931)	Net 30 days from the end of the month when invoice is issued	0.08
0	President Chain Store Corp.	Retail Support International Corp.	Parent company to subsidiary	Other income	( 253,776)	Net 60 days from the end of the month when invoice is issued	0.12
0	President Chain Store Corp.	Uni-President Cold-Chain Corp.	Parent company to subsidiary	Other income	( 180,138)	Net 30 days from the end of the month when invoice is issued	0.08
1	Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary to subsidiary	Accounts receivable	163,954	Net 40 days from the end of the month when invoice is issued	0.17
2	President Pharmaceutical Corp.	President Drugstore Business Corp.	Subsidiary to subsidiary	Accounts receivable	23,397	Net 30~110 days from the end of the month when invoice is issued	0.02
3	Uni-President Ustyle Department Store Corp.	Uni-President Superior Commissary Corp.	Subsidiary to subsidiary	Other receivables	150,000	Expired at September 30, 2017	0.16
4	President Information Corp.	Uni-President Superior Commissary Corp.	Subsidiary to subsidiary	Other receivables	100,000	Expired at September 30, 2017	0.10
5	President Collect Services Co., Ltd.	President Transnet Corp.	Subsidiary to subsidiary	Other receivables	1,011,770	Net 40 days from the end of the month when invoice is issued	1.06
6	Chieh-Shuen Logistics International Corp.	President Logistics International Corp.	Subsidiary to subsidiary	Delivery revenue	( 723,964)	Net 20 days from the end of the month when invoice is issued	0.34
6	Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary to subsidiary	Delivery revenue	( 874,818)	Net 40 days from the end of the month when invoice is issued	0.41
6	President Logistics International Corp.	Retail Support International Corp.	Subsidiary to subsidiary	Delivery revenue	( 734,710)	Net 20 days from the end of the month when invoice is issued	0.34
6	President Logistics International Corp.	Uni-President Cold-Chain Corp.	Subsidiary to subsidiary	Delivery revenue	( 982,130)	Net 20 days from the end of the month when invoice is issued	0.46
6	President Logistics International Corp.	Wisdom Distribution Service Corp.	Subsidiary to subsidiary	Delivery revenue	( 541,171)	Net 20 days from the end of the month when invoice is issued	0.25
7	President Pharmaceutical Corp.	President Chain Store Tokyo Marketing Corp.	Subsidiary to subsidiary	Sales revenue	( 105,980)	Net 210 days from the end of the month when invoice is issued	0.05
7	President Pharmaceutical Corp.	President Pharmaceutical (Hong Kong) Holdings Limited	Subsidiary to subsidiary	Sales revenue	( 180,072)	Net 90 days from the end of the month when invoice is issued	0.08
7	President Pharmaceutical Corp.	President Drugstore Business Corp.	Subsidiary to subsidiary	Sales revenue	( 944,350)	Net 30~110 days from the end of the month when invoice is issued	0.44
8	Wisdom Distribution Service Corp.	Books.com. Co., Ltd.	Subsidiary to subsidiary	Delivery revenue	( 262,570)	Net 30 days from the end of the month when invoice is issued	0.12
9	Retail Support Taiwan Corp.	Retail Support International Corp.	Subsidiary to subsidiary	Delivery revenue	( 280,119)	Net 15~20 days from the end of the month when invoice is issued	0.13
10	President Information Corp.	President Transnet Corp.	Subsidiary to subsidiary	Service revenue	( 127,358)	Net 45 days from the end of the month when invoice is issued	0.06
11	President Transnet Corp.	President Collect Services Co., Ltd.	Subsidiary to subsidiary	Service revenue	( 247,531)	Net 40 days from the end of the month when invoice is issued	0.11

Number	Company name	Counterparty	Relationship	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
11	President Transnet Corp.	President Collect Services Co., Ltd.	Subsidiary to subsidiary	Collection payable	(\$1,011,056)	Net 40 days from the end of the month when invoice is issued	1.06
12	Uni-President Superior Commissary Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	553,533	Net 45 days from the end of the month when invoice is issued	0.58
12	Uni-President Superior Commissary Corp.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	( 3,244,038)	Net 45 days from the end of the month when invoice is issued	1.51
13	21 Century Enterprise Co., Ltd.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	( 227,353)	Net 30-60 days from the end of the month when invoice is issued	0.11
14	Vision Distribution Service Corp.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	( 695,832)	Net 65 days from the end of the month when invoice is issued	0.32
14	Vision Distribution Service Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	74,099	Net 65 days from the end of the month when invoice is issued	0.08
15	President Information Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	164,456	Net 45 days from the end of the month when invoice is issued	0.17
15	President Information Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	( 796,419)	Net 45 days from the end of the month when invoice is issued	0.37
16	President Transnet Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	17,277	Net 30-60 days from the end of the month when invoice is issued	0.02
17	Duskin Serve Taiwan Co.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	( 229,704)	Net 15-60 days from the end of the month when invoice is issued	0.11
18	Capital Inventory Services Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	( 161,101)	Net 20 days from the end of the month when invoice is issued	0.07
19	Q-ware Systems & Services Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	( 578,204)	Net 15-40 days from the end of the month when invoice is issued	0.27

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

Table 7

For the year ended December 31, 2016  
Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value (Note 3)			
President Chain Store Corp.	President Chain Store (BVI) Holdings Ltd.	British Virgin Islands	Professional investment	\$ 4,983,745	\$ 4,885,624	140,384,307	100.00	\$ 5,053,883	\$ 845,170	\$ 845,170	Subsidiary
President Chain Store Corp.	President Drugstore Business Corp.	Taiwan	Sales of cosmetics, medicines and daily items	288,559	288,559	40,000,000	100.00	1,051,796	418,965	418,965	Subsidiary
President Chain Store Corp.	President Transnet Corp.	Taiwan	Delivery service	711,576	711,576	103,496,399	70.00	1,454,357	457,034	319,924	Subsidiary
President Chain Store Corp.	Mech-President Corp.	Taiwan	Gas station and elevator installation	904,475	904,475	55,858,815	80.87	680,703	119,299	96,477	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	656,852	123,288	90,913	Subsidiary
President Chain Store Corp.	Uni-President Ustyle Department Store Corp.	Taiwan	Department stores	840,000	840,000	27,999,999	70.00	462,771	262,478	183,734	Subsidiary
President Chain Store Corp.	Uni-President Superior Commissary Corp.	Taiwan	Foods manufacturing	520,141	520,141	48,519,890	90.00	434,869	59,309	49,472	Subsidiary
President Chain Store Corp.	Uni-President Cold-Chain Corp.	Taiwan	Low-temperature foods logistics and warehousing	237,437	237,437	23,605,042	60.00	615,562	308,489	185,093	Subsidiary
President Chain Store Corp.	President Information Corp.	Taiwan	Enterprise information management and consultancy	320,741	320,741	25,714,475	86.00	527,301	113,476	97,589	Subsidiary
President Chain Store Corp.	Q-ware Systems & Services Corp.	Taiwan	Information software service	332,482	332,482	24,382,921	86.76	341,897	60,194	52,224	Subsidiary
President Chain Store Corp.	Wisdom Distribution Service Corp.	Taiwan	Logistics and warehousing of publication	50,000	50,000	10,847,421	100.00	354,821	159,111	159,111	Subsidiary
President Chain Store Corp.	Books.com. Co., Ltd.	Taiwan	Retail business without shop	100,400	100,400	9,999,999	50.03	387,436	399,965	200,087	Subsidiary
President Chain Store Corp.	Uni-President Yi-Lan Art and Culture Corp.	Taiwan	Art and cultural exhibition	200,000	200,000	20,000,000	100.00	235,650	1,505	2,134	Subsidiary
President Chain Store Corp.	Duskin Serve Taiwan Co.	Taiwan	Cleaning instruments leasing and selling	102,000	102,000	10,199,999	51.00	186,682	116,606	59,233	Subsidiary
President Chain Store Corp.	icash Corp.	Taiwan	Electronic ticketing	500,000	325,000	50,000,000	100.00	369,989	( 40,544)	( 40,544)	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	819,847	143,048	28,610	Note 1
President Chain Store Corp.	President Starbucks Coffee Corp.	Taiwan	Selling of coffee, beverage, and food	59,400	59,400	10,691,337	30.00	450,659	770,708	231,212	Note 1
President Chain Store Corp.	Retail Support International Corp.	Taiwan	Room-temperature logistics and warehousing	91,414	91,414	6,429,999	25.00	164,723	224,162	56,041	Note 1
President Chain Store Corp.	Presicare Corp.	Taiwan	Management of retail department store	7,112,028	7,112,028	130,801,027	19.50	5,142,151	1,484,839	289,541	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	263,387,500	19.00	1,952,428	( 345,415)	( 65,629)	Note 1
President Chain Store Corp.	President International Development Corp.	Taiwan	Professional investment	500,000	500,000	44,100,000	3.33	466,662	491,434	16,445	Note 1

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value (Note 3)			
President Chain Store Corp.	Mister Donut Taiwan Corp., Ltd., etc.	Other	-	\$ 2,515,850	\$ 2,564,450	-	0.00	\$ 475,340	\$ 646,819	\$ 40,449	Note 2
Retail Support International Corp., etc.	President Logistics International Corp., etc.	Other	-	-	-	-	-	554,111	-	-	-
Wisdom Distribution Service Corp.	Vision Distribution Service Corp., etc.	Other	-	-	-	-	-	134,607	-	-	-
Uni-President Cold-Chain Corp.	Uni-President Logistics (BVI) Holdings Ltd., etc.	Other	-	-	-	-	-	173,546	-	-	-
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Labuan) Holdings Ltd.	Other	Professional investment	940,518	667,069	29,163,337	100.00	1,764,038	405,868	-	Subsidiary of a subsidiary
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Hong Kong) Holdings Ltd.	Hong Kong	Professional investment	3,334,588	4,016,790	103,398,075	100.00	3,319,112	850,356	-	Subsidiary of a subsidiary
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corp.	Philippine	Operation of chain stores	939,614	666,166	239,376,070	52.22	1,763,320	817,186	-	Subsidiary of a subsidiary
President Chain Store (Hong Kong) Holdings Limited	President Coffee (Cayman) Holdings Ltd., etc.	Other	-	-	-	-	-	2,037,468	-	-	-
President Pharmaceutical Corp., etc.	President Pharmaceutical (Hong Kong) Holdings Ltd., etc.	Other	-	-	-	-	-	165,903	-	-	-

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

Note 2: The information in the column includes subsidiary and the investee recognized using equity method by the company.

Note 3: The amounts less than \$100,000 are combined disclosure.



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

Table 8

For the year ended December 31, 2016  
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, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan For the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai President Chain Store Corporation Trade Co., Ltd.	Trade of food and commodities	\$ 286,380	Note 1	\$ 166,751	\$ -	\$ -	\$ 166,751	(\$ 2,249 )	100.00	(\$ 2,249 )	\$ 33,423	-	Note 2
Shanghai President Starbucks Coffee Corp.	Selling of coffee, beverage, and food	360,263	Note 1	64,500	-	-	64,500	4,131,439	30.00	1,177,258	1,494,145	-	Note 2
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Wholesale of merchandise	464,363	Note 1	303,707	-	-	303,707	2,572	100.00	2,572	66,410	-	Note 2
President Chain Store (Shanghai) Ltd.	Operation of chain stores	2,043,197	Note 1	2,205,871	-	-	2,205,871	( 165,032 )	100.00	( 165,032 )	106,786	-	Note 2
Shanghai President Logistic Co., Ltd.	Logistics and warehousing	64,500	Note 1	64,500	-	-	64,500	115,669	100.00	121,867	305,558	-	Note 2
Shanghai Cold Stone Ice Cream Corporation	Sales of ice cream	770,280	Note 1	770,280	-	-	770,280	( 160,094 )	100.00	( 160,094 )	( 80,895 )	-	Note 2
PCSC (Chengdu) Hypermarket Limited	Retail hypermarket	464,363	Note 1	418,041	-	-	418,041	( 65,834 )	100.00	( 65,834 )	56,547	-	Note 2
Shan Dong President Yinzuo Commercial Limited	Supermarkets	278,618	Note 1	131,527	-	-	131,527	24,706	55.00	13,609	195,562	-	Note 2
President (Shanghai) Health Product Trading Company Ltd.	Sales of various health care products, cosmetics, and pharmaceuticals	96,750	Note 1	96,750	-	-	96,750	( 75,459 )	73.74	( 55,644 )	28,182	-	Note 2
Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehouse	185,745	Note 1	182,543	-	-	182,543	9,123	80.00	7,469	150,592	-	Note 2
Duskin (Shanghai) Co., Ltd.	Sales of cleaning instruments	278,618	Note 1	21,599	-	-	21,599	( 16,369 )	4.46	-	904	-	Note 2
Beijing Bokelai Customer Co.	Enterprise information consulting, network technology development and services	484	Note 1	-	-	-	-	( 10 )	50.03	( 5 )	20	-	Note 2
President Chain Store (Taizhou) Ltd.	Logistics and warehousing	278,618	Note 1	278,618	-	-	278,618	1,810	100.00	1,810	280,212	-	Note 2
President Logistics Shan Dong Co., Ltd.	Logistics and warehousing	92,873	Note 1	-	92,873	-	92,873	( 36 )	100.00	( 36 )	92,837	-	Note 2

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

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	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.	\$ 3,966,413	\$ 6,938,267	\$ 19,998,151
President Pharmaceutical Corp.	96,750	96,750	405,251
Duskin Serve Taiwan Co.	21,599	21,599	219,626
Uni-President Cold-Chain Corp.	95,699	95,699	603,238

# 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016. 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.

### Completeness and accuracy of retail sales revenue

#### Description

Please refer to Note 4(21) and 6(20) 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 has thus been identified as a key audit matter.

#### How our audit addressed the matter

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

- Inspected additions and changes to the merchandise master file data had been properly approved and supported by relevant documents;
- Inspected approved additions and changes to the merchandise master file data had been correctly entered in the merchandise master file;
- Inspected merchandise master file data had been periodically transferred to POS terminals in stores;
- Inspected sales information in POS terminals was periodically and completely transferred to the ERP system and automatically generated sales revenue journal entries;
- Inspected manual sales revenue journal entries and relevant documents;
- Inspected daily cash reports and relevant documents;
- Inspected 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(4) 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 has thus been identified as a key audit matter.

#### How our audit addressed the matter

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

- Interviewed management to understand the calculation of the cost-to-retail ratio under the retail inventory method, and inspected that it had been consistently applied in the comparative periods of the financial statements;
- Inspected 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;
- Inspected the cost and retail price of inventory purchased as per delivery receipts were in agreement with POS purchase records after acceptance of the inventory;
- Inspected the POS records for the cost and retail price of inventory purchased were periodically and completely transferred to the ERP system and that the records could not be changed manually;
- 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\$1,763,320 thousand and NT\$6,642,844 thousand, representing 2.6% and 10.8% of total assets as of December 31, 2016 and 2015, 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\$422,849 thousand and NT\$587,659 thousand, representing 4.6% and 7.5% 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 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 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, 2016 and are, therefore, considered to be the key audit matters. We describe these matters in our auditor's report unless the law or regulations precludes 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  
22 February, 2017

PRESIDENT CHAIN STORE CORP.  
PARENT COMPANY ONLY BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 22,292,169	33	\$ 14,839,057	24
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	4,400,000	7
1170	Accounts receivable, net	6(3)	513,190	1	474,644	1
1200	Other receivables	7(2)	1,781,453	3	1,386,749	2
130X	Inventory, net	6(4)	6,003,727	9	6,129,025	10
1410	Prepayments		196,516	-	189,832	1
1470	Other current assets		1,621,933	2	1,252,510	2
11XX	Total current assets		32,408,988	48	28,671,817	47
Non-current assets						
1523	Available-for-sale financial assets - non-current	6(5)	696,505	1	720,281	1
1543	Financial assets measured at cost - non-current	6(6)	25,721	-	25,721	-
1550	Investments accounted for using equity method	6(7)	22,286,379	33	19,943,038	32
1600	Property, plant and equipment, net	6(8)	8,608,695	13	8,953,551	14
1760	Investment property, net	6(9)	1,028,377	2	1,075,964	2
1780	Intangible assets	6(10)	278,320	-	356,179	1
1840	Deferred income tax assets	6(25)	604,251	1	555,510	1
1900	Other non-current assets	6(11)	1,252,541	2	1,105,034	2
15XX	Total non-current assets		34,780,789	52	32,735,278	53
1XXX	Total assets		\$ 67,189,777	100	\$ 61,407,095	100

(Continued)



Liabilities and Equity		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2150	Notes payable		\$ 1,563,628	2	\$ 919,751	2
2160	Notes payable - related parties	7(2)	4,069,433	6	3,456,457	6
2170	Accounts payable		1,641,608	2	1,697,947	3
2180	Accounts payable - related parties	7(2)	7,567,186	11	7,002,112	11
2200	Other payables	6(12)	15,205,974	23	13,386,554	22
2230	Current income tax liabilities	6(25)	657,191	1	724,308	1
2310	Advance receipts	6(13)	2,421,518	4	1,968,981	3
21XX	Total current liabilities		33,126,538	49	29,156,110	48
Non-current liabilities						
2570	Deferred income tax liabilities	6(25)	9,413	-	9,658	-
2640	Net defined benefit liability	6(15)	2,673,749	4	2,501,178	4
2645	Guarantee deposit received		2,314,037	3	2,191,196	3
2670	Other non-current liabilities		449,762	1	435,267	1
25XX	Total Non-current liabilities		5,446,961	8	5,137,299	8
2XXX	Total liabilities		38,573,499	57	34,293,409	56
Equity						
Share capital						
3110	Share capital - common stock	6(16)	10,396,223	15	10,396,223	17
Capital surplus						
3200	Capital surplus	6(17)	1,158	-	7,733	-
Retained earnings						
3310	Legal reserve	6(18)	8,208,064	12	7,384,165	12
3350	Unappropriated retained earnings		9,839,244	15	8,733,029	14
Other equity						
3400	Other equity interest	6(19)	171,589	1	592,536	1
3XXX	Total equity		28,616,278	43	27,113,686	44
3X2X	Total liabilities and equity		\$ 67,189,777	100	\$ 61,407,095	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			
		2016		2015	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(20) and 7(2)	\$ 140,147,135	100	\$ 133,407,688	100
5000 Operating costs	6(23)(24) and 7(2)	( 92,063,384 )	( 66 )	( 88,298,423 )	( 66 )
5900 Gross profit		48,083,751	34	45,109,265	34
Operating expenses	6(23)(24)				
6100 Selling expenses		( 36,979,166 )	( 26 )	( 34,747,991 )	( 26 )
6200 General and administrative expenses		( 4,431,009 )	( 3 )	( 3,949,159 )	( 3 )
6000 Total operating expenses		( 41,410,175 )	( 29 )	( 38,697,150 )	( 29 )
6900 Operating profit		6,673,576	5	6,412,115	5
Non-operating income and expenses	7(2)				
7010 Other income	6(21)	1,162,568	1	1,248,430	1
7020 Other gains and losses	6(22)	( 8,939 )	-	( 207,461 )	-
7050 Finance costs		( 30,755 )	-	( 34,002 )	-
7070 Share of profit of associates and joint ventures accounted for using equity method		3,316,251	2	2,147,664	1
7000 Total non-operating income and expenses		4,439,125	3	3,154,631	2
7900 Profit before income tax		11,112,701	8	9,566,746	7
7950 Income tax expense	6(25)	( 1,276,011 )	( 1 )	( 1,327,753 )	( 1 )
8200 Profit for the year		\$ 9,836,690	7	\$ 8,238,993	6
Other comprehensive loss	6(19)				
8311 Remeasurements of net actuarial loss on defined benefit plan		( \$ 202,180 )	-	( \$ 69,768 )	-
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		( 12,913 )	-	( 187,322 )	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	34,371	-	11,861	-
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		( 180,722 )	-	( 245,229 )	-
8361 Exchange differences from translation of foreign operations		( 381,870 )	-	( 11,710 )	-
8362 Unrealized loss on valuation of available-for-sale financial assets		( 23,625 )	-	( 78,088 )	-
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		( 12,315 )	-	( 19,401 )	-
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(25)	( 3,137 )	-	( 6,699 )	-
8360 Components of other comprehensive loss that will be reclassified to profit or loss		( 420,947 )	-	( 115,898 )	-
8300 Total other comprehensive loss for the year		( \$ 601,669 )	-	( \$ 361,127 )	-
8500 Total comprehensive income for the year		\$ 9,235,021	7	\$ 7,877,866	6
9750 Basic earnings per share	6(26)	\$	9.46	\$	7.92
9850 Diluted earnings per share	6(26)	\$	9.43	\$	7.90

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	Unappropriated retained earnings	Exchange differences from translation of foreign operations	Unrealized gain or loss on available-for- sale financial assets	
For the year ended December 31, 2015								
Balance at January 1, 2015		\$ 10,396,223	\$ 7,031	\$ 6,493,041	\$ 8,907,745	\$ 216,347	\$ 492,087	\$ 26,512,474
Distribution of 2014 earnings:	6(18)							
Legal reserve		-	-	891,124	( 891,124 )	-	-	-
Cash dividends		-	-	-	( 7,277,356 )	-	-	( 7,277,356 )
Adjustment of capital surplus due to associates' adjustment of capital surplus		-	702	-	-	-	-	702
Profit for the year		-	-	-	8,238,993	-	-	8,238,993
Other comprehensive loss for the year	6(19)	-	-	-	( 245,229 )	( 7,021 )	( 108,877 )	( 361,127 )
Balance at December 31, 2015		<u>\$ 10,396,223</u>	<u>\$ 7,733</u>	<u>\$ 7,384,165</u>	<u>\$ 8,733,029</u>	<u>\$ 209,326</u>	<u>\$ 383,210</u>	<u>\$ 27,113,686</u>
For the year ended December 31, 2016								
Balance at January 1, 2016		\$ 10,396,223	\$ 7,733	\$ 7,384,165	\$ 8,733,029	\$ 209,326	\$ 383,210	\$ 27,113,686
Distribution of 2015 earnings:	6(18)							
Legal reserve		-	-	823,899	( 823,899 )	-	-	-
Cash dividends		-	-	-	( 7,485,280 )	-	-	( 7,485,280 )
Acquisition of additional equity interest in a subsidiary	6(29)	-	( 6,554 )	-	( 240,574 )	-	-	( 247,128 )
Adjustment of capital surplus due to associates' adjustment of capital surplus		-	( 21 )	-	-	-	-	( 21 )
Profit for the year		-	-	-	9,836,690	-	-	9,836,690
Other comprehensive loss for the year	6(19)	-	-	-	( 180,722 )	( 395,554 )	( 25,393 )	( 601,669 )
Balance at December 31, 2016		<u>\$ 10,396,223</u>	<u>\$ 1,158</u>	<u>\$ 8,208,064</u>	<u>\$ 9,839,244</u>	<u>( \$ 186,228 )</u>	<u>\$ 357,817</u>	<u>\$ 28,616,278</u>

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	
		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax for the year		\$ 11,112,701	\$ 9,566,746
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	6(3)	8,798	6,930
Depreciation on property, plant and equipment	6(8)(23)	2,109,877	2,247,172
Amortization	6(10)(23)	96,858	94,960
Finance costs		30,755	34,002
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(	3,316,251 )	( 2,147,664 )
Depreciation on investment property	6(9)	7,908	11,928
Impairment loss on investments accounted for using equity	6(7)(22)	-	3,148
Interest income	6(21)	( 98,695 )	( 87,564 )
Dividend income	6(21)	( 26,669 )	( 45,949 )
Impairment loss on property, plant and equipment	6(8)(22)	68,099	146,253
Loss on disposal of property, plant and equipment, net	6(22)	14,157	54,123
Gain on disposal of investments in subsidiaries	6(22)	( 114,212 )	-
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		4,400,000	900,000
Accounts receivable	(	47,344 )	18,953
Other receivables	(	380,864 )	( 129,477 )
Inventory		125,298	( 633,785 )
Prepayments	(	6,684 )	14,038
Other current assets	(	388,422 )	( 659,198 )
Other non-current assets	(	147,507 )	( 14,989 )
Net changes in liabilities relating to operating activities			
Notes payable		1,256,853	327,330
Accounts payable		508,735	722,427
Other payables		1,784,823	449,083
Advance receipts		452,537	116,288
Net defined benefit liability - non-current	(	29,609 )	( 8,970 )
Other non-current liabilities		13,752	34,754
Cash generated from operations		17,434,894	11,020,539
Interest received		84,855	81,152
Income tax paid	(	1,360,880 )	( 1,404,786 )
Interest paid	(	21,311 )	( 24,834 )
Dividends received		1,364,693	1,883,891
Net cash provided by operating activities		17,502,251	11,555,962
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments accounted for using equity method	6(7)	( 1,143,181 )	( 870,200 )
Proceeds from capital reduction of investments accounted for using equity method	6(7)	-	280,000
Proceeds from capital reduction of financial assets measured at cost - non-current		-	16,800
Return of capital from available-for-sale financial assets - non-current		151	218
Acquisition of property, plant and equipment	6(28)	( 1,859,540 )	( 1,897,021 )
Proceeds from disposal of property, plant and equipment		77,838	118,500
Proceeds from disposal of investments in subsidiaries	6(7)	238,032	-
Net cash used in investing activities	(	2,686,700 )	( 2,351,703 )
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividends	6(18)	( 7,485,280 )	( 7,277,356 )
Increase in guarantee deposit received		122,841	13,208
Net cash flows used in financing activities	(	7,362,439 )	( 7,264,148 )
Increase in cash and cash equivalents		7,453,112	1,940,111
Cash and cash equivalents at beginning of year		14,839,057	12,898,946
Cash and cash equivalents at end of year		\$ 22,292,169	\$ 14,839,057

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

Appendix

Parent Company Only  
Financial Statements and  
Report of Independent  
Accountants

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

#### 1. HISTORY AND ORGANIZATION

- (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 AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on February 22, 2017.

#### 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") of the Republic of China.  
None.
- (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 FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, "Regulatory deferral accounts"	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, "Leases"	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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.

Amendments to IAS 36, "Recoverable amount disclosures for non-financial assets"

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. When a material impairment loss has been recognised or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques used and key assumptions.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, "Financial instruments" with IFRS 4, "Insurance contracts" (amendments to IFRS 4)	January 1, 2018
IFRS 9, "Financial instruments"	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, "Revenue from contracts with customers"	January 1, 2018
Clarifications to IFRS 15, "Revenue from contracts with customers" (amendments to IFRS 15)	January 1, 2018
IFRS 16, "Leases"	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	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

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.

## A. 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 amortised 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 recognise 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.

## B. IFRS 16, "Leases"

IFRS 16, "Leases", replaces IAS 17, "Leases" and related interpretations and SICs. The standard requires lessees to recognise 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.

**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) Available-for-sale financial assets measured at fair value.
  - (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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

**(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, if 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 realised, 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 realised 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.

**(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 held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. 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.
- B. 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.

**(7) Available-for-sale financial assets**

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- B. Available-for-sale financial assets 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".

**(8) 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. Accounts receivable 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.

**(9) Impairment of financial assets**

- A. 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 and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:
- (a) Significant financial difficulty of the issuer or debtor;
  - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
  - (c) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. 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:

(a) Financial assets measured 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.

(b) Financial assets measured 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.

(c) 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.

(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 are not recognized in 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 its share 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) 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.

**(19) 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 expenses in that period when the employees render service.

**B. Pensions****(a) Defined contribution plan**

For defined contribution plans, the contributions are recognized as pension expenses 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 expenses and liabilities, 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.

**(20) 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 10 percent 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 realised 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.

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 utilised.

#### (21) Revenue recognition

A. The Company's revenue is measured at the fair value of the consideration received or receivable taking into account 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.

B. The Company offers customers volume discounts and right of return for defective products. The Company estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognized.

C. The Company has customer loyalty programmes where the Company grants loyalty award credits 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.

### 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, 2016	December 31, 2015
Cash on hand and petty cash	\$ 1,422,430	\$ 714,454
Checking accounts and demand deposits	4,703,621	2,863,502
Cash equivalents		
Time deposits	9,880,000	7,600,000
Short-term financial instruments	6,286,118	3,661,101
	<u>\$ 22,292,169</u>	<u>\$ 14,839,057</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) Financial assets at fair value through profit or loss - current

	December 31, 2016	December 31, 2015
Financial assets held for trading		
Open-ended fund	\$ -	\$ 4,400,000

The Company recognized net gain of \$7,228 and \$32,523 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.



## (3) Accounts receivable

	December 31, 2016	December 31, 2015
Accounts receivable	\$ 588,264	\$ 542,140
Less: Allowance for sales returns and discounts	( 788)	( 1,062)
Allowance for doubtful accounts	( 74,286)	( 66,434)
	<u>\$ 513,190</u>	<u>\$ 474,644</u>

A. The sales revenue of the Company is mainly received in the form of cash and credit card charges. Accounts receivable mainly consist of payments due from banks for third-party credit cards and operating income from department stores.

B. The Company has no accounts receivable that were past due but not impaired.

C. Movement analysis of financial assets that were impaired is as follows:

(a) As of December 31, 2016 and 2015, the Company's accounts receivable that were impaired amounted to \$74,286 and \$66,434, respectively.

(b) Movements on the Company's provision for impairment of accounts receivable are as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
At January 1	\$ 66,434	\$ 61,910
Provision for impairment	8,798	6,930
Write-offs during the year	( 946)	( 2,406)
At December 31	<u>\$ 74,286</u>	<u>\$ 66,434</u>

## (4) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Merchandise	<u>\$ 6,049,780</u>	<u>(\$ 46,053)</u>	<u>\$ 6,003,727</u>

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Merchandise	<u>\$ 6,213,505</u>	<u>(\$ 84,480)</u>	<u>\$ 6,129,025</u>

The cost of inventories recognized as expense:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Cost of goods sold	\$ 90,467,007	\$ 86,576,702
(Gain) loss on valuation of inventory	( 38,427)	64,445
Spoilage	1,424,661	1,439,398
Others	210,143	217,878
	<u>\$ 92,063,384</u>	<u>\$ 88,298,423</u>

The Company reversed a previous inventory write-down because the Company sold certain inventories which were previously provided with allowance during the year ended December 31, 2016.

## (5) Available-for-sale financial assets - non-current

	December 31, 2016	December 31, 2015
Listed stocks	\$ 265,606	\$ 265,606
Unlisted stocks	42,079	42,230
Subtotal	307,685	307,836
Valuation adjustment	388,820	412,445
	<u>\$ 696,505</u>	<u>\$ 720,281</u>

The Company recognized (\$23,625) and (\$78,088) in other comprehensive loss in relation to fair value changes for the years ended December 31, 2016 and 2015, respectively.



## (6) Financial assets measured at cost - non-current

	December 31, 2016	December 31, 2015
Unlisted stocks	\$ 237,399	\$ 237,399
Accumulated impairment	( 211,678)	( 211,678)
	<u>\$ 25,721</u>	<u>\$ 25,721</u>

A. Based on the Company's intention, its investment in unlisted stocks should be classified as "available-for-sale financial assets". However, as those unlisted stocks are not traded in an active market, and no sufficient industry information of companies similar to these unlisted stocks can be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. As a result, the Company classified those stocks as "financial assets measured at cost".

B. As of December 31, 2016 and 2015, no financial assets measured at cost held by the Company were pledged to others.

## (7) Investments accounted for using the equity method

	For the year ended December 31, 2016	For the year ended December 31, 2015
At January 1	\$ 19,943,038	\$ 19,263,995
Addition of investments accounted for using equity method	1,143,181	870,200
Disposal of investments accounted for using equity method	( 123,820)	-
Return of capital from investments accounted for using equity method	-	( 280,000)
Share of profit or loss of investments accounted for using equity method	3,316,251	2,147,664
Earnings distribution of investments accounted for using equity method	( 1,338,024)	( 1,837,942)
Changes in other equity items	( 407,098)	( 218,433)
Impairment loss on investments accounted for using equity method	-	( 3,148)
Changes in other items	( 247,149)	702
At December 31	<u>\$ 22,286,379</u>	<u>\$ 19,943,038</u>

	December 31, 2016	December 31, 2015
Subsidiaries:		
President Chain Store (BVI) Holdings Ltd.	\$ 5,053,883	\$ 3,945,077
President Transnet Corp.	1,454,357	1,239,582
President Pharmaceutical Corp.	656,852	724,426
President Drugstore Business Corp.	1,051,796	783,127
Mech-President Corp.	680,703	585,704
Uni-President Ustyle Department Store Corp.	462,771	279,163
Uni-President Cold-Chain Corp.	615,562	416,186
President Information Corp.	527,301	434,146
Uni-President Superior Commissary Corp.	434,869	391,991
Q-ware Systems & Services Corp.	341,897	337,216
Books.com. Co., Ltd.	387,436	340,990
Uni-President Yi-Lan Art and Culture Corp.	235,650	252,693
icash Corp.	369,989	235,375
Wisdom Distribution Service Corp.	354,821	287,580
Duskin Serve Taiwan Co.	186,682	154,203
Bank Pro E-Service Technology Co., Ltd.	-	109,510
Retail Support International Corp.	164,723	113,181
President Collect Services Co., Ltd., etc.	234,082	210,123
	<u>13,213,374</u>	<u>10,840,273</u>
Associates:		
PresiCarre Corp.	5,142,151	5,078,101
President Fair Development Corp.	1,952,428	2,018,057
Uni-President Development Corp.	819,847	910,037
President International Development Corp.	466,663	457,066
Tung Ho Development Corp.	88,539	97,015
President Organics Corp., etc.	61,403	58,592
	<u>8,531,031</u>	<u>8,618,868</u>
Joint ventures:		
President Starbucks Coffee Corp.	450,659	407,163
Mister Donut Taiwan Co., Ltd.	91,315	76,734
	<u>541,974</u>	<u>483,897</u>
	<u>\$ 22,286,379</u>	<u>\$ 19,943,038</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, 2016.

B. 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, 2016	For the year ended December 31, 2015
Total comprehensive income	\$ 260,024	\$ 177,032

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Total comprehensive income	\$ 242,503	\$ 255,393

C. The Company recognized impairment loss on investments accounted for using equity method amounting to \$0 and \$3,148 for the years ended December 31, 2016 and 2015, respectively.

### (8) 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, 2016</u>						
Cost	\$ 1,535,401	\$ 946,371	\$ 12,442,240	\$ 7,149,307	\$ 9,192	\$ 22,082,511
Accumulated depreciation and impairment	-	( 278,279)	( 8,110,124)	( 4,733,283)	( 7,274)	( 13,128,960)
	<u>\$ 1,535,401</u>	<u>\$ 668,092</u>	<u>\$ 4,332,116</u>	<u>\$ 2,416,024</u>	<u>\$ 1,918</u>	<u>\$ 8,953,551</u>
<u>2016</u>						
Opening net book amount as of January 1	\$ 1,535,401	\$ 668,092	\$ 4,332,116	\$ 2,416,024	\$ 1,918	\$ 8,953,551
Additions	-	-	1,116,254	768,439	-	1,884,693
Disposals	-	( 12,462)	( 22,379)	( 57,154)	-	( 91,995)
Reclassifications	-	39,679	-	-	743	40,422
Depreciation charge	-	( 19,940)	( 1,410,685)	( 678,497)	( 755)	( 2,109,877)
Impairment loss	( 16,520)	( 1,449)	( 50,130)	-	-	( 68,099)
Closing net book amount as of December 31	<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>At December 31, 2016</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>
	Land	Buildings	Office equipment	Leasehold improvements	Others	Total
<u>At January 1, 2015</u>						
Cost	\$ 1,535,401	\$ 946,371	\$ 12,891,092	\$ 7,161,767	\$ 9,763	\$ 22,544,394
Accumulated depreciation and impairment	-	( 257,717)	( 8,018,900)	( 4,525,031)	( 7,035)	( 12,808,683)
	<u>\$ 1,535,401</u>	<u>\$ 688,654</u>	<u>\$ 4,872,192</u>	<u>\$ 2,636,736</u>	<u>\$ 2,728</u>	<u>\$ 9,735,711</u>
<u>2015</u>						
Opening net book amount as of January 1	\$ 1,535,401	\$ 688,654	\$ 4,872,192	\$ 2,636,736	\$ 2,728	\$ 9,735,711
Additions	-	-	1,095,023	688,865	-	1,783,888
Disposals	-	-	( 66,718)	( 105,905)	-	( 172,623)
Depreciation charge	-	( 20,562)	( 1,422,128)	( 803,672)	( 810)	( 2,247,172)
Impairment loss	-	-	( 146,253)	-	-	( 146,253)
Closing net book amount as of December 31	<u>\$ 1,535,401</u>	<u>\$ 668,092</u>	<u>\$ 4,332,116</u>	<u>\$ 2,416,024</u>	<u>\$ 1,918</u>	<u>\$ 8,953,551</u>
<u>At December 31, 2015</u>						
Cost	\$ 1,535,401	\$ 946,371	\$ 12,442,240	\$ 7,149,307	\$ 9,192	\$ 22,082,511
Accumulated depreciation and impairment	-	( 278,279)	( 8,110,124)	( 4,733,283)	( 7,274)	( 13,128,960)
	<u>\$ 1,535,401</u>	<u>\$ 668,092</u>	<u>\$ 4,332,116</u>	<u>\$ 2,416,024</u>	<u>\$ 1,918</u>	<u>\$ 8,953,551</u>

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

## (9) Investment property

	Land	Buildings	Total
<b>2016</b>			
January 1, 2016	\$ 805,515	\$ 270,449	\$ 1,075,964
Reclassification	-	( 39,679)	( 39,679)
Depreciation charge	-	( 7,908)	( 7,908)
December 31, 2016	<u>\$ 805,515</u>	<u>\$ 222,862</u>	<u>\$ 1,028,377</u>
<b>2015</b>			
January 1, 2015	\$ 805,515	\$ 282,377	\$ 1,087,892
Depreciation charge	-	( 11,928)	( 11,928)
December 31, 2015	<u>\$ 805,515</u>	<u>\$ 270,449</u>	<u>\$ 1,075,964</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Rental income from investment property	\$ 56,000	\$ 55,377
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 8,232</u>	<u>\$ 12,260</u>

B. The fair value of the investment property held by the Company ranged from \$2,252,266 to \$2,601,540 over the years ended December 31, 2016 and 2015. These figures are based on similar investment properties in the neighboring area and valued by independent appraisers. The valuations were made using the comparative method and income approach. The key assumptions include a growth rate of 2% and a discount rate 2.63%.

## (10) Intangible assets

<b>2016</b>	Software and copyright
January 1, 2016	\$ 356,179
Additions	18,999
Amortization	( 96,858)
December 31, 2016	<u>\$ 278,320</u>
<b>2015</b>	Software and copyright
January 1, 2015	\$ 451,139
Amortization	( 94,960)
December 31, 2015	<u>\$ 356,179</u>

Amortization on intangible assets are recognized as operating expenses.

## (11) Other non-current assets

	December 31, 2016	December 31, 2015
Guarantee deposits paid	\$ 1,142,237	\$ 1,103,970
Others	110,304	1,064
	<u>\$ 1,252,541</u>	<u>\$ 1,105,034</u>

## (12) Other payables

	December 31, 2016	December 31, 2015
Store collections	\$ 9,591,133	\$ 8,375,014
Wages, salaries and bonus payable	2,047,111	1,777,536
Employees' compensation and remuneration for directors	687,907	592,271
Incentive bonus payable to franchisees	853,448	729,214
Rent payable	482,586	481,352
Payables for acquisition of property, plant and equipment	387,239	362,086
Payables for system development and maintenance expenses	86,061	154,873
Payables for labor and health insurance	63,447	65,561
Others	1,007,042	848,647
	<u>\$ 15,205,974</u>	<u>\$ 13,386,554</u>

## (13) Advance receipts

	December 31, 2016	December 31, 2015
Advance receipts for gift certificates	\$ 1,200,808	\$ 1,098,233
Advance receipts for gift cards	697,721	436,648
Advance receipts for franchise fee	233,901	223,016
Others	289,088	211,084
	<u>\$ 2,421,518</u>	<u>\$ 1,968,981</u>

## (14) Long-term borrowings

There was no long-term borrowing as of December 31, 2016 and 2015. The Company had undrawn long-term borrowings of \$5,871,456 and \$7,000,841 as of December 31, 2016 and 2015, respectively.

## (15) 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 not enough 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 contribution for the deficit by next March.

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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligation	(\$ 4,043,240)	(\$ 3,858,181)
Fair value of plan assets	1,369,491	1,357,003
Net defined benefit liability	<u>(\$ 2,673,749)</u>	<u>(\$ 2,501,178)</u>

(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
<u>Year ended December 31, 2016</u>			
Balance at January 1	(\$ 3,858,181)	\$ 1,357,003	(\$ 2,501,178)
Current service cost	( 48,307)	-	( 48,307)
Past service cost	( 1,095)	-	( 1,095)
Interest (expense) income	( 57,240)	20,361	( 36,879)
	( 3,964,823)	1,377,364	( 2,587,459)
Remeasurements:			
Return on plan assets	-	( 10,789)	( 10,789)
Change in demographic assumptions	( 7,231)	-	( 7,231)
Change in financial assumptions	( 128,291)	-	( 128,291)
Experience adjustments	( 55,869)	-	( 55,869)
	( 191,391)	( 10,789)	( 202,180)
Pension fund contribution	-	86,219	86,219
Paid pension	112,974	( 83,303)	29,671
Balance at December 31	(\$ 4,043,240)	\$ 1,369,491	(\$ 2,673,749)
<u>Year ended December 31, 2015</u>			
Balance at January 1	(\$ 3,752,251)	\$ 1,311,871	(\$ 2,440,380)
Current service cost	( 49,752)	-	( 49,752)
Interest (expense) income	( 74,427)	26,596	( 47,831)
	( 3,876,430)	1,338,467	( 2,537,963)
Remeasurements:			
Return on plan assets	-	8,204	8,204
Change in demographic assumptions	( 8,921)	-	( 8,921)
Change in financial assumptions	( 130,614)	-	( 130,614)
Experience adjustments	61,563	-	61,563
	( 77,972)	8,204	( 69,768)
Pension fund contribution	-	97,421	97,421
Paid pension	96,221	( 87,089)	9,132
Balance at December 31	(\$ 3,858,181)	\$ 1,357,003	(\$ 2,501,178)

(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 utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 utilisation 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, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Discount rate	1.50%	1.50%
Future salary increases	3.00%	2.75%

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, 2016				
Effect on present value of defined benefit obligation	(\$ 130,456)	\$ 136,403	\$ 133,804	(\$ 128,673)
December 31, 2015				
Effect on present value of defined benefit obligation	(\$ 128,916)	\$ 135,005	\$ 132,656	(\$ 127,363)

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, 2017 are \$86,361.
- (f) As of December 31, 2016, the weighted average duration of the retirement plan is 12 years. The analysis of timing of the future pension payment is as follows:

Within 1 year	\$ 81,858
1-2 year(s)	135,279
2-5 years	433,607
Over 5 years	5,072,543
	<u>5,723,287</u>

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, 2016 and 2015 were \$185,158 and \$177,295, respectively.

(16) Share capital

As of December 31, 2016, 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 1,039,622,255 as of December 31, 2016 and 2015.

(17) 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.



## (18) 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 2015 and 2014 were resolved by the shareholders on June 15, 2016 and June 18, 2015, respectively, as follows:

	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 823,899		\$ 891,124	
Cash dividends - retained earnings	7,485,280	\$ 7.20	7,277,356	\$ 7.00

- E. The appropriations for 2016 as resolved by the Board of Directors on February 22, 2017 is as follows:

	2016	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 983,669	
Cash dividends - retained earnings	8,316,978	\$ 8.00

- F. Information about employees' compensation and directors' and supervisors' remuneration is provided in Note 6(24).

## (19) Other equity items

	For the year ended December 31, 2016		
	Exchange difference from translation of foreign operations	Unrealized gains/(losses) on available-for-sale financial assets	Total
At January 1, 2016	\$ 209,326	\$ 383,210	\$ 592,536
Revaluation:			
–The Company	- ( 23,625)	( 23,625)	( 23,625)
–Subsidiaries	- 30	30	30
–Associates	- 1,339	1,339	1,339
–Revaluation - tax	- ( 3,137)	( 3,137)	( 3,137)
Currency translation differences:			
–The Company	( 381,870)	- ( 381,870)	( 381,870)
–Subsidiaries	( 9,883)	- ( 9,883)	( 9,883)
–Associates	( 3,801)	- ( 3,801)	( 3,801)
At December 31, 2016	<u>(\$ 186,228)</u>	<u>\$ 357,817</u>	<u>\$ 171,589</u>

	For the year ended December 31, 2015		
	Exchange difference from translation of foreign operations	Unrealized gains/(losses) on available-for-sale financial assets	Total
At January 1, 2015	\$ 216,347	\$ 492,087	\$ 708,434
Revaluation:			
–The Company	-	( 78,088)	( 78,088)
–Subsidiaries	-	3,222	3,222
–Associates	-	( 27,312)	( 27,312)
–Revaluation - tax	-	( 6,699)	( 6,699)
Currency translation differences:			
–The Company	( 11,710)	-	( 11,710)
–Subsidiaries	( 3,223)	-	( 3,223)
–Associates	7,912	-	7,912
At December 31, 2015	\$ 209,326	\$ 383,210	\$ 592,536

## (20) Operating revenue

	For the year ended December 31, 2016	For the year ended December 31, 2015
Sales revenue	\$ 132,628,763	\$ 127,028,252
Other operating revenue	7,518,372	6,379,436
	<u>\$ 140,147,135</u>	<u>\$ 133,407,688</u>

## (21) Other income

	For the year ended December 31, 2016	For the year ended December 31, 2015
Grants income	\$ 485,198	\$ 459,898
Dividend income	26,669	45,949
Rental revenue	74,533	73,901
Interest income	98,695	87,564
Other income	477,473	581,118
	<u>\$ 1,162,568</u>	<u>\$ 1,248,430</u>

## (22) Other gains and losses

	For the year ended December 31, 2016	For the year ended December 31, 2015
Impairment loss	(\$ 68,099)	(\$ 149,401)
Gain on disposal of investments	121,440	32,523
Loss on disposal of property, plant and equipment	( 14,157)	( 54,123)
Others	( 48,123)	( 36,460)
	<u>(\$ 8,939)</u>	<u>(\$ 207,461)</u>

## (23) Expenses by nature

	For the year ended December 31, 2016	For the year ended December 31, 2015
Cost of goods sold	\$ 90,428,580	\$ 86,641,147
Incentive bonuses for franchisees	18,106,047	15,880,747
Employee benefit expense	6,882,169	6,347,039
Operating lease payments	6,120,667	5,980,268
Utilities expense	2,201,934	2,491,205
Depreciation and amortization	2,206,735	2,342,132
Other costs and expenses	7,527,427	7,313,035
Total operating costs and operating expenses	\$ 133,473,559	\$ 126,995,573

## (24) Employee benefit expense

	For the year ended December 31, 2016	For the year ended December 31, 2015
Wages and salaries	\$ 5,883,514	\$ 5,385,466
Labor and health insurance fees	386,467	383,261
Pension costs	271,439	274,878
Other personnel expenses	340,749	303,434
	\$ 6,882,169	\$ 6,347,039

Note: As of December 31, 2016 and 2015, the Company had 8,200 and 8,300 employees (including part-timers), respectively.

A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, 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, 2016 and 2015, employees' compensation was accrued at \$515,635 and \$443,949, respectively; while directors' and supervisors' remuneration was accrued at \$172,272 and \$148,322, 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, 2016. The employees' compensation and directors' and supervisors' remuneration as resolved by the Board of Directors were \$515,635 and \$172,272, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensations and directors' and supervisors' remuneration for 2015 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2015 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, 2016	For the year ended December 31, 2015
Current tax:		
Current tax on profits for the year	\$ 1,303,929	\$ 1,287,228
Tax on undistributed surplus earnings	-	72,089
(Over) under provision of prior year's income tax	( 10,166)	17,003
Total current tax	1,293,763	1,376,320
Deferred tax:		
Origination and reversal of temporary differences	( 17,752)	( 48,567)
Income tax expense	\$ 1,276,011	\$ 1,327,753

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Fair value gains/losses on available-for-sale financial assets	\$ 3,137	\$ 6,699
Remeasurement of defined benefit obligation	( 34,371)	( 11,861)
	<u>(\$ 31,234)</u>	<u>(\$ 5,162)</u>

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2016	For the year ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	\$ 1,889,159	\$ 1,626,348
Expenses disallowed by tax regulation	( 169,228)	6,425
Capital reduction plan to offset accumulated deficit by subsidiaries	( 14,670)	( 8,262)
Tax on profit for using equity method by domestic subsidiaries	( 417,855)	( 380,321)
Additional 10% tax on undistributed earnings	-	72,089
(Over) under provision of prior year's income tax	( 10,166)	17,003
Investment tax credits	( 1,229)	( 5,529)
Income tax expense	<u>\$ 1,276,011</u>	<u>\$ 1,327,753</u>

The difference between the Company's accounting profit and taxable income in 2016 and 2015 was mainly due to the dividend income.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2016			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred tax assets</u>				
Allowance for doubtful accounts	\$ 11,220	\$ 1,335	\$ -	\$ 12,555
Unrealized sales allowance	181	( 47)	-	134
Unrealized expenses	120,893	10,813	-	131,706
Deferred revenues	13,316	362	-	13,678
Remeasurements of defined benefit obligation	373,649	-	34,371	408,020
Others	36,251	5,044	( 3,137)	38,158
Subtotal	<u>555,510</u>	<u>17,507</u>	<u>31,234</u>	<u>604,251</u>
<u>Deferred tax liabilities</u>				
Unrealized gain	( 9,658)	245	-	( 9,413)
Total	<u>\$ 545,852</u>	<u>\$ 17,752</u>	<u>\$ 31,234</u>	<u>\$ 594,838</u>

	2015			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred tax assets</u>				
Allowance for doubtful accounts	\$ 10,451	\$ 769	\$ -	\$ 11,220
Unrealized sales allowance	313	( 132)	-	181
Unrealized expenses	114,231	6,662	-	120,893
Deferred revenues	8,598	4,718	-	13,316
Remeasurements of defined benefit obligation	361,788	-	11,861	373,649
Others	7,132	35,818	( 6,699)	36,251
Subtotal	502,513	47,835	5,162	555,510
<u>Deferred tax liabilities</u>				
Unrealized gain	( 10,390)	732	-	( 9,658)
Total	\$ 492,123	\$ 48,567	\$ 5,162	\$ 545,852

D. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

E. All unappropriated earnings were generated on and after January 1, 1998.

F. The balance of the imputation tax credit account was \$1,125,612 and \$1,312,218 as of December 31, 2016 and 2015, respectively. The creditable tax rate was 21.61% for 2015 and the estimated creditable tax rate is 20.48% for 2016.

## (26) Earnings per share

	For the year ended December 31, 2016		
	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	\$ 9,836,690	1,039,622	\$ 9.46
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 9,836,690	1,039,622	
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	3,073	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 9,836,690	1,042,695	\$ 9.43

	For the year ended December 31, 2015		
	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	\$ 8,238,993	1,039,622	\$ 7.92
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 8,238,993	1,039,622	
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	3,274	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 8,238,993	1,042,896	\$ 7.90

## (27) Operating leases

Lessor

A. The Company leases its investment property and shopping centres to others under operating lease agreements on terms between 5 and 12 years. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2016	December 31, 2015
Less than one year	\$ 49,581	\$ 56,000
Over one year but less than five years	121,296	140,554
Over five years	60,648	90,972
	<u>\$ 231,525</u>	<u>\$ 287,526</u>

Lessee

A. The Company leases business premises for its stores. The lease terms are between 3 and 20 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, 2016 and 2015 are as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Rental expenses	\$ 5,987,155	\$ 5,839,812
Contingent rent	<u>\$ 133,512</u>	<u>\$ 140,456</u>

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

	December 31, 2016	December 31, 2015
Less than one year	\$ 5,812,473	\$ 5,589,040
Over one year but less than five years	19,571,965	18,721,134
Over five years	9,450,914	8,707,032
	<u>\$ 34,835,352</u>	<u>\$ 33,017,206</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, 2016 and 2015 are as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Sublease revenues	\$ 144,783	\$ 139,355
Contingent rent	<u>\$ 342,356</u>	<u>\$ 347,570</u>

In accordance with non-cancellable sub-lease agreements as of December 31, 2016, sub-lease payments totalling \$342,891 are expected to be collected between 2017 and 2026.

## (28) Supplemental cash flow information

## Investing activities with partial cash payments

	For the year ended December 31, 2016	For the year ended December 31, 2015
Purchase of property, plant and equipment	\$ 1,884,693	\$ 1,783,888
Add: opening balance of payable on equipment	362,086	475,219
Less: ending balance of payable on equipment	( 387,239)	( 362,086)
Cash paid during the year	<u>\$ 1,859,540</u>	<u>\$ 1,897,021</u>

## (29) Acquisition of additional equity interest in a subsidiary

In September 2016, the Company's subsidiary acquired an additional 0.66% shares of the subsidiary, Philippine Seven Corp., for a cash consideration of \$266,428. The carrying amount of non-controlling interest in Philippine Seven Corp. was \$19,300 at the acquisition date. The difference between equity purchase price and carrying amount arising from actual acquisition of subsidiary should be recognized in equity as a transaction with non-controlling interest, which is shown below:

	For the year ended December 31, 2016
Carrying amount of non-controlling interest acquired	\$ 19,300
Consideration received from non-controlling interest	( 266,428 )
Capital surplus-different between proceeds on actual acquisition of equity interest in a subsidiary and its carrying amount	(\$ 247,128 )

**7. RELATED PARTY TRANSACTIONS**

## (1) Parent and ultimate controlling party

The Company's ultimate parent company is Uni-President Enterprises Corp. which holds a 45.4% equity interest in the Company as of December 31, 2016.

## (2) Significant related party transactions and balances

## A. Operating revenue

	For the year ended December 31, 2016	For the year ended December 31, 2015
Commission revenue from collection services		
Subsidiaries	\$ 354,337	\$ 313,596
Sister companies	1,726,494	642,580
	<u>\$ 2,080,831</u>	<u>\$ 956,176</u>

## B. Purchases (net of purchase rebate)

	For the year ended December 31, 2016	For the year ended December 31, 2015
Ultimate parent	\$ 14,236,472	\$ 13,648,306
Subsidiaries	4,832,433	4,553,816
Sister companies	3,784,582	3,868,020
Associates	260,990	116,067
Other related parties	511,639	615,747
	<u>\$ 23,626,116</u>	<u>\$ 22,801,956</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 that is generally not different from the general vendors.

## C. Promotion income (recorded as deduction to "operating costs")

	For the year ended December 31, 2016	For the year ended December 31, 2015
Ultimate parent	\$ 572,443	\$ 649,202
Subsidiaries	204,865	184,141
Sister companies	195,964	219,954
Associates	11,195	4,508
Other related parties	42,714	72,249
	<u>\$ 1,027,181</u>	<u>\$ 1,130,054</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, 2016	For the year ended December 31, 2015
Ultimate parent	\$ 29,309	\$ 47,916
Subsidiaries	780,116	927,967
Sister companies	7,285	15,025
Associates	55,466	54,006
Other related parties	28	-
	<u>\$ 872,204</u>	<u>\$ 1,044,914</u>

## E. Receivables (payables) from related parties

Other receivables	December 31, 2016	December 31, 2015
Ultimate parent	\$ 54,954	\$ 48,015
Subsidiaries	1,010,251	645,543
Sister companies	51,507	41,109
Associates	23,931	21,834
	<u>\$ 1,140,643</u>	<u>\$ 756,501</u>

Payables	December 31, 2016	December 31, 2015
Ultimate parent	\$ 348,753	\$ 335,918
Subsidiaries	11,216,026	10,071,705
Sister companies	12,101	5,769
Associates	58,266	43,730
Other related parties	1,473	1,447
	<u>\$ 11,636,619</u>	<u>\$ 10,458,569</u>

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

## (3) Key management compensation

	For the year ended December 31, 2016	For the year ended December 31, 2015
Other short-term employee benefits	\$ 283,091	\$ 317,684

**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. Fair value information of financial instruments

- (a) Except for the items listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, notes payable, accounts payable and other payables) are approximate to their fair values. See Note 12(3) for information on financial instruments measured at fair value.

	December 31, 2016	
	Book value	Fair value
Financial assets:		
Financial assets measured at cost- non- current	\$ 25,721	\$ 25,721
Guarantee deposit paid	1,142,237	1,124,775
	<u>\$ 1,167,958</u>	<u>\$ 1,150,496</u>
Financial liabilities:		
Guarantee deposit received	<u>\$ 2,314,037</u>	<u>\$ 2,288,865</u>
	December 31, 2015	
	Book value	Fair value
Financial assets:		
Financial assets measured at cost- non- current	\$ 25,721	\$ 25,721
Guarantee deposit paid	1,103,970	1,071,238
	<u>\$ 1,129,691</u>	<u>\$ 1,096,959</u>
Financial liabilities:		
Guarantee deposit received	<u>\$ 2,191,196</u>	<u>\$ 2,134,474</u>

(b) The methods and assumptions of fair value measurement are as follows:

The fair value of guarantee deposits paid/received is estimated using the present value of expected cash flows.

B. Financial 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. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

Management has set up a policy to require the segments to manage their foreign exchange risk against their functional currencies.

i. The Company's businesses involve some non-functional currency operations. 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, 2016		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Non-monetary items			
JPY: NTD	\$ 720,900	0.2756	\$ 198,680
Investments accounted for using equity method			
USD: NTD	158,800	32.250	5,121,300

(Foreign currency: functional currency)	December 31, 2015		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Non-monetary items			
JPY: NTD	\$ 669,900	\$ 0.2727	\$ 180,277
Investments accounted for using equity method			
USD: NTD	122,316	32.825	4,015,023

ii. 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 (\$994) and \$1,281 for the years ended December 31, 2016 and 2015, respectively.

#### Price risk

- i. The Company is exposed price risk on its equity securities investments, which are classified on the parent company only balance sheet as either available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage price risk on its equity securities investments, the Company seeks to maintain diversified portfolio in line with set policy.
- ii. The Company's equity securities investments comprise domestic listed stocks and open-ended funds. The prices of equity securities and open-ended funds may change due to changes in the future value of investee companies. If the prices of these equity securities increase or decrease by 5%, and open-ended funds increase or decrease by 0.25%, with all other variables held constant, the post-tax profit for the years ended December 31, 2016 and 2015 would have increased/decreased by \$0 and \$11,000, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$31,596 and \$32,778, respectively, over the same periods as a result of gains/losses on equity securities classified as available-for-sale.

#### Interest rate risk

The Company's invested open-ended funds are mainly quasi money market funds. The holding durations of short-term financial instruments are short. The Company has assessed there is no significant market risk.

#### (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 under contract obligations. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum credit rating of "A" are accepted.
- II. Management has assessed there are no significant losses due to non-performance by these counterparties for the years ended December 31, 2016 and 2015.

#### (c) Liquidity risk

- I. Cash flow forecasting is performed by the operating entities of the Company and aggregated by the Company's finance department. It monitors rolling forecasts of liquidity requirements to ensure the Company has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities—see Note 6(14)—at all times, so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company'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 money market funds of \$0 and \$4,400,000 as of December 31, 2016 and 2015, respectively, which are expected to readily generate cash inflows for the purpose of managing liquidity risk.
- III. 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, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Notes payable	\$ 5,633,061	\$ -	\$ -	\$ -
Accounts payable	9,208,794	-	-	-
Other payables	15,205,974	-	-	-

Non-derivative financial liabilities:

December 31, 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Notes payable	\$ 4,376,208	\$ -	\$ -	\$ -
Accounts payable	8,700,059	-	-	-
Other payables	13,386,554	-	-	-

**(3) Fair value information**

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company's investment property measured at cost are provided in Note 6(9).

B. 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 and beneficiary certificates 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.

C. 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:

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	\$ 631,928	\$ -	\$ 64,577	\$ 696,505

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Open-ended funds	\$ 4,400,000	\$ -	\$ -	\$ 4,400,000
Available-for-sale financial assets				
Equity securities	655,553	-	64,728	720,281
Total	\$ 5,055,553	\$ -	\$ 64,728	\$ 5,120,281

D. The methods and assumptions the Company uses to measure fair value are as follows:

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

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

(b) 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, 2016 and 2015, there was no transfer between Level 1 and Level 2.  
 F. For the years ended December 31, 2016 and 2015, 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, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
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Non-derivative equity instrument:

Unlisted shares	\$	64,577	Net asset value	Net asset value	- The higher the net asset value, the higher the fair value
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	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
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Non-derivative equity instrument:

Unlisted shares	\$	64,728	Net asset value	Net asset value	- The higher the net asset value, the higher the fair value
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- 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, 2016 and 2015.

### 13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to Table 1.

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 2.

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 3.

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 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 5.

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

J. Significant inter-company transactions during the reporting periods: Please refer to Table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 8.

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****Loan to others**

Table 1

For the year ended December 31, 2016  
Expressed in thousands of NTD  
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2016	Balance at December 31, 2016	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Footnote
													Item	Value			
1	President Information Corp.	Uni-President Superior Commissary Corp.	Other receivables	Y	\$ 100,000	\$ 100,000	\$ 100,000	0.97	Short-term financing	\$ -	Additional operating capital	\$ -	-	\$ -	\$ 194,633	\$ 194,633	
2	Uni-President Ustyle Department Store Corp.	Uni-President Superior Commissary Corp.	Other receivables	Y	150,000	150,000	150,000	0.99	Short-term financing	-	Additional operating capital	-	-	-	264,441	264,441	

Note 1: The maximum amount for total loan and the maximum amount of individual enterprise are 40% of its net worth.

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES**  
**Holding of marketable securities at the end of the period**  
**(not including subsidiaries, associates and joint ventures)**

Table 2

December 31, 2016  
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, 2016				Footnote
				Number of shares	Book value (Note)	Ownership (%)	Fair value	
	Stock :							
President Chain Store Corp.	President Securities Corp.	Investees of Uni-President Enterprises Corp. under the Equity Method	Available-for-sale financial assets - non-current	36,715,907	\$ 433,248	2.75	\$ 433,248	
President Chain Store Corp.	Duskin Co., Ltd.	None	"	300,000	198,680	0.54	198,680	
President Chain Store Corp.	President Investment Trust Corp., etc.	"	"	-	64,577	-	64,577	
President Chain Store Corp.	Kaohsiung Rapid Transit Corp., etc.	"	Financial assets measured at cost - non-current	-	25,721	-	-	
	Open ended funds :							
Shanghai President Chain Store Corporation Trade Co., Ltd., etc	CIFM Cash Liquidity Money Market Fund, etc	None	Financial assets at fair value through profit or loss - current	-	\$ 278,564	-	\$ 278,564	
President Pharmaceutical Corp.	Jih Sun Money Market Fund	"	"	15,426,309	226,299	-	226,299	
Shan Dong President Yinzuo Commercial Limited	Harvest Prime Liquidity Money Market Fund, etc	"	"	-	116,091	-	116,091	
Q-ware Systems & Services Corp.	Yuanta Wan Tai Money Market Fund	"	"	8,194,155	123,000	-	123,000	
Q-ware Systems & Services Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	7,719,715	104,000	-	104,000	
	Stock :							
Duskin China (BVI) Holdings Limited	Duskin (Shanghai) Co., Ltd.	None	Financial assets measured at cost - non-current	7,000	\$ 1,773	8.75	\$ -	
	Bond :							
icash Corp.	Government bond	None	Available-for-sale financial assets - non-current	-	\$ 202,985	-	\$ 202,985	

Note : The amounts less than \$100,000 are combined disclosure.



**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 3

For the year ended December 31, 2016  
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, 2016		Addition		Disposal				Other increase (decrease)		Balance as at December 31, 2016		
					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 :																	
President Chain Store Corp.	Jih Sun Money Market Fund	Note 1	Not applicable	Not applicable	82,070,923	\$ 1,200,000	-	\$ -	82,070,923	\$ 1,200,484	\$ 1,200,000	\$ 484	-	\$ -	-	\$ -	
President Chain Store Corp.	Mega Diamond Money Market Fund	"	"	"	137,352,649	1,700,000	-	-	137,352,649	1,702,651	1,700,000	2,651	-	-	-	-	
President Chain Store Corp.	Prudential Financial Money Market Fund	"	"	"	64,063,551	1,000,000	-	-	64,063,551	1,002,787	1,000,000	2,787	-	-	-	-	
President Chain Store Corp.	UPAMC James Bond Money Market Fund	"	"	"	30,287,795	500,000	90,701,962	1,500,000	120,989,757	2,000,616	2,000,000	616	-	-	-	-	
President Chain Store Corp.	CTBC Hwa-win Money Market Fund	"	"	"	-	-	91,724,606	1,000,000	91,724,606	1,000,339	1,000,000	339	-	-	-	-	
President Chain Store Corp.	FSITC Money Market Fund	"	"	"	-	-	4,533,313	800,000	4,533,313	800,352	800,000	352	-	-	-	-	
Books.com. Co., Ltd.	Jih Sun Money Market Fund	"	"	"	10,605,306	155,000	104,454,945	1,530,000	109,605,904	1,605,579	1,605,000	579	-	14	5,454,347	80,014	
Books.com. Co., Ltd.	CTBC Hwa-win Money Market Fund	"	"	"	-	-	51,373,432	560,000	51,373,432	560,109	560,000	109	-	-	-	-	
Chieh-Shuen Logistics International Corp.	UPAMC James Bond Money Market Fund	"	"	"	1,365,894	22,549	27,388,932	453,000	25,976,596	429,633	429,540	93	- (	5)	2,778,230	46,004	
Chieh-Shuen Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	"	4,507,830	60,550	32,269,986	434,000	35,293,123	474,638	474,547	91	- (	2)	1,484,693	20,001	
President Drugstore Business Corp.	Union Money Market Fund	"	"	"	8,432,937	110,009	35,990,234	470,000	44,423,171	580,078	580,000	78	- (	9)	-	-	
President Drugstore Business Corp.	Jih Sun Money Market Fund	"	"	"	3,420,253	50,009	24,573,062	360,000	27,993,315	410,077	410,000	77	- (	9)	-	-	
President Pharmaceutical Corp.	Jih Sun Money Market Fund	"	"	"	-	-	59,502,166	872,000	44,075,857	646,003	645,753	250	-	52	15,426,309	226,299	
Q-ware Systems & Services Corp.	Yuantai Wan Tai Money Market Fund	"	"	"	-	-	61,509,656	922,000	53,315,501	799,228	799,000	228	-	-	8,194,155	123,000	
Q-ware Systems & Services Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	"	5,211,358	70,000	42,868,964	577,000	40,360,607	543,120	543,000	120	-	-	7,719,715	104,000	
Stock :																	
President Chain Store Corp.	President Chain Store (BVI) Holdings Ltd.	Note 2	Cash capital increase	Parent company to subsidiary	138,899,066	3,945,077	27,369,163	887,181	-	-	-	- (	25,883,922)	221,625	140,384,307	5,053,883	
President Chain Store (BVI) Holdings Ltd.	Presidenc Limited	"	"	"	46,537,630 (	810,343)	27,369,163	887,181	73,906,793	3,136 (	32,842)	35,978 (	2,576,394)	(	109,680)	-	-

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

Note 2: The marketable 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 4

For the year ended December 31, 2016  
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	\$ 14,236,472	15	Net 30-40 days from the end of the month when invoice is issued		No significant differences	(\$ 1,238,404)	8	
	Uni-President Superior Commissary Corp.	Subsidiary	"	3,244,038	4	Net 45 days from the end of the month when invoice is issued	"	"	( 553,533)	4	
	Tung Ang Enterprise Corp.	Sister company	"	1,981,052	2	Net 30 days from the end of the month when invoice is issued	"	"	( 170,617)	1	
	Lien-Bo Enterprises Corp.	"	"	966,035	1	Net 10-54 days from the end of the month when invoice is issued	"	"	( 123,408)	1	
	Vision Distribution Service Corp.	Subsidiary	"	695,832	1	Net 30-60 days from the end of the month when invoice is issued	"	"	( 74,099)	-	
	Tait Marketing & Distribution Co., Ltd.	Sister company	"	433,307	-	Net 20-70 days from the end of the month when invoice is issued	"	"	( 41,463)	-	
	Q-ware Systems & Services Corp.	Subsidiary	"	578,204	1	Net 15-40 days from the end of the month when invoice is issued	"	"	( 98,382)	1	
	President Packaging Corp.	Sister company	"	341,040	-	Net 15-60 days from the end of the month when invoice is issued	"	"	( 57,901)	-	
	President Transnet Corp.	Subsidiary	"	242,938	-	Net 60 days from the end of the month when invoice is issued	"	"	( 17,277)	-	
	Kuang Chuan Dairy Corp.	Other related party	"	237,300	-	Net 30-65 days from the end of the month when invoice is issued	"	"	( 61,953)	-	
	Weilih Food Industrial Co., Ltd.	"	"	227,719	-	Net 30-60 days from the end of the month when invoice is issued	"	"	( 36,990)	-	
	21 Century Enterprise Co., Ltd.	Subsidiary	"	227,353	-	Net 30-60 days from the end of the month when invoice is issued	"	"	( 78,887)	1	
	Mister Donut Taiwan Co., Ltd.	Other related party	"	125,791	-	Net 55-60 days from the end of the month when invoice is issued	"	"	( 22,156)	-	
	President Pharmaceutical Corp.	Subsidiary	"	111,849	-	Net 10-54 days from the end of the month when invoice is issued	"	"	( 9,669)	-	
21 Century Enterprise Co., Ltd.	President Chain Store Corp.	Parent company	Sales revenue	( 227,353)	17	Net 30-60 days from the end of the month when invoice is issued	"	"	78,887	34	
Capital Inventory Services Corp.	President Chain Store Corp.	"	Service revenue	( 161,101)	78	Net 20 days from the end of the month when invoice is issued	"	"	32,200	70	
Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary of President Chain Store Corp.	Delivery revenue	( 874,818)	53	Net 40 days from the end of the month when invoice is issued	"	"	163,954	70	
	President Logistics International Corp.	Parent company	"	( 723,964)	44	Net 20 days from the end of the month when invoice is issued	"	"	67,122	29	
Duskin Serve Taiwan Co.	President Chain Store Corp.	"	Service revenue	( 229,704)	22	Net 15-60 days from the end of the month when invoice is issued	"	"	26,063	18	
President Drugstore Business Corp.	President Pharmaceutical Corp.	Subsidiary of President Chain Store Corp.	Purchases	944,350	11	Net 30-110 days from the end of the month when invoice is issued	"	"	( 23,397)	( 1)	
President Information Corp.	President Chain Store Corp.	Parent company	Service revenue	( 796,419)	66	Net 45 days from the end of the month when invoice is issued	"	"	164,456	68	
	President Transnet Corp.	Subsidiary of President Chain Store Corp.	"	( 127,358)	11	Net 45 days from the end of the month when invoice is issued	"	"	26,306	11	

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.	Retail Support International Corp.	Parent company	Delivery revenue	\$ 734,710 (	28)	Net 20 days from the end of the month when invoice is issued	No significant differences	No significant differences	\$ 66,696	27	
	Uni-President Cold-Chain Corp.	Subsidiary of President Chain Store Corp.	"	( 982,130) (	38)	Net 20 days from the end of the month when invoice is issued	"	"	83,305	34	
	Wisdom Distribution Service Corp.	"	"	( 541,171) (	21)	Net 20 days from the end of the month when invoice is issued	"	"	65,629	27	
	Chieh-Shuen Logistics International Corp.	Subsidiary	Service cost	723,964	29	Net 20 days from the end of the month when invoice is issued	"	"	( 67,122) (	28)	
Uni-President Superior Commissary Corp.	President Chain Store Corp.	Parent company	Sales revenue	( 3,244,038) (	100)	Net 45 days from the end of the month when invoice is issued	"	"	553,533	100	
President Pharmaceutical Corp.	President Chain Store Corp.	"	"	( 111,849) (	4)	Net 10-54 days from the end of the month when invoice is issued	"	"	9,669	2	
	President Drugstore Business Corp.	Subsidiary of President Chain Store Corp.	"	( 944,350) (	38)	Net 30-110 days from the end of the month when invoice is issued	"	"	23,397	6	
	President Pharmaceutical (Hong Kong) Holdings Limited	Subsidiary	"	( 180,072) (	7)	Net 90 days from the end of the month when invoice is issued	"	"	36,891	9	
	President Chain Store Tokyo Marketing Corp.	Subsidiary of President Chain Store Corp.	"	( 105,980) (	4)	Net 210 days from the end of the month when invoice is issued	"	"	25,209	6	
President Transnet Corp.	President Chain Store Corp.	Parent company	"	( 242,938) (	2)	Net 60 days from the end of the month when invoice is issued	"	"	17,277	1	
	Chieh-Shuen Logistics International Corp.	Subsidiary of President Chain Store Corp.	Service cost	874,818	8	Net 40 days from the end of the month when invoice is issued	"	"	( 163,954) (	10)	
Retail Support Taiwan Corp.	Retail Support International Corp.	Parent company	Delivery revenue	( 280,119)	77	Net 15-20 days from the end of the month when invoice is issued	"	"	20,178	62	
Vision Distribution Service Corp.	President Chain Store Corp.	"	Sales revenue	( 695,832) (	51)	Net 65 days from the end of the month when invoice is issued	"	"	74,099	47	
Q-ware Systems & Services Corp.	President Chain Store Corp.	"	"	( 578,204) (	66)	Net 15-40 days from the end of the month when invoice is issued	"	"	98,382	75	
Wisdom Distribution Service Corp.	Books.com. Co., Ltd.	Subsidiary of President Chain Store Corp.	Delivery revenue	( 262,570) (	14)	Net 30 days from the end of the month when invoice is issued	"	"	23,440	5	
President Pharmaceutical (Hong Kong) Holdings Ltd.	President Pharmaceutical Corp.	Parent company	Purchases	180,072	100	Net 90 days from the end of the month when invoice is issued	"	"	( 36,891) (	100)	

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES****Receivables from related parties reaching \$100 million or 20% of paid-in capital or more**

Table 5

December 31, 2016  
Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as of December 31, 2016	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
President Chain Store Corp.	Wisdom Distribution Service Corp.	Subsidiary	\$ 565,738	Note	\$ -	None	\$ 298,299	\$ -
	icash Corp.	"	136,493	"	-	"	3,882	-
Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary of President Chain Store Corp.	163,954	6.32	-	"	133,076	-
President Information Corp.	President Chain Store Corp.	Parent company	164,456	4.97	-	"	139,560	-
Uni-President Superior Commissary Corp.	President Chain Store Corp.	"	553,533	6.03	-	"	280,136	-
Books.com. Co., Ltd.	President Chain Store Corp.	"	158,401	-	-	"	158,401	-

Note : It is not applicable to calculate receivables turnover ratio since most of the collections pertain to purchase rebate and accounts receivable for icash.

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES**  
**Significant inter-company transactions during the reporting periods**

Table 6

For the year ended December 31, 2016  
Expressed in thousands of NTD  
(Except as otherwise indicated)

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.	icash Corp.	Parent company to subsidiary	Other receivables	\$ 133,784	Net 30-60 days from the end of the month when invoice is issued	0.14
0	President Chain Store Corp.	Wisdom Distribution Service Corp.	Parent company to subsidiary	Other receivables	565,738	Net 30-60 days from the end of the month when invoice is issued	0.59
0	President Chain Store Corp.	Books.com. Co., Ltd.	Parent company to subsidiary	Other operating revenue	( 174,032)	Net 60 days from the end of the month when invoice is issued	0.08
0	President Chain Store Corp.	President Transnet Corp.	Parent company to subsidiary	Other operating revenue	( 167,931)	Net 30 days from the end of the month when invoice is issued	0.08
0	President Chain Store Corp.	Retail Support International Corp.	Parent company to subsidiary	Other income	( 253,776)	Net 60 days from the end of the month when invoice is issued	0.12
0	President Chain Store Corp.	Uni-President Cold-Chain Corp.	Parent company to subsidiary	Other income	( 180,138)	Net 30 days from the end of the month when invoice is issued	0.08
1	Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary to subsidiary	Accounts receivable	163,954	Net 40 days from the end of the month when invoice is issued	0.17
2	President Pharmaceutical Corp.	President Drugstore Business Corp.	Subsidiary to subsidiary	Accounts receivable	23,397	Net 30~110 days from the end of the month when invoice is issued	0.02
3	Uni-President Ustyle Department Store Corp.	Uni-President Superior Commissary Corp.	Subsidiary to subsidiary	Other receivables	150,000	Expired at September 30, 2017	0.16
4	President Information Corp.	Uni-President Superior Commissary Corp.	Subsidiary to subsidiary	Other receivables	100,000	Expired at September 30, 2017	0.10
5	President Collect Services Co., Ltd.	President Transnet Corp.	Subsidiary to subsidiary	Other receivables	1,011,770	Net 40 days from the end of the month when invoice is issued	1.06
6	Chieh-Shuen Logistics International Corp.	President Logistics International Corp.	Subsidiary to subsidiary	Delivery revenue	( 723,964)	Net 20 days from the end of the month when invoice is issued	0.34
6	Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary to subsidiary	Delivery revenue	( 874,818)	Net 40 days from the end of the month when invoice is issued	0.41
6	President Logistics International Corp.	Retail Support International Corp.	Subsidiary to subsidiary	Delivery revenue	( 734,710)	Net 20 days from the end of the month when invoice is issued	0.34
6	President Logistics International Corp.	Uni-President Cold-Chain Corp.	Subsidiary to subsidiary	Delivery revenue	( 982,130)	Net 20 days from the end of the month when invoice is issued	0.46
6	President Logistics International Corp.	Wisdom Distribution Service Corp.	Subsidiary to subsidiary	Delivery revenue	( 541,171)	Net 20 days from the end of the month when invoice is issued	0.25
7	President Pharmaceutical Corp.	President Chain Store Tokyo Marketing Corp.	Subsidiary to subsidiary	Sales revenue	( 105,980)	Net 210 days from the end of the month when invoice is issued	0.05
7	President Pharmaceutical Corp.	President Pharmaceutical (Hong Kong) Holdings Limited	Subsidiary to subsidiary	Sales revenue	( 180,072)	Net 90 days from the end of the month when invoice is issued	0.08
7	President Pharmaceutical Corp.	President Drugstore Business Corp.	Subsidiary to subsidiary	Sales revenue	( 944,350)	Net 30~110 days from the end of the month when invoice is issued	0.44
8	Wisdom Distribution Service Corp.	Books.com. Co., Ltd.	Subsidiary to subsidiary	Delivery revenue	( 262,570)	Net 30 days from the end of the month when invoice is issued	0.12
9	Retail Support Taiwan Corp.	Retail Support International Corp.	Subsidiary to subsidiary	Delivery revenue	( 280,119)	Net 15~20 days from the end of the month when invoice is issued	0.13
10	President Information Corp.	President Transnet Corp.	Subsidiary to subsidiary	Service revenue	( 127,358)	Net 45 days from the end of the month when invoice is issued	0.06
11	President Transnet Corp.	President Collect Services Co., Ltd.	Subsidiary to subsidiary	Service revenue	( 247,531)	Net 40 days from the end of the month when invoice is issued	0.11

Number	Company name	Counterparty	Relationship	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
11	President Transnet Corp.	President Collect Services Co., Ltd.	Subsidiary to subsidiary	Collection payable	(\$ 1,011,056)	Net 40 days from the end of the month when invoice is issued	1.06
12	Uni-President Superior Commissary Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	553,533	Net 45 days from the end of the month when invoice is issued	0.58
12	Uni-President Superior Commissary Corp.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	( 3,244,038)	Net 45 days from the end of the month when invoice is issued	1.51
13	21 Century Enterprise Co., Ltd.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	( 227,353)	Net 30~60 days from the end of the month when invoice is issued	0.11
14	Vision Distribution Service Corp.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	( 695,832)	Net 65 days from the end of the month when invoice is issued	0.32
14	Vision Distribution Service Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	74,099	Net 65 days from the end of the month when invoice is issued	0.08
15	President Information Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	164,456	Net 45 days from the end of the month when invoice is issued	0.17
15	President Information Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	( 796,419)	Net 45 days from the end of the month when invoice is issued	0.37
16	President Transnet Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	17,277	Net 30~60 days from the end of the month when invoice is issued	0.02
17	Duskin Serve Taiwan Co.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	( 229,704)	Net 15~60 days from the end of the month when invoice is issued	0.11
18	Capital Inventory Services Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	( 161,101)	Net 20 days from the end of the month when invoice is issued	0.07
19	Q-ware Systems & Services Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	( 578,204)	Net 15~40 days from the end of the month when invoice is issued	0.27

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

Table 7

For the year ended December 31, 2016  
Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value (Note 3)			
President Chain Store Corp.	President Chain Store (BVI) Holdings Ltd.	British Virgin Islands	Professional investment	\$ 4,983,745	\$ 4,885,624	140,384,307	100.00	\$ 5,053,883	\$ 845,170	\$ 845,170	Subsidiary
President Chain Store Corp.	President Drugstore Business Corp.	Taiwan	Sales of cosmetics, medicines and daily items	288,559	288,559	40,000,000	100.00	1,051,796	418,965	418,965	Subsidiary
President Chain Store Corp.	President Transnet Corp.	Taiwan	Delivery service	711,576	711,576	103,496,399	70.00	1,454,357	457,034	319,924	Subsidiary
President Chain Store Corp.	Mech-President Corp.	Taiwan	Gas station and elevator installation	904,475	904,475	55,858,815	80.87	680,703	119,299	96,477	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	656,852	123,288	90,913	Subsidiary
President Chain Store Corp.	Uni-President Ustyle Department Store Corp.	Taiwan	Department stores	840,000	840,000	27,999,999	70.00	462,771	262,478	183,734	Subsidiary
President Chain Store Corp.	Uni-President Superior Commissary Corp.	Taiwan	Foods manufacturing	520,141	520,141	48,519,890	90.00	434,869	59,309	49,472	Subsidiary
President Chain Store Corp.	Uni-President Cold-Chain Corp.	Taiwan	Low-temperature foods logistics and warehousing	237,437	237,437	23,605,042	60.00	615,562	308,489	185,093	Subsidiary
President Chain Store Corp.	President Information Corp.	Taiwan	Enterprise information management and consultancy	320,741	320,741	25,714,475	86.00	527,301	113,476	97,589	Subsidiary
President Chain Store Corp.	Q-ware Systems & Services Corp.	Taiwan	Information software service	332,482	332,482	24,382,921	86.76	341,897	60,194	52,224	Subsidiary
President Chain Store Corp.	Wisdom Distribution Service Corp.	Taiwan	Logistics and warehousing of publication	50,000	50,000	10,847,421	100.00	354,821	159,111	159,111	Subsidiary
President Chain Store Corp.	Books.com. Co., Ltd.	Taiwan	Retail business without shop	100,400	100,400	9,999,999	50.03	387,436	399,965	200,087	Subsidiary
President Chain Store Corp.	Uni-President Yi-Lan Art and Culture Corp.	Taiwan	Art and cultural exhibition	200,000	200,000	20,000,000	100.00	235,650	1,505	2,134	Subsidiary
President Chain Store Corp.	Duskin Serve Taiwan Co.	Taiwan	Cleaning instruments leasing and selling	102,000	102,000	10,199,999	51.00	186,682	116,606	59,233	Subsidiary
President Chain Store Corp.	icash Corp.	Taiwan	Electronic ticketing	500,000	325,000	50,000,000	100.00	369,989 (	40,544) (	40,544)	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	819,847	143,048	28,610	Note 1
President Chain Store Corp.	President Starbucks Coffee Corp.	Taiwan	Selling of coffee, beverage, and food	59,400	59,400	10,691,337	30.00	450,659	770,708	231,212	Note 1
President Chain Store Corp.	Retail Support International Corp.	Taiwan	Room-temperature logistics and warehousing	91,414	91,414	6,429,999	25.00	164,723	224,162	56,041	Note 1
President Chain Store Corp.	Presicare Corp.	Taiwan	Management of retail department store	7,112,028	7,112,028	130,801,027	19.50	5,142,151	1,484,839	289,541	Note 1



Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value (Note 3)			
President Chain Store Corp.	President Fair Development Corp.	Taiwan	Operation of shopping mall, department store, international trade, etc.	\$ 3,191,700	\$ 3,191,700	263,387,500	19.00	\$ 1,952,428	(\$ 345,415)	(\$ 65,629)	Note 1
President Chain Store Corp.	President International Development Corp.	Taiwan	Professional investment	500,000	500,000	44,100,000	3.33	466,662	491,434	16,445	Note 1
President Chain Store Corp.	Mister Donut Corp., Ltd., etc.	Taiwan		-	2,515,850	2,564,450	-	0.00	475,340	646,819	Note 2
Retail Support International Corp., etc.	President Logistics International Corp., etc.	Other		-	-	-	-	554,111	-	-	-
Wisdom Distribution Service Corp.	Vision Distribution Service Corp., etc.	Other		-	-	-	-	134,607	-	-	-
Uni-President Cold-Chain Corp.	Uni-President Logistics (BVI) Holdings Ltd., etc.	Other		-	-	-	-	173,546	-	-	-
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Labuan) Holdings Ltd.	Other	Professional investment	940,518	667,069	29,163,337	100.00	1,764,038	405,868	-	Subsidiary of a subsidiary
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Hong Kong) Holdings Ltd.	Hong Kong	Professional investment	3,334,588	4,016,790	103,398,075	100.00	3,319,112	850,356	-	Subsidiary of a subsidiary
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corp.	Philippine	Operation of chain stores	939,614	666,166	239,376,070	52.22	1,763,320	817,186	-	Subsidiary of a subsidiary
President Chain Store (Hong Kong) Holdings Limited	President Coffee (Cayman) Holdings Ltd., etc.	Other		-	-	-	-	2,037,468	-	-	-
President Pharmaceutical Corp.	President Pharmaceutical (Hong Kong) Holdings Ltd., etc.	Other		-	-	-	-	165,903	-	-	-

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

Note 2: The information in the column includes subsidiary and the investee recognized using equity method by the company.

Note 3: The amounts less than \$100,000 are combined disclosure.

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

Table 8

For the year ended December 31, 2016  
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, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan For the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai President Chain Store Corporation Trade Co., Ltd.	Trade of food and commodities	\$ 286,380	Note 1	\$ 166,751	\$ -	\$ -	\$ 166,751	(\$ 2,249)	100.00	(\$ 2,249)	\$ 33,423	-	Note 2
Shanghai President Starbucks Coffee Corp.	Selling of coffee, beverage, and food	360,263	Note 1	64,500	-	-	64,500	4,131,439	30.00	1,177,258	1,494,145	-	Note 2
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Wholesale of merchandise	464,363	Note 1	303,707	-	-	303,707	2,572	100.00	2,572	66,410	-	Note 2
President Chain Store (Shanghai) Ltd.	Operation of chain stores	2,043,197	Note 1	2,205,871	-	-	2,205,871	( 165,032)	100.00	( 165,032)	106,786	-	Note 2
Shanghai President Logistic Co., Ltd.	Logistics and warehousing	64,500	Note 1	64,500	-	-	64,500	115,669	100.00	121,867	305,558	-	Note 2
Shanghai Cold Stone Ice Cream Corporation	Sales of ice cream	770,280	Note 1	770,280	-	-	770,280	( 160,094)	100.00	( 160,094)	( 80,895)	-	Note 2
PCSC (Chengdu) Hypermarket Limited	Retail hypermarket	464,363	Note 1	418,041	-	-	418,041	( 65,834)	100.00	( 65,834)	56,547	-	Note 2
Shan Dong President Yinzuo Commercial Limited	Supermarkets	278,618	Note 1	131,527	-	-	131,527	24,706	55.00	13,609	195,562	-	Note 2
President (Shanghai) Health Product Trading Company Ltd.	Sales of various health care products, cosmetics, and pharmaceuticals	96,750	Note 1	96,750	-	-	96,750	( 75,459)	73.74	( 55,644)	28,182	-	Note 2
Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehouse	185,745	Note 1	182,543	-	-	182,543	9,123	80.00	7,469	150,592	-	Note 2
Duskin (Shanghai) Co., Ltd.	Sales of cleaning instruments	278,618	Note 1	21,599	-	-	21,599	( 16,369)	4.46	-	904	-	Note 2
Beijing Bokelai Customer Co.	Enterprise information consulting, network technology development and services	484	Note 1	-	-	-	-	( 10)	50.03	( 5)	20	-	Note 2
President Chain Store (Taizhou) Ltd.	Logistics and warehousing	278,618	Note 1	278,618	-	-	278,618	1,810	100.00	1,810	280,212	-	Note 2
President Logistics Shan Dong Co., Ltd.	Logistics and warehousing	92,873	Note 1	-	92,873	-	92,873	( 36)	100.00	( 36)	92,837	-	Note 2

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

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	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.	\$ 3,966,413	\$ 6,938,267	\$ 19,998,151
President Pharmaceutical Corp.	96,750	96,750	405,251
Duskin Serve Taiwan Co.	21,599	21,599	219,626
Uni-President Cold-Chain Corp.	95,699	95,699	603,238

## PRESIDENT CHAIN STORE CORP. STATEMENT OF CASH AND CASH EQUIVALENTS

Statement 1		DECEMBER 31, 2016 Expressed in thousands of NTD
Item	Description	Amount
Cash on hand and petty cash		\$ 1,422,430
Demand deposits and checking accounts		4,703,621
Cash equivalents		
Time deposits – New Taiwan dollar	Due dates are during January 2017 and December 2017, and interest rates are at 0.51%~0.93%.	9,880,000
Short-term financial instruments	Due dates are within one month, interest rates are at 0.37%~0.4%.	6,286,118
		<u>\$ 22,292,169</u>

## PRESIDENT CHAIN STORE CORP. STATEMENT OF INVENTORIES

Statement 2				DECEMBER 31, 2016 Expressed in thousands of NTD
Item	Description	Amount		Footnote
		Cost	Market value	
Merchandise		\$ 6,003,727	\$ 6,154,986	The net realizable value is the market value.

## PRESIDENT CHAIN STORE CORP. STATEMENT OF CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT

STATEMENT OF CHANGES AVAILABLE FOR SALE FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

Expressed in thousands of NTD

Statement 3

Name	Balance as of January 1, 2016		Additions		Decreases (Note)		Balance as of December 31, 2016		Collateral
	Number of shares	Book value	Number of shares	Amount	Number of shares	Amount	Number of shares	Book value	
Listed stocks									
President Securities Corp.	35,604,872	\$ 140,534	1,111,035	\$ -	-	\$ -	36,715,907	\$ 140,534	None
Duskin Co., Ltd.	300,000	125,072	-	-	-	-	300,000	125,072	"
Unlisted stocks									
President Investment Trust Corp., etc.	-	42,230	-	-	-	( 151)	-	42,079	"
Subtotal		307,836		-		( 151)		307,685	
Valuation adjustment		412,445		18,453		( 42,078)		388,820	
		\$ 720,281		\$ 18,453		(\$ 42,229)		\$ 696,505	

Note: The amount decreased this year due to the liquidating dividends distributed by investees.

**PRESIDENT CHAIN STORE CORP.  
STATEMENT OF CHANGES IN FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT**FOR THE YEAR ENDED DECEMBER 31, 2016  
Expressed in thousands of NTD

Statement 4

Name	Balance as of January 1, 2016		Additions		Decreases (Note)		Balance as of December 31, 2016		Collateral
	Number of shares	Book value	Number of shares	Amount	Number of shares	Amount	Number of shares	Book value	
Unlisted stocks									
PK Venture Capital Corp.	2,520,000	\$ 33,685	-	\$ -	( 2,198,700)	\$ -	321,300	\$ 33,685	None
Kaohsiung Rapid Transit Corp.	2,572,127	203,714	-	-	-	-	2,572,127	203,714	"
subtotal		237,399		-		-		237,399	
Accumulated impairment		( 211,678)		-		-		( 221,678)	
		<u>\$ 25,721</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ 25,721</u>	

Note: The amount decreased this year due to capital reduction to cover losses and cash refund capital reduction.

**PRESIDENT CHAIN STORE CORP.  
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**FOR THE YEAR ENDED DECEMBER 31, 2016  
Expressed in thousands of NTD

Statement 5

Name	Balance as of January 1, 2016		Additions (Note 1)		Decreases (Note 2)		Other Adjustments (Note 3)	Balances as of December 31, 2016			Market price or Equity of subsidiaries and Associates		Collateral
	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.	138,899,066	\$ 3,945,077	27,369,163	\$ 1,732,351	( 25,883,922)	\$ -	( \$ 623,545)	140,384,307	100.00	\$ 5,053,883	\$ 36.00	\$ 5,053,883	None
President Drugstore Business Corp.	40,000,000	783,127	-	418,965	-	-	( 150,296)	40,000,000	100.00	1,051,796	26.29	1,051,796	"
President Transnet Corp.	103,496,399	1,239,582	-	319,924	-	-	( 105,149)	103,496,399	70.00	1,454,357	13.87	1,435,515	"
Mech-President Corp.	55,858,815	585,704	-	96,477	-	-	( 1,478)	55,858,815	80.87	680,703	12.19	680,703	"
President Pharmaceutical Corp.	22,121,962	724,426	-	90,913	-	-	( 158,487)	22,121,962	73.74	656,852	22.51	498,054	"
Uni-President Ustyle Department Store Corp.	27,999,999	279,163	-	183,734	-	-	( 126)	27,999,999	70.00	462,771	16.53	462,771	"
Uni-President Superior Commissary Corp.	48,519,890	391,991	-	49,472	-	-	( 6,594)	48,519,890	90.00	434,869	8.96	434,869	"
Uni-President Cold-Chain Corp.	19,563,271	416,186	4,041,771	185,093	-	-	14,283	23,605,042	60.00	615,562	25.56	603,237	"
President Information Corp.	25,714,475	434,146	-	97,589	-	-	( 4,434)	25,714,475	86.00	527,301	16.27	418,461	"
Q-ware Systems & Services Corp.	24,382,921	337,216	-	52,224	-	-	( 47,543)	24,382,921	86.76	341,897	13.48	328,744	"
Wisdom Distribution Service Corp.	10,847,421	287,580	-	159,111	-	-	( 91,870)	10,847,421	100.00	354,821	32.71	354,821	"
Books.com. Co., Ltd.	9,999,999	340,990	-	200,087	-	-	( 153,641)	9,999,999	50.03	387,436	38.74	387,436	"
Uni-President Yi-Lan Art and Culture Corp.	20,000,000	252,693	-	2,134	-	-	( 19,177)	20,000,000	100.00	235,650	11.78	235,650	"
Duskin Serve Taiwan Co.	10,199,999	154,203	-	59,233	-	-	( 26,754)	10,199,999	51.00	186,682	18.30	186,682	"
Bank Pro E-Service Technology Co., Ltd.	7,874,999	109,510	-	-	( 7,874,999)	( 109,510)	-	-	-	-	-	-	"
icash Corp.	32,500,000	235,375	17,500,000	175,000	-	( 40,544)	158	50,000,000	100.00	369,989	7.40	369,989	"
Uni-President Development Corp.	72,000,000	910,037	-	28,610	-	-	( 118,800)	72,000,000	20.00	819,847	11.39	819,847	"
President Starbucks Coffee Corp.	10,691,337	407,163	-	231,212	-	-	( 187,716)	10,691,337	30.00	450,659	42.15	450,659	"
Retail Support International Corp.	6,429,999	113,181	-	56,041	-	-	( 4,499)	6,429,999	25.00	164,723	24.22	155,737	"
PresiCarre Corp.	130,801,027	5,078,101	-	289,541	-	-	( 225,491)	130,801,027	19.50	5,142,151	17.01	2,224,753	"
President Fair Development Corp.	263,387,500	2,018,057	-	-	-	( 65,629)	-	263,387,500	19.00	1,952,428	6.76	1,779,895	"
President International Development Corp.	44,100,000	457,066	-	16,445	-	-	( 6,848)	44,100,000	3.33	466,663	10.84	478,238	"
Mister Donut Taiwan Corp., Ltd., etc.	-	442,464	-	214,204	-	( 107,065)	( 74,264)	-	-	475,339	-	475,798	"
		<u>\$ 19,943,038</u>		<u>\$ 4,658,360</u>		<u>(\$ 322,748)</u>	<u>(\$ 1,992,271)</u>			<u>\$ 22,286,379</u>		<u>\$ 18,887,538</u>	

Note 1: The additions this year includes recognized gains on investments of \$3,515,179 and acquisition of investments of \$1,143,181.

Note 2: The decreases this year includes recognized losses on investments of \$198,928 and disposal of investment in subsidiaries of \$123,820.

Note 3: Other adjustments are cash dividends of (\$1,338,024), exchange differences from translation of foreign operations of (\$395,554), actuarial loss on measurement of defined benefit plan of (\$12,913), unrealized loss on valuation of available-for-sale financial assets of \$1,369 and others of (\$21). The equity interest change of subsidiary was (\$247,128).

**PRESIDENT CHAIN STORE CORP.  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT**

Statement 6

FOR THE YEAR ENDED DECEMBER 31, 2016  
Expressed in thousands of NTD

Item	Balance as of January 1, 2016	Additions	Disposals	Reclassifications	Balance as of December 31, 2016	Collateral
<u>Cost</u>						
Land	\$ 1,535,401	\$ -	\$ -	\$ -	\$ 1,535,401	None
Buildings	946,371	-	( 28,103)	51,340	969,608	"
Office equipment	12,442,240	1,116,254	( 925,112)	-	12,633,382	"
Leasehold improvements	7,149,307	768,439	( 536,210)	-	7,381,536	"
Others	9,192	-	( 406)	743	9,529	"
	<u>22,082,511</u>	<u>\$ 1,884,693</u>	<u>(\$ 1,489,831)</u>	<u>\$ 52,083</u>	<u>22,529,456</u>	
<u>Accumulated depreciation</u>						
Buildings	( 278,279)	(\$ 19,940)	\$ 15,641	(\$ 11,661)	( 294,239)	"
Office equipment	( 7,923,026)	( 1,410,685)	902,733	-	( 8,430,978)	"
Leasehold improvements	( 4,733,283)	( 678,497)	479,056	-	( 4,932,724)	"
Others	( 7,274)	( 755)	406	-	( 7,623)	"
	<u>( 12,941,862)</u>	<u>(\$ 2,109,877)</u>	<u>\$ 1,397,836</u>	<u>(\$ 11,661)</u>	<u>( 13,665,564)</u>	
Accumulated impairment	( 187,098)	(\$ 68,099)	\$ -	\$ -	( 255,197)	
Book value	<u>\$ 8,953,551</u>				<u>\$ 8,608,695</u>	

**PRESIDENT CHAIN STORE CORP.  
STATEMENT OF OPERATING REVENUE**

Statement 7

FOR THE YEAR ENDED DECEMBER 31, 2016  
Expressed in thousands of NTD

Item	Amount	Footnote
Merchandise sales	\$ 132,628,763	Sales of food, cans, beverages and daily commodities, etc.
Other operating revenue	<u>7,518,372</u>	Commission revenue from collection services, etc.
	<u>\$ 140,147,135</u>	

## PRESIDENT CHAIN STORE CORP. STATEMENT OF OPERATING COSTS

FOR THE YEAR ENDED DECEMBER 31, 2016  
Expressed in thousands of NTD

Statement 8

Item	Amount
Inventory at beginning of the year	\$ 6,129,025
Inventory purchased	91,167,134
Compensation for damaged merchandise	( 317,888)
Promotion income	( 590,240)
Inventory at end of the year	( 6,003,727)
Others	1,679,080
Operating costs	\$ 92,063,384

## ESIDENT CHAIN STORE CORP. STATEMENT OF SELLING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016  
Expressed in thousands of NTD

Statement 9

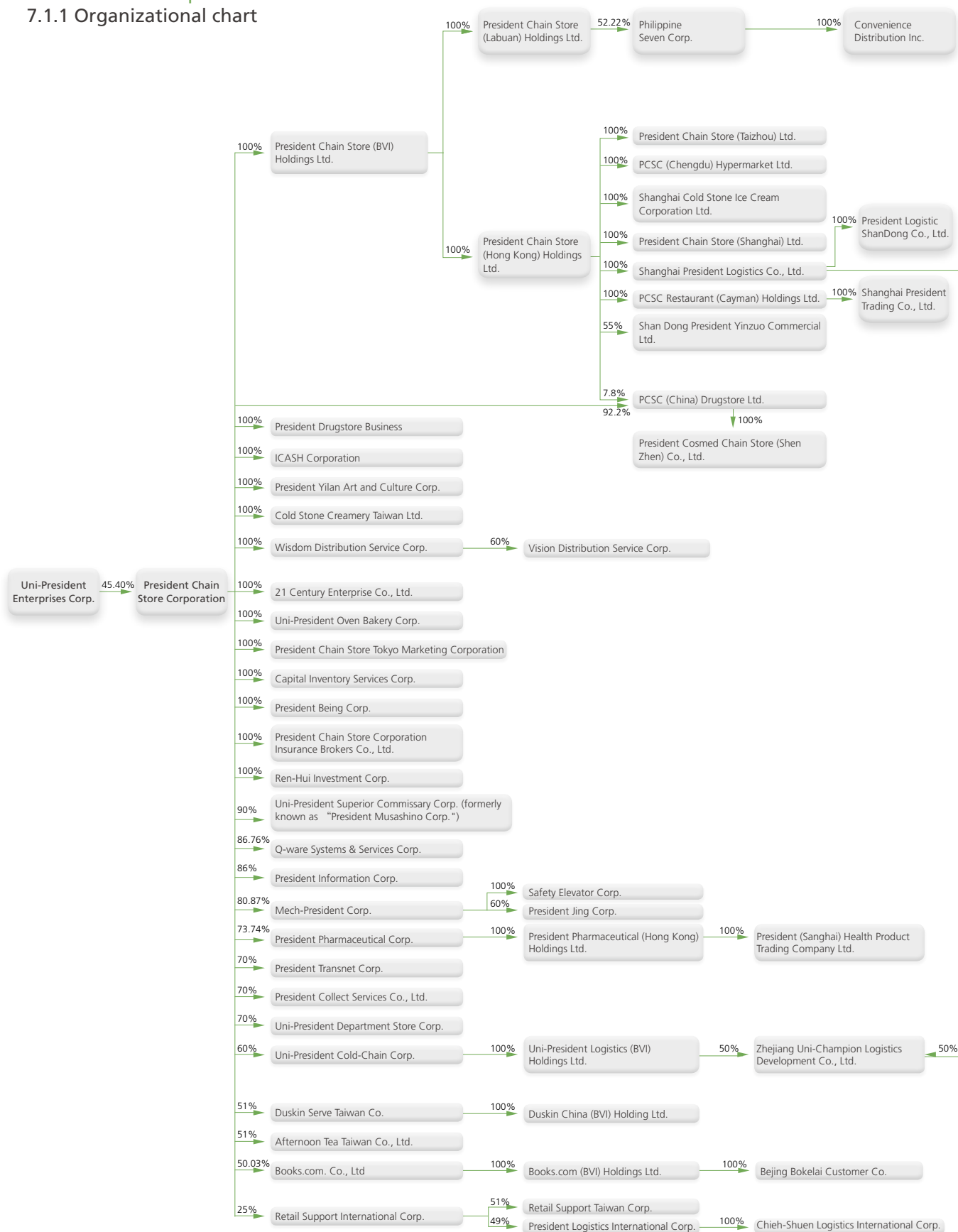
Item	Amount
Incentive bonuses for franchisees	\$ 18,106,047
Operating lease payments	5,963,389
Wages and salaries	3,344,353
Utilities expense	2,195,727
Depreciation	2,072,331
Other expenses	5,297,319
	\$ 36,979,166

# 7 Consolidated Business Reports of Affiliated Companies

## 7.1 Affiliated Companies Conditions

### 7.1.1 Organizational chart

As of December 31, 2016





### 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, 2016/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 140,384,000	Professional investments
PCSC (China) Drugstore Limited	Feb. 16, 2004	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 9,486,000	Professional investments
President Drugstore Business Corp.	Jul. 27, 1995	7F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	400,000	Selling of drugs, cosmetics
ICASH Corporation	Nov. 19, 2013	3F, No.101, Ruihu St., Neihsu Dist., Taipei City 114, 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	200,000	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	B2, No.8, Tung Hsing Rd., Songshan 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	6F, 1-20-1 Shinkawa, Chuoh-ku, Tokyo, 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	6F-3, No.197, Sec. 4, Nanjing E. 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	100	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., Neihsu Dist., Taipei City, Taiwan	281,042	IT & software services
President Information Corp.	Aug. 27, 1997	6F, No. 246, Yang Guang St., Neihsu 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 Ustyle 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	170,000	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

Company	Date of incorporation	Address	Paid-in Capital	Major Business / Production Items
Philippine Seven Corp.	Nov. 24, 1982	7/F The Columbia Tower, Ortigas Avenue, Mandaluyong City, Manila, Philippine	PHP 459,122,000	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 103,398,000	Professional investments
President Chain Store (Taizhou) Ltd.	Nov. 27, 2015	South of Innovation Dadao, Gaoxin Technology Industries Park, Gaogang Dist, Taizhou City, 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 100,000,000	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	USD 23,885,000	Selling of ice cream
President Chain Store (Shanghai) Ltd.	Feb. 03, 2009	No.45-47, Mengzi Rd, Huangpu Dist., Shanghai, China	RMB 440,000,000	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. 12, 2016	No.301, Tong Yi Street, JiBei Development Zone, JiYang County, JiNan City, ShanDong Province, China	RMB 20,000,000	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
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.	Jun. 27, 2005	No.70-1, Sec. 2, Jiayuan Rd., Shulin Dist., New Taipei City 238, Taiwan	100,000	Publishing
Safety Elevator Corp.	Oct. 29, 1998	No.69, Alley 727, Jhonghua Rd., Yongkang Dist., Tainan City, Taiwan	2,000	Installment of elevators
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 3,000,000	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	USD 3,000,000	Selling of health care products, drugs and cosmetics
Uni-President Logistics (BVI) Holdings Limited	Mar. 14, 2007	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, 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
Duskin China (BVI) Holdings Limited	Jun. 30, 2006	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 700,000	Professional investments
Books.com (BVI) Ltd.	May. 22, 2009	P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, 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

### 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.
Bank Pro E-Service Technology Co., Ltd.	The company provides PCSC and its affiliates with information system services.

## 7.1.5 Information of the directors, supervisors, and presidents of PCSC subsidiaries

Dec. 31, 2016/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 USD 140,384,000	100
PCSC (China) Drugstore Limited	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Wu, Kuo-Hsuan	Paid-in Capital USD 9,486,000	92.2
President Drugstore Business Corp.	Chairman	Representative of President Chain Store Corp.: Kao, Shiow-Ling	40,000,000	100
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang ; Chang, Tsung-Pen	40,000,000	100
	Supervisor	Representative of President Chain Store Corp.: Tsung, Hsi-Yung	40,000,000	100
	President	Chang, Tsung-Pen	—	—
ICASH Corporation	Chairman	Representative of President Chain Store Corp.: Huang, Jui-Tien	50,000,000	100
	Director	Representatives of President Chain Store Corp.: Hsieh, Lien-Tang; Lin, Chi-Chang; Chang, Chia-Hua; Chang, Huang-Chi	50,000,000	100
	Supervisor	Representative of President Chain Store Corp.: Chai, Chia-Ming	50,000,000	100
	President	Liang, Yu-Lin	—	—
President Yilan Art and Culture Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	20,000,000	100
	Director	Representatives of President Chain Store Corp.: Lua, Wen-Ji; Li, Cheng-Nan; Wang, Pao-Ming	20,000,000	100
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	20,000,000	100
	President	Lua, Wen-Ji	—	—
Cold Stone Creamery Taiwan Ltd.	Chairman	Representative of President Chain Store Corp.: Lin, Chi-Chang	12,244,390	100
	Director	Representatives of President Chain Store Corp.: Huang, Yu-Chen; Wang, Yao-Te	12,244,390	100
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	12,244,390	100
	President	Su, Chia-Chi	—	—
Wisdom Distribution Service Corp.	Chairman	Representative of President Chain Store Corp.: Wu, Kuo-Hsuan	10,847,421	100
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Chen, Hsing-Jou	10,847,421	100
	Supervisor	Representative of President Chain Store Corp.: Lai, Hsin-Ti	10,847,421	100
	President	Chen, Cheng-Nan	—	—
21 Century Enterprise Co., Ltd.	Chairman	Representative of President Chain Store Corp.: Wang, Pao-Ming	10,000,000	100
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Kuo, Ching-Feng	10,000,000	100
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	10,000,000	100
	President	Chung, Chung-Ching	—	—
Uni-President Oven Bakery Corp.	Chairman	Representative of President Chain Store Corp.: Tsai, Kun-Shun	6,511,963	100
	Director	Representatives of President Chain Store Corp.: Hsu, Guang-Yu; Wu, Kun-Lin	6,511,963	100
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	6,511,963	100
	Vice President	Yeh, Hsiao-Ching	—	—
President Chain Store Tokyo Marketing Corporation	Chairman	Representative of President Chain Store Corp.: Wu, Kuo-Hsuan	9,800	100
	Director	Representatives of President Chain Store Corp.: Hsieh, Lien-Tang; Wu, Chin-Fu	9,800	100
	Supervisor	Representative of President Chain Store Corp.: Tsung, Hsi-Yung	9,800	100
	President	Wu, Chin-Fu	—	—
Capital Inventory Services Corp.	Chairman	Representative of President Chain Store Corp.: Wu, Kuo-Hsuan	2,500,000	100
	Director	Representatives of President Chain Store Corp.: Lin, Chi-Chang; Tzeng, Fan-Bin	2,500,000	100
	Supervisor	Representative of President Chain Store Corp.: Liang, Shih-Wei	2,500,000	100
	President	Chiu, Hong-Chang	—	—

Company	Title	Name or Representative	Shareholding	
			Shares	%
President Being Corp.	Chairman	Representative of President Chain Store Corp.: Kao, Shiow-Ling	1,500,000	100
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Chen, Pei-Jung	1,500,000	100
	Supervisor	Representative of President Chain Store Corp.: Lee, John-Yih	1,500,000	100
	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
	Director	Representatives of President Chain Store Corp.: Hsieh, Ching-Hsun; Lua, Wen-Ji	1,500,000	100
	Supervisor	Representative of President Chain Store Corp.: Tsung, Hsi-Yung	1,500,000	100
	President	Lua, Wen-Ji	—	—
Ren-Hui Investment Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	10,000	100
	Director	Representatives of President Chain Store Corp.: Wu, Kuo-Hsuan; Hsieh, Lien-Tang	10,000	100
	Supervisor	Representative of President Chain Store Corp.: Wu, Wen-Chi	10,000	100
	President	Chen, Jui-Tang	—	—
Uni-President Superior Commissary Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	48,519,890	90
	Director	Representatives of President Chain Store Corp.: Lu, Long-Hong; Liu, Sheng-Fu; Hsieh, Lien-Tang	48,519,890	90
	Director	Representative of Asia Frozen Food Corp.: Lin, Chang-Chi	5,391,099	10
	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.: Chen, Hsing-Jou; Chang, Huang-Chi	24,382,921	86.76
	Director	Representative of Taiwan Spinning Co., Ltd.: Hou, Po-Ming	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.: Wu, Wen-Chi	1	—
	President	Fang, Jung-Wei	—	—
President Information Corp.	Chairman	Representative of President Chain Store Corp.: Chang, Chia-Hua	25,714,475	86
	Director	Representatives of President Chain Store Corp.: Hsieh, Ching-Hsun; Liang, Shih-Wei; Chang, Huang-Chi; Chen, Ching-Hsin	25,714,475	86
	Director	Representative of Nomura Research Institute Ltd.: Fukami Yasuo	4,186,074	14
	Supervisor	Representative of Ren-Hui Investment Corp.: Wu, Wen-Chi	1	—
	President	Chang, Chia-Hua	—	—
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 ; Sheu, Ruey-Lin; Chang, Tsung-Pen; Chai, Chia-Feng	22,121,962	73.74
	Director	Representative of Taipo Investment Corp.: Wu, Ping-Chih	3,000,000	10
	Director	Representatives of Tung-Ren Investment Corp.: Lin, Tian-Mao; Wu, Chung-Ho	579,091	1.93
	Supervisor	Representative of Ren-Hui Investment Corp.: Wu, Wen-Chi	1	—
	President	Huang, Jui-Tien	—	—

Company	Title	Name or Representative	Shareholding	
			Shares	%
President Transnet Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	103,496,399	70
	Director	Representatives of President Chain Store Corp.: Wu, Kuo-Hsuan; Hsieh, Lien-Tang; Huang, Chao-Sai	103,496,399	70
	Director	Representative of Uni-President Enterprises Corp.: Lu, Li-An	29,570,400	20
	Director	Representative of Yamato Holdings Co., Ltd.: Masaki Yamauchi	14,785,200	10
	Supervisor	Representative of Ren-Hui Investment Corp.: Wu, Wen-Chi	1	—
	President	Chen, Chieh-Shan	—	—
President Collect Services Co., Ltd.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	1,049,999	70
	Director	Representatives of President Chain Store Corp.: Wu, Kuo-Hsuan; Hsieh, Lien-Tang; Lu, Li-An; Huang, Chao-Sai	1,049,999	70
	Director	Representatives of Yamato Holdings Co., Ltd.: Masaki Yamauchi; Kuriso Toshizo	450,000	30
	Supervisor	Representative of Ren-Hui Investment Corp.: Wu, Wen-Chi	1	—
	Supervisor	Sadatomu Hiroki	—	—
	President	Chen, Chieh-Shan	—	—
Uni-President Ustyle Department Store Corp.	Chairman	Representative of Uni-President Corp.: Kao, Shiow-Ling	27,999,999	70
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Wang, Pao-Ming	27,999,999	70
	Director	Representative of President Chain Store Corp.: Chang, Kuo-Kuang	12,000,000	30
	Supervisor	Representative of Ren-Hui Investment Corp.: Wu, Wen-Chi	1	—
	President	Wang, Pao-Ming	—	—
Uni-President Cold-Chain Corp.	Chairman	Representative of Uni-President Enterprises Corp.: Lo, Chih-Hsien	7,868,347	20
	Director	Representatives of Uni-President Enterprises Corp.: Hwang, Jau-Kai; Huang, Jui-Tien	7,868,347	20
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Wu, Kuo-Hsuan; Hsieh, Lien-Tang; Wu, Hui-Chen	23,605,042	60
	Director	Representative of Nanlien International Corp.: Wu, Mao-Yuan	7,868,347	20
	Supervisor	Representative of Ren-Hui Investment Corp.: Lin, Chi-Chang	1	—
	President	Wu, Hui-Chen	—	—
Duskin Serve Taiwan Co.	Chairman	Representative of President Chain Store Corp.: Hsieh, Lien-Tang	10,199,999	51
	Director	Representatives of President Chain Store Corp.: Huang, Yu-Chen; Chen, Hsing-Jou; Liang, Shih-Wei	10,199,999	51
	Director	Representatives of Duskin Co., Ltd.: Asano Takahitoa; Enomoto Masakazu; Hayashi Yoshitaka; Kusano Shigeki	9,800,000	49
	Supervisor	Representative of Ren-Hui Investment Corp.: Tzeng, Fan-Bin	1	—
	Supervisor	Shigeyoshi Yasuto	—	—
	President	Lai, Ta-Cheng	—	—
Afternoon Tea Taiwan Co., Ltd.	Chairman	Representative of President Chain Store Corp.: Kao, Shiow-Ling	8,669,999	51
	Director	Representatives of President Chain Store Corp.: Wang, Pao-Ming; Chen, Pei-Jung	8,669,999	51
	Director	Representatives of SAZABY LEAGUE, LTD.: Ryota Tsunoda; Kiyotaka Katsuura	8,330,000	49
	Supervisor	Representative of Ren-Hui Investment Corp.: Chang, Li-Ling	1	—
	Supervisor	Masao Muto	—	—
	President	Wang, Pao-Ming	—	—
Books.com. Co., Ltd.	Chairman	Lin, Pi-Jung	100,000	0.5
	Director	Representatives of President Chain Store Corp.: Hsieh, Lien-Tang; Chen, Cheng-Nan; Wang, Pao-Ming; Chen, Hsing-Jou	9,999,999	50.03
	Director	Representatives of Clever Investment Co., Ltd.: Chen, Yu-Chun; Chang, Ya-Ju	200,000	1
	Supervisor	Representative of Ren-Hui Investment Corp.: Wu, Wen-Chi	1	—
	Supervisor	Chang, Ya-Ling	143,000	0.72
	President	Kao, Ming-Yih	—	—

Company	Title	Name or Representative	Shareholding	
			Shares	%
Retail Support International Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	6,429,999	25
	Director	Representative of President Chain Store Corp.: Wu, Kuo-Hsuan	6,429,999	25
	Director	Representatives of Uni-President Enterprises Corp.: Lo, Chih-Hsien; Huang, Jui-Tien	5,144,000	20
	Director	Representatives of Mitsubishi Corp.: Miura Osamu; Hotta Kazuhiro	3,858,000	15
	Director	Representative of RYOSHOKU Ltd.: Shigemitsu Hideaki	2,572,000	10
	Director	Representative of Nanlien International Corp.: Wu, Mao-Yuan	5,144,000	20
	Supervisor	Representative of Ren-Hui Investment Corp.: Yang, Chung-Chin	1	—
	Supervisor	Representative of Mitsubishi Corp. (Taiwan) Ltd: Lin, Ting-Li	2,572,000	10
	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
Philippine Seven Corp.	Chairman	Jose T. Pardo	1	—
	Vice Chairman	Representative of President Chain Store (Labuan) Holdings Ltd.: Wu, Wen-Chi	239,376,070	52.22
	Director	Representatives of President Chain Store (Labuan) Holdings Ltd.: Chen, Jui-Tang; Lin, Chi-Chang; Hsieh, Lien-Tang; Jose Victor P. Paterno; Ho, Shui-Huang	239,376,070	52.22
	Director	Ma. Cristina P. Paterno	8,000,045	1.75
	Director	Representative of Progressive Dev. Corp.: Jorge L. Araneta	10,510,552	2.29
	Independent Director	Antonio Jose U. Periquet, Jr.	927,007	0.2
	Independent Director	Michael B. Zalamea	1	—
	President	Jose Victor P. Paterno	9,983,375	2.18
Convenience Distribution Inc.	Chairman	Representative of Philippine Seven Corp.: Jose Victor P. Paterno	4,500,000	100
	Director	Representatives of Philippine Seven Corp.: Tseng, Chao-Shun; Lee, Ying-Jung; Liwayway T. Fernandez; Eduardo P. Bataclan	4,500,000	100
	President	Jose Victor P. Paterno	—	—
President Chain Store (Hong Kong) Holdings Limited	Director	Representatives of President Chain Store (BVI) Holdings Ltd.: Chen, Jui-Tang	Paid-in Capital USD 103,398,000	100
	Director	Wu, Kuo-Hsuan	—	—
President Chain Store (Taizhou) Ltd.	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Lin, Hung-Chun	Paid-in Capital RMB 60,000,000	100
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Kuan-Hung; Wu, Yi-Lung	—	100
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Tsung, Hsi-Yung	—	100
	President	Chang, Sung-Hong	—	—
PCSC (Chengdu) Hypermarket Limited	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Lin, Hung-Chun	Paid-in Capital RMB 100,000,000	100
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Wu, Yi-Lung; Chang, Sung-Hong	—	100
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Mo, Ming-Wei	—	100
	President	Lin, Hung-Chun	—	—
Shanghai Cold Stone Ice Cream Corporation	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Lin, Hung-Chun	Paid-in Capital USD 23,885,000	100
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Kuan-Hung; Chang, Sung-Hong	—	100
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Sung, Tai-Yi	—	100
	President	Lin, Hung-Chun	—	—



Company	Title	Name or Representative	Shareholding	
			Shares	%
President Chain Store (Shanghai) Ltd.	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Chen, Jui-Tang	Paid-in Capital RMB 440,000,000	100
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Lien-Tang; Lin, Hung-Chun	—	100
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Wu, Wen-Chi	—	100
	President	Lin, Hung-Chun	—	—
Shanghai President Logistics Co., Ltd.	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Lin, Hung-Chun	Paid-in Capital USD 2,000,000	100
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Kuan-Hung; Wu, Yi-Lung	—	100
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Tsung, Hsi-Yung	—	100
	President	Chang, Sung-Hong	—	—
President Logistic ShanDong Co., Ltd.	Chairman	Representative of Shanghai President Logistics Co., Ltd.: Lin, Hung-Chun	Paid-in Capital RMB 20,000,000	100
	Director	Representatives of Shanghai President Logistics Co., Ltd.: Chang, Sung-Hong; Chen, Tsung-Min	—	100
	Supervisor	Representative of Shanghai President Logistics Co., Ltd.: Tsung, Hsi-Yung	—	100
	President	Chang, Sung-Hong	—	—
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
Shanghai President Chain Store Corporation Trade Co., Ltd.	Chairman	Representative of PCSC Restaurant (Cayman) Holdings Limited: Lin, Hung-Chun	Paid-in Capital USD 8,880,000	100
	Director	Representatives of PCSC Restaurant (Cayman) Holdings Limited: Chang, Sung-Hong; Hsieh, Kuan-Hung	—	100
	Supervisor	Representative of PCSC Restaurant (Cayman) Holdings Limited: Sung, Tai-Yi	—	100
	President	Lin, Hung-Chun	—	—
Shan Dong President Yinzuo Commercial Limited	Chairman	Representative of Shandong Silver Plaza Co., Ltd.: Wang, Ren-Quan	Paid-in Capital RMB 60,000,000	45
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Chen, Jui-Tang; Lin, Hung-Chun; Wu, Yi-Lung	—	55
	Director	Representative of Shandong Silver Plaza Co., Ltd.: Wang, Zhi-Sheng	—	45
	Supervisor	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Cheng, Yea-Yun	—	55
	Supervisor	Representative of Shandong Silver Plaza Co., Ltd.: Zhang, Jian-Jun	—	45
	President	Chen, Tsung-Min	—	—
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Chairman	Representative of PCSC (China) Drugstore Limited: Lin, Hung-Chun	Paid-in Capital RMB 100,000,000	100
	Director	Representatives of PCSC (China) Drugstore Limited: Hsieh, Kuan-Hung; Hsu, Ming-Hui	—	100
	Supervisor	Representative of PCSC (China) Drugstore Limited: Cheng, Yea-Yun	—	100
	President	Chang, Sung-Hong	—	—
Vision Distribution Service Corp.	Chairman	Representative of Formosan Magazine Press, Inc.: Chen, Chia-Nan	4,000,000	40
	Director	Representative of Formosan Magazine Press, Inc.: Chen, Te-Jen	4,000,000	40
	Director	Representatives of Wisdom Distribution Service Corp.: Yang, Yen-Sen; Chen, Cheng-Nan; Chen, Hsing-Jou	6,000,000	60
	Supervisor	Chen, Yu-Jen	—	—
	President	Yang, Yen-Sen	—	—
Safety Elevator Corp.	Responsible Person	Wong, Chang-Ming (Note 1)	—	—
	Supervisor	Representative of Mech-President Corp.: Feng, Cheng-Wu	200,000	100

Company	Title	Name or Representative	Shareholding	
			Shares	%
President Jing Corp.	Chairman	Representative of Mech-President Corp.: Wu, Kuo-Hsuan	960,000	60
	Director	Representatives of Mech-President Corp.: Liao, Chin-Yi; Chang, Ping-Chang; Feng, Cheng-Wu	960,000	60
	Director	Tsai, Ya-Tung	80,000	5
	Supervisor	Lin, Shui-Qian	240,000	15
	President	Tsai, Ting-Song	—	—
President Pharmaceutical (Hong Kong) Holdings Limited	Director	Representative of President Pharmaceutical Corp.: Chang, Kuo-Kuang	USD 3,000,000	100
	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	USD 3,000,000	100
	Director	Representatives of President Pharmaceutical (Hong Kong) Holdings Limited: Kao, Shiow-Ling; Chang, Kuo-Kuang	—	100
	Supervisor	Representative of President Pharmaceutical (Hong Kong) Holdings Limited: Wu, Wen-Chi	—	100
	President	Hsu, Ming-Hui	—	—
Uni-President Logistics (BVI) Holdings Limited	Director	Representative Uni-President Cold-Chain Corp.: Chen, Jui-Tang	USD 2,991,000	100
Zhejiang Uni-Champion Logistics Development Co., Ltd.	Chairman	Representative of Uni-President Logistics (BVI) Holdings Limited: Lin, Hung-Chun	Paid-in Capital RMB 40,000,000	50
	Director	Representatives of Shanghai President Logistics Co., Ltd.: Le, Fei-Fei; Chang, Sung-Hong; Zhang, Fan	—	50
	Director	Representatives of Uni-President Logistics (BVI) Holdings Limited: Hsieh, Kuan-Hung; Wu, Hui-Chen	—	50
	Supervisor	Representative of Uni-President Logistics (BVI) Holdings Limited: Yao, Chieh-Hsiang	—	50
	Supervisor	Representative of Shanghai President Logistics Co., Ltd.: Lu, Xiao-Wen	—	50
	President	Tsai, Kuang-Wen	—	—
Duskin China (BVI) Holding Limited	Director	Representative of Duskin Serve Taiwan Co.: Lin, Hung-Chun	Paid-in Capital USD 700,000	100
Books.com (BVI) Ltd.	Director	Representatives of Books.com. Co., Ltd.: Lin, Pi-Jung; Wu, Ching-Chun	Paid-in Capital USD 50,000	100
Beijing Bokelai Customer Co.	Chairman	Representative of Books.com (BVI) Ltd.: Wu, Ching-Chun	Paid-in Capital USD 15,000	100
	Supervisor	Representative of Books.com (BVI) Ltd.: Yu, Pei-Wen	—	100
Retail Support Taiwan Corp.	Chairman	Representative of Retail Support International Corp.: Wu, Kuo-Hsuan	2,871,300	51
	Director	Representatives of Retail Support International Corp.: Huang, Chao-Sai; Ho, Hsin-Chia	2,871,300	51
	Director	Representatives of FSG Co.: Lin, Ming-Fang; Huang, Wei-Yu	1,655,220	29.4
	Supervisor	Representatives of Grand Fountain Co., Ltd.: Cheng, Yueh-Kuei; Lai, Hsin-Ti	1,103,480	19.6
	President	Yuan, Shou-Chung	—	—
President Logistics International Corp.	Chairman	Representative of Retail Support International Corp.: Wu, Kuo-Hsuan	9,481,500	49
	Director	Representative of Retail Support International Corp.: Huang, Chao-Sai	9,481,500	49
	Director	Representative of Uni-President Cold-Chain Corp.: Wu, Hui-Chen	4,837,500	25
	Supervisor	Representative of Wisdom Distribution Service Corp.: Chen, Cheng-Nan	3,870,000	20
	President	Chang, Tsai-Yuan	—	—
Chieh-Shuen Logistics International Corp.	Chairman	Representative of President Logistics International Corp.: Wu, Kuo-Hsuan	26,670,000	100
	Director	Representatives of President Logistics International Corp.: Huang, Chao-Sai; Wu, Hui-Chen	26,670,000	100
	Supervisor	Representative of President Logistics International Corp.: Chen, Cheng-Nan	26,670,000	100
	President	Chang, Tsai-Yuan	—	—

Note 1 : Safety Elevator Corp. is going liquidation, so the responsible person is the liquidator.

## 7.2 The Financial Position and Operation Results of Affiliated Companies

Dec. 31, 2016 /Unit: NT '000

Company	Paid-in Capital	Total Assets	Total Liabilities	Shareholders' Equity	Operating Revenue	Operating Income (Loss)	Net Income (After Tax)	EPS (After Tax)
President Chain Store (BVI) Holdings Ltd.	4,527,394	5,161,729	107,846	5,053,883	- (	113,760)	845,170	-
PCSC (China) Drugstore Limited	305,924	67,426	-	67,426	- (	137)	2,435	-
President Drugstore Business Corp.	400,000	4,365,035	3,313,239	1,051,796	10,587,239	409,104	418,965	10.47
ICASH Corporation	500,000	1,610,762	1,240,773	369,989	306,839 (	45,623)	( 40,544)	( 0.81)
President Yilan Art and Culture Corp.	200,000	244,996	9,346	235,650	145,799 (	8,067)	1,505	0.08
Cold Stone Creamery Taiwan Ltd.	122,444	106,130	115,870 (	9,740)	327,088 (	23,956)	( 24,581)	( 2.01)
Wisdom Distribution Service Corp.	108,474	1,929,304	1,574,483	354,821	1,870,949	146,599	159,111	14.67
21 Century Enterprise Co., Ltd.	100,000	244,235	222,276	21,959	796,391 (	203)	76	0.01
Uni-President Oven Bakery Corp.	65,120	76,183	94,059 (	17,876)	281,747 (	14,334)	( 9,733)	( 1.49)
President Chain Store Tokyo Marketing Corporation	27,009	122,930	61,232	61,698	602,374	11,360	10,868	1109.01
Capital Inventory Services Corp.	25,000	150,232	82,244	67,988	207,110	28,556	24,105	9.64
President Being Corp.	15,000	344,207	398,753 (	54,546)	437,173 (	37,405)	( 38,755)	( 25.84)
President Chain Store Corporation Insurance Brokers Co., Ltd.	15,000	30,686	10,100	20,586	58,135	8,540	8,646	5.76
Ren-Hui Investment Corp.	100	7,714	52	7,662	- (	162)	2,874	287.44
Uni-President Superior Commissary Corp.	539,110	1,920,294	1,437,106	483,188	3,257,832	44,824	59,309	1.10
Q-ware Systems & Services Corp.	281,042	1,142,011	763,099	378,912	877,476	65,296	60,194	2.14
President Information Corp.	299,006	951,744	465,162	486,582	1,215,232	135,252	113,476	3.80
Mech-President Corp.	690,713	1,651,402	809,677	841,725	9,346,989	92,632	119,299	1.73
President Pharmaceutical Corp.	300,000	1,190,225	514,806	675,419	2,519,881	238,991	123,288	4.11
President Transnet Corp.	1,478,520	5,504,797	3,454,062	2,050,735	11,020,534	507,197	457,034	3.09
President Collect Services Co., Ltd.	15,000	1,401,389	1,296,808	104,581	575,074	85,259	74,292	49.53
Uni-President Ustyle Department Store Corp.	400,000	1,663,656	1,002,554	661,102	1,346,811	87,957	262,478	6.56
Uni-President Cold-Chain Corp.	393,417	5,710,462	4,705,066	1,005,396	3,119,306	340,729	308,489	7.84
Duskin Serve Taiwan Co.	200,000	594,124	228,080	366,044	1,040,045	140,427	116,606	5.83
Afternoon Tea Taiwan Co., Ltd.	170,000	121,557	119,643	1,914	400,887 (	22,059)	( 19,920)	( 1.17)
Books.com. Co., Ltd.	199,900	1,912,488	1,138,080	774,408	6,434,113	466,700	399,965	20.01
Retail Support International Corp.	257,200	9,945,197	9,322,251	622,946	2,935,080	194,141	224,162	8.72
President Chain Store (Labuan) Holdings Ltd.	940,518	1,764,038	-	1,764,038	- (	271)	405,868	-
Philippine Seven Corp.	298,493	7,895,348	4,610,682	3,284,666	21,782,052	907,599	817,186	1.78
Convenience Distribution Inc.	29,256	284,648	114,418	170,230	820,949	69,185	47,097	10.47
President Chain Store (Hong Kong) Holdings Limited	3,334,588	3,593,431	-	3,593,431	- (	325)	850,356	-
President Chain Store (Taizhou) Ltd.	278,618	280,624	415	280,209	2,354 (	1,354)	1,810	-
PCSC (Chengdu) Hypermarket Limited	464,363	581,144	524,597	56,547	272,970 (	75,339)	( 65,834)	-
Shanghai Cold Stone Ice Cream Corporation	770,280	144,602	225,496 (	80,894)	218,509 (	154,340)	( 160,094)	-
President Chain Store (Shanghai) Ltd.	2,043,197	529,144	422,358	106,786	1,537,832 (	167,972)	( 165,032)	-
Shanghai President Logistics Co., Ltd.	64,500	429,053	123,498	305,555	469,792	149,264	115,669	-
President Logistic ShanDong Co., Ltd.	92,873	97,139	4,301	92,838	- (	36)	( 36)	-
PCSC Restaurant (Cayman) Holdings Limited	288,751	33,766	-	33,766	- (	366)	( 2,614)	-
Shanghai President Chain Store Corporation Trade Co., Ltd.	286,380	46,143	12,720	33,423	64,505 (	2,458)	( 2,249)	-
Shan Dong President Yinzuo Commercial Limited	278,618	1,214,331	879,605	334,726	4,081,199	29,229	24,706	-

Company	Paid-in Capital	Total Assets	Total Liabilities	Shareholders' Equity	Operating Revenue	Operating Income (Loss)	Net Income (After Tax)	EPS (After Tax)
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	464,363	74,095	7,686	66,409	64,040	684	2,572	-
Vision Distribution Service Corp.	100,000	678,513	553,369	125,144	1,363,566	19,436	18,575	1.86
Safety Elevator Corp.	2,000	1,827	-	1,827	- (	272) (	255) (	1.27)
President Jing Corp.	16,000	67,869	17,062	50,807	284,605	23,042	19,323	12.08
President Pharmaceutical (Hong Kong) Holdings Limited	96,750	136,932	53,880	83,052	206,834 (	38,907) (	114,199)	-
President (Shanghai) Health Product Trading Company Ltd.	96,750	168,756	130,537	38,219	354,747 (	107,008) (	75,459)	-
Uni-President Logistics (BVI) Holdings Limited	96,469	99,145	-	99,145	- (	71) (	4,491	-
Zhejiang Uni-Champion Logistics Development Co., Ltd.	185,745	293,278	95,886	197,392	620,817	12,261	9,123	-
Duskin China (BVI) Holdings Limited	22,575	2,245	-	2,245	- (	45) (	45)	-
Books.com (BVI) Ltd.	1,613	665	-	665	-	0 (	9)	-
Beijing Bokelai Customer Co.	484	37	3	34	- (	8) (	10)	-
Retail Support Taiwan Corp.	56,300	210,680	72,575	138,105	363,506	50,939	47,486	8.43
President Logistics International Corp.	193,500	1,201,547	903,943	297,604	2,601,495	12,754	61,773	3.19
Chieh-Shuen Logistics International Corp.	266,700	1,270,843	950,848	319,995	1,648,982	36,640	34,399	1.29

The exchange rates are used as follows:

(A) Spot exchange rate on 31 December, 2016 used for Balance Sheet:

RMB : NTD=1 : 4.64363 ; USD : NTD=1 : 32.25000 ; USD : RMB =1 : 6.94500 ;

HKD : NTD=1 : 4.15823 ; NTD : PSO=1 : 1.53813 ; JPY : NTD =1 : 0.27560

(B) Average exchange rate of 2016 used for Statement of Comprehensive Income:

RMB : NTD=1 : 4.85000 ; USD : NTD=1 : 32.23854 ; USD : RMB =1 : 6.64712 ;

HKD : NTD=1 : 4.15321 ; NTD : PSO=1 : 1.47306 ; JPY : NTD =1 : 0.29720

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