

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
MARCH 31, 2018 AND 2017

For the convenience of readers and for information purposes only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version, or any differences in interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
MARCH 31, 2018 AND 2017
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REVIEW REPORT OF FINANCIAL STATEMENTS
TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of President Chain Store Corp. and subsidiaries as at March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent accountants. Those statements reflect total assets of NT\$32,773,706 thousand and NT\$29,525,695 thousand, constituting 24% and 32% of the consolidated total assets, and total liabilities of NT\$19,999,115 thousand and NT\$12,388,452 thousand, constituting 27% and 22% of the consolidated total liabilities as at March 31, 2018 and 2017, and total comprehensive income of NT\$311,951 thousand and NT\$542,729 thousand, constituting 14% and 20% of the consolidated total comprehensive income for the three-month periods then ended.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method, been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of President Chain Store Corp. and subsidiaries as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Chun-Yuan, Hsiao

Chien-Hung, Chou

For and on behalf of PricewaterhouseCoopers, Taiwan
April 25, 2018

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

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

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

Assets		Notes	March 31, 2018		December 31, 2017		March 31, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 59,114,211	44	\$ 35,783,291	26	\$ 29,709,132	32
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	1,521,931	1	1,560,025	1	992,774	1
1170	Accounts receivable, net	6(3) and 7	4,386,947	3	4,868,902	3	3,751,163	4
1200	Other receivables	6(6)	3,147,066	2	28,412,101	20	1,504,805	2
1220	Current income tax assets	6(27)	2,645	-	2,097	-	829	-
130X	Inventories, net	6(4)	12,300,546	9	13,387,122	10	10,797,405	12
1410	Prepayments		1,563,322	1	1,417,175	1	1,359,160	1
1470	Other current assets		2,809,311	2	2,973,547	2	2,520,654	3
11XX	Total current assets		<u>84,845,979</u>	<u>62</u>	<u>88,404,260</u>	<u>63</u>	<u>50,635,922</u>	<u>55</u>
Non-current assets								
1510	Financial assets at fair value through profit or loss - non-current	6(2)	85,833	-	-	-	-	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(5)	989,439	1	-	-	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	1,050,734	1	955,956	1
1543	Financial assets measured at cost - non-current	12(4)	-	-	25,721	-	27,388	-
1550	Investments accounted for using equity method	6(6)	8,774,817	7	8,655,722	6	10,977,011	12
1600	Property, plant and equipment, net	6(7)(23), 7 and 8	24,622,226	18	24,982,342	18	22,273,332	24
1760	Investment property, net	6(8)(29) and 7	1,514,876	1	1,519,115	1	1,534,631	2
1780	Intangible assets	6(9)	10,560,417	8	10,656,713	8	1,206,948	1
1840	Deferred income tax assets	6(27)	1,625,226	1	1,409,184	1	1,250,480	2
1900	Other non-current assets	6(10) and 8	3,155,438	2	3,177,469	2	2,843,254	3
15XX	Total non-current assets		<u>51,328,272</u>	<u>38</u>	<u>51,477,000</u>	<u>37</u>	<u>41,069,000</u>	<u>45</u>
1XXX	Total assets		<u>\$ 136,174,251</u>	<u>100</u>	<u>\$ 139,881,260</u>	<u>100</u>	<u>\$ 91,704,922</u>	<u>100</u>

(Continued)

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

	Liabilities and Equity	Notes	March 31, 2018		December 31, 2017		March 31, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(12) and 8	\$ 5,898,726	4	\$ 965,180	1	\$ 2,032,452	2
2110	Short-term notes and bills payable		299,991	-	250,000	-	526,875	1
2130	Contract liabilities - current	6(22)	3,912,917	3	-	-	-	-
2150	Notes payable	7	1,762,995	1	2,066,511	2	1,301,978	1
2170	Accounts payable		18,171,249	14	18,849,947	13	15,787,099	17
2180	Accounts payable - related parties	7	2,345,983	2	2,321,016	2	2,246,581	3
2200	Other payables	6(13)	22,273,380	17	30,980,251	22	18,524,546	20
2230	Current income tax liabilities	6(27)	2,673,886	2	4,834,364	3	1,683,150	2
2300	Other current liabilities	6(14)	1,796,507	1	5,352,651	4	4,403,450	5
21XX	Total current liabilities		<u>59,135,634</u>	<u>44</u>	<u>65,619,920</u>	<u>47</u>	<u>46,506,131</u>	<u>51</u>
	Non-current liabilities							
2527	Contract liabilities - non-current	6(22)	224,106	-	-	-	-	-
2540	Long-term borrowings	6(15) and 8	1,086,925	1	1,105,451	1	792,112	1
2570	Deferred income tax liabilities	6(27)	5,317,222	4	4,652,948	3	45,745	-
2640	Net defined benefit liability	6(16)						
	- non-current		4,573,913	3	4,574,800	3	4,261,785	5
2670	Other non-current liabilities	6(17)	4,098,367	3	4,421,731	3	4,183,423	4
25XX	Total non-current liabilities		<u>15,300,533</u>	<u>11</u>	<u>14,754,930</u>	<u>10</u>	<u>9,283,065</u>	<u>10</u>
2XXX	Total liabilities		<u>74,436,167</u>	<u>55</u>	<u>80,374,850</u>	<u>57</u>	<u>55,789,196</u>	<u>61</u>
	Equity attributable to owners of the parent							
	Share capital	6(18)						
3110	Share capital - common stock		10,396,223	7	10,396,223	8	10,396,223	11
	Capital surplus	6(19)						
3200	Capital surplus		44,411	-	43,875	-	1,194	-
	Retained earnings	6(20)						
3310	Legal reserve		9,191,733	7	9,191,733	7	8,208,064	9
3350	Unappropriated retained earnings		33,991,497	25	31,381,290	22	12,580,449	14
	Other equity	6(21)						
3400	Other equity interest		(994,476)	(1)	(398,859)	(1)	(86,271)	-
31XX	Equity attributable to owners of the parent		<u>52,629,388</u>	<u>38</u>	<u>50,614,262</u>	<u>36</u>	<u>31,099,659</u>	<u>34</u>
36XX	Non-controlling interest		<u>9,108,696</u>	<u>7</u>	<u>8,892,148</u>	<u>7</u>	<u>4,816,067</u>	<u>5</u>
3XXX	Total equity		<u>61,738,084</u>	<u>45</u>	<u>59,506,410</u>	<u>43</u>	<u>35,915,726</u>	<u>39</u>
3X2X	Total liabilities and equity		<u>\$ 136,174,251</u>	<u>100</u>	<u>\$ 139,881,260</u>	<u>100</u>	<u>\$ 91,704,922</u>	<u>100</u>

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

Chairman: Lo, Chih-Hsien

President : Chen, Jui-Tang

Accounting Manager: Kuo, Ying-Chih

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(UNAUDITED)

Items	Notes	For the three-month periods ended March 31			
		2018		2017	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(22) and 7	\$ 58,947,745	100	\$ 53,001,927	100
5000 Operating costs	6(4)(23) and 7	(38,446,506)	(65)	(35,645,470)	(67)
5900 Gross profit		<u>20,501,239</u>	<u>35</u>	<u>17,356,457</u>	<u>33</u>
Operating expenses	6(23)(24)				
6100 Selling expenses		(14,518,012)	(25)	(12,572,889)	(24)
6200 General and administrative expenses		(2,644,307)	(4)	(2,006,318)	(4)
6450 Expected credit losses (gains)	12(2)	(3,122)	-	-	-
6000 Total operating expenses		<u>(17,165,441)</u>	<u>(29)</u>	<u>(14,579,207)</u>	<u>(28)</u>
6900 Operating profit		<u>3,335,798</u>	<u>6</u>	<u>2,777,250</u>	<u>5</u>
Non-operating income and expenses					
7010 Other income	6(25)	536,116	1	404,236	1
7020 Other gains and losses	6(26)	(17,969)	-	(27,635)	-
7050 Finance costs	6(12)(15)	(46,543)	-	(24,190)	-
7060 Share of profit of associates and joint ventures accounted for using equity method	6(6)	<u>117,216</u>	<u>-</u>	<u>489,070</u>	<u>1</u>
7000 Total non-operating income and expenses		<u>624,758</u>	<u>1</u>	<u>841,481</u>	<u>2</u>
7900 Profit before income tax		<u>3,960,556</u>	<u>7</u>	<u>3,618,731</u>	<u>7</u>
7950 Income tax expense	6(27)	(1,099,361)	(2)	(571,073)	(1)
8000 Profit for the period from continuing operations		<u>2,861,195</u>	<u>5</u>	<u>3,047,658</u>	<u>6</u>
8200 Profit for the period		<u>\$ 2,861,195</u>	<u>5</u>	<u>\$ 3,047,658</u>	<u>6</u>

(Continued)

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(UNAUDITED)

		For the three-month periods ended March 31							
		2018		2017					
Items	Notes	AMOUNT	%	AMOUNT	%				
Other comprehensive income (loss)									
8311	Remeasurements of net actuarial loss on defined benefit plan	\$	-	(\$	509)	-			
8316	Unrealized loss on valuation of equity instruments at fair value through other comprehensive income	(	650)	-	-				
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss		230	-	-	-			
8349	Income tax effect that will not be reclassified to profit or loss		49,782	-	-	-			
8310	Components of other comprehensive loss that will not be reclassified to profit or loss		49,362	-	(	509)	-		
8361	Exchange differences from translation of foreign operations	(	674,463)	(	1)	(	436,104)	(	1)
8362	Unrealized gain on valuation of available-for-sale financial assets		-	-		56,439	-		
8367	Unrealized loss on valuation of bond instruments at fair value through other comprehensive income	(	560)	-	-	-			
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	(	46)	-	(	1,318)	-		
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss		-	-		181	-		
8360	Components of other comprehensive loss that will be reclassified to profit or loss	(	675,069)	(	1)	(	380,802)	(	1)
8300	Total other comprehensive loss for the period	(\$	625,707)	(	1)	(\$	381,311)	(	1)
8500	Total comprehensive income for the period	\$	2,235,488		4	\$	2,666,347		5
Profit attributable to:									
8610	Owners of the parent	\$	2,537,621		4	\$	2,741,471		5
8620	Non-controlling interests		323,574		1		306,187		1
		\$	2,861,195		5	\$	3,047,658		6
Comprehensive income attributable to:									
8710	Owners of the parent	\$	2,018,580		4	\$	2,483,345		5
8720	Non-controlling interests		216,908		-		183,002		-
		\$	2,235,488		4	\$	2,666,347		5
9750	Basic earnings per share (in dollars)	\$			2.44	\$			2.64
9850	Diluted earnings per share (in dollars)	\$			2.43	\$			2.63

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

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Equity attributable to owners of the parent										
	Retained earnings					Other equity interest					
						Exchange differences from translation of foreign operations	Unrealized gain or loss on valuation of financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets			
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Unappropriated retained earnings				Total	Non-controlling interest	Total equity
<u>For the three-month period ended March 31, 2017</u>											
Balance at January 1, 2017		\$ 10,396,223	\$ 1,158	\$ 8,208,064	\$ 9,839,244	(\$ 186,228)	\$ -	\$ 357,817	\$ 28,616,278	\$ 4,644,652	\$ 33,260,930
Profit for the period		-	-	-	2,741,471	-	-	-	2,741,471	306,187	3,047,658
Adjustment of capital surplus due to associates' adjustment of capital surplus		-	36	-	-	-	-	-	36	-	36
Other comprehensive income (loss) for the period	6(21)	-	-	- (	266)	(314,366)	-	56,506	(258,126)	(123,185)	(381,311)
Non-controlling interest		-	-	-	-	-	-	-	- (	11,587)	(11,587)
Balance at March 31, 2017		<u>\$ 10,396,223</u>	<u>\$ 1,194</u>	<u>\$ 8,208,064</u>	<u>\$ 12,580,449</u>	<u>(\$ 500,594)</u>	<u>\$ -</u>	<u>\$ 414,323</u>	<u>\$ 31,099,659</u>	<u>\$ 4,816,067</u>	<u>\$ 35,915,726</u>
<u>For the three-month period ended March 31, 2018</u>											
Balance at January 1, 2018		\$ 10,396,223	\$ 43,875	\$ 9,191,733	\$ 31,381,290	(\$ 906,308)	\$ -	\$ 507,449	\$ 50,614,262	\$ 8,892,148	\$ 59,506,410
Adjustments under new standards	3(1)	-	-	-	25,463	-	477,996	(507,449)	(3,990)	(5,203)	(9,193)
Adjusted beginning balance		10,396,223	43,875	9,191,733	31,406,753	(906,308)	477,996	-	50,610,272	8,886,945	59,497,217
Profit for the period		-	-	-	2,537,621	-	-	-	2,537,621	323,574	2,861,195
Other comprehensive income (loss) for the period	6(21)	-	-	-	47,123	(564,662)	(1,502)	-	(519,041)	(106,666)	(625,707)
Non-controlling interest		-	-	-	-	-	-	-	-	4,843	4,843
Overdue unclaimed cash dividend transferred to capital surplus		-	536	-	-	-	-	-	536	-	536
Balance at March 31, 2018		<u>\$ 10,396,223</u>	<u>\$ 44,411</u>	<u>\$ 9,191,733</u>	<u>\$ 33,991,497</u>	<u>(\$ 1,470,970)</u>	<u>\$ 476,494)</u>	<u>\$ -</u>	<u>\$ 52,629,388</u>	<u>\$ 9,108,696</u>	<u>\$ 61,738,084</u>

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

Chairman: Lo, Chih-Hsien

President : Chen, Jui-Tang

Accounting Manager: Kuo, Ying-Chih

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		For the three-month periods ended March 31	
	Notes	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Consolidated profit before income tax for the period		\$ 3,960,556	\$ 3,618,731
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Loss (gain) on valuation of financial assets at fair value through profit or loss	6(2)and 12(4)	3,926	(1,136)
Provision for doubtful accounts	12(4)	-	7,314
Expected credit losses	12(2)	3,122	-
Depreciation on property, plant and equipment	6(7)	1,476,065	1,256,227
Amortization		145,774	73,849
Depreciation on investment property	6(8)	4,239	4,227
Finance costs		46,543	24,190
Share of profit of associates and joint ventures accounted for using equity method		(117,216)	(489,070)
Loss on disposal of property, plant and equipment, net	6(26)	7,784	8,467
Interest income	6(25)	(147,170)	(37,898)
Reversal of impairment loss on property, plant and equipment	6(7)	-	(839)
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		34,168	143,684
Accounts receivable		478,833	567,412
Other receivables		(415,365)	(374,880)
Inventories		1,086,576	1,246,015
Prepayments		(146,147)	28,299
Other current assets		164,236	49,464
Net changes in liabilities relating to operating activities			
Contract liabilities - current		(22,441)	-
Accounts payable		(653,731)	(1,893,559)
Notes payable		(303,516)	(905,135)
Other payables		(4,119,607)	(3,716,728)
Advance receipts		(284,244)	(19,318)
Contract liabilities - non-current		(121,905)	-
Net defined benefit liabilities - non-current		(887)	(4,187)
Cash generated from operations		1,079,593	(702,239)
Interest received		160,760	51,044
Income tax paid		(2,762,372)	(45,285)
Interest paid		(46,588)	(23,581)
Dividends received		-	478,540
Net cash used by operating activities		(1,568,607)	(241,521)

(Continued)

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		For the three-month periods ended March 31	
	Notes	2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of investments accounted for using the equity method	6(6)	\$ 25,642,728	\$ -
Acquisition of subsidiary	6(6)	(3,226,806)	-
Acquisition of property, plant and equipment	6(30)	(1,992,177)	(1,992,077)
Acquisition of investment property	6(8)	-	(179,669)
Proceeds from disposal of property, plant and equipment		24,057	48,977
Increase in guarantee deposits paid		17,291	5,595
Acquisition of intangible assets	6(9)	(21,824)	(192,398)
Increase in other non-current assets		(23,052)	(39,038)
Net cash provided by (used in) investing activities		<u>20,420,217</u>	<u>(2,348,610)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(31)	4,933,546	371,627
Increase in short-term notes and bills payable		49,991	252,875
Increase in long-term borrowings	6(31)	45,570	14,800
Repayment of long-term borrowings	6(31)	(12,625)	(83,949)
Increase in guarantee deposits received		29,109	63,517
(Decrease) increase in other non-current liabilities		(6,462)	2,713
Change in non-controlling interests		4,843	(11,587)
Net cash provided by financing activities		<u>5,043,972</u>	<u>609,996</u>
Effect of foreign exchange rate changes on cash and cash equivalents		(564,662)	(314,366)
Increase (decrease) in cash and cash equivalents		23,330,920	(2,294,501)
Cash and cash equivalents at beginning of period		<u>35,783,291</u>	<u>32,003,633</u>
Cash and cash equivalents at end of period		\$ 59,114,211	\$ 29,709,132

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

Chairman: Lo, Chih-Hsien

President : Chen, Jui-Tang

Accounting Manager: Kuo, Ying-Chih

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

(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, 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 a 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 reported to the Board of Directors on April 25, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 9, “Financial instruments”

- (a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an “expected credit loss” approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses (“ECL”) or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- C. In adopting the new standards endorsed by the FSC effective from 2018, the Group has adopted the modified retrospective approach in IFRS 9 and IFRS 15. The Group also applied transitional provisions of IFRS 15 to incomplete contracts at the date of January 1, 2018. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

Consolidated balance sheet	2017 version	Effect of	2018 version	
<u>Affected items</u>	<u>IFRSs amount</u>	<u>adoption of</u>	<u>IFRSs amount</u>	<u>Remark</u>
<u>January 1, 2018</u>				
Accounts receivable, net	\$ 4,868,902	\$ 69,169	\$ 4,938,071	(a)(b)
Other current assets	83,535,358	56,302	83,591,660	(a)
Financial assets at fair value through profit or loss - non-current	-	85,833	85,833	(c)
Financial assets at fair value through other comprehensive income - non-current	-	990,622	990,622	(d)
Available-for-sale financial assets - non-current	1,050,734 (	1,050,734)	-	(c)(d)
Financial assets at cost - non-current	25,721 (	25,721)	-	(c)
Investment accounted using for equity method	8,655,722	1,696	8,657,418	(e)
Other non-current assets	<u>41,744,823</u>	<u>-</u>	<u>41,744,823</u>	
Total affected assets	<u>\$ 139,881,260</u>	<u>\$ 127,167</u>	<u>\$ 140,008,427</u>	

Consolidated balance sheet		Effect of		
Affected items	2017 version IFRSs amount	adoption of new standards	2018 version IFRSs amount	Remark
<u>January 1, 2018</u>				
Current liabilities	\$ 60,267,269	\$ -	\$ 60,267,269	
Other current liabilities	5,352,651	(3,935,358)	1,417,293	(f)
Contract liabilities - current	-	3,935,358	3,935,358	(f)
Refund liabilities	-	136,360	136,360	(a)
Contract liabilities - non-current	-	346,011	346,011	(f)
Other non-current liabilities	<u>14,754,930</u>	(<u>346,011</u>)	<u>14,408,919</u>	(f)
Total affected liabilities	<u>80,374,850</u>	<u>136,360</u>	<u>80,511,210</u>	
Share capital	10,396,223	-	10,396,223	
Capital surplus	43,875	-	43,875	
Retained earnings	40,573,023	25,463	40,598,486	(b)(c)(e)
Other equity interest	(398,859)	(29,453)	(428,312)	(c)(e)
Non-controlling interest	<u>8,892,148</u>	(<u>5,203</u>)	<u>8,886,945</u>	(b)
Total affected equity	<u>59,506,410</u>	(<u>9,193</u>)	<u>59,497,217</u>	
Total affected liabilities and equity	<u>\$ 139,881,260</u>	<u>\$ 127,167</u>	<u>\$ 140,008,427</u>	

Explanation:

(a) Under IFRS 15, if the customer returns a product, the Group is obliged to refund the purchase price. Therefore, a gross contract liability (refund liability) for the expected refunds to customers is recognized as adjustment to revenue. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognizes an asset and a corresponding adjustment to cost of sales. The asset is measured by reference to the former carrying amount of the product as the products are not material.

Liabilities in relation to expected sales discounts and allowances were previously presented as accounts receivable - allowance for sales discounts in the balance sheet. As a result of these changes in accounting policies, accounts receivable will have to be increased by \$80,058, refund liability increased by \$136,360 and other current assets increased by \$56,302 on January 1, 2018.

(b) In line with the regulations of IFRS 9 on provision for impairment, accounts receivable will have to be reduced by \$10,889, retained earnings and non-controlling interests decreased by \$5,686 and \$5,203, respectively.

(c) In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets and financial assets at cost in the amount of \$60,112 and \$25,721, respectively, by increasing financial assets at fair value through profit or loss and retained earnings in the amount of \$85,833 and \$22,498, respectively, and decreasing other equity interest in the amount of \$22,498.

(d) In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets in the amount of \$990,622 and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of \$990,622.

(e) The Group's investee accounted for using the equity method expects to make certain reclassifications in accordance with IFRS 9. Accordingly, the Group expects to increase investments accounted for using the equity method and retained earnings in the amount of \$1,696 and \$8,651, respectively, and decrease other equity interest in the amount of \$6,955.

(f) Presentation of contract liabilities:

In line with IFRS 15 requirements, the Group expects to change the presentation of certain accounts in the balance sheet as follows:

(i) Under IFRS 15, liabilities in relation to sales of gift certificates and gift cards, and franchise agreements are recognized as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of January 1, 2018, the balance would amount to \$3,935,358.

(ii) Under IFRS 15, liabilities in relation to the customer loyalty program are recognized as contract liabilities, but were previously presented as deferred revenue in the balance sheet. As of January 1, 2018, the balance would amount to \$346,011.

(g) Please refer to Note 12(4) and 12(5) for other disclosure(s) in relation to the first application of IFRS 9 and IFRS 15.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group
None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

B. 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.

IFRS 16, "Leases"

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

The Group will adopt the modified retrospective transitional provisions of IFRS 16 'Lease', and classify the effects on the lease contract of lessee to January 1, 2019 in accordance with IFRS 16.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation, basis of consolidation, and the additional descriptions described below, the other principal accounting policies are in agreement with Note 4 of the consolidated financial statements for the year ended December 31, 2017. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS 34, “Interim Financial Reporting” as endorsed by the FSC.
- B. The consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2017.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less the present value of defined benefit obligations.
- B. The preparation of financial statements, in compliance with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”), requires the use of certain critical accounting estimates and the exercise of management’s judgement in applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the first quarter of 2017 was not restated. The financial statements for the first quarter of 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Basis of consolidation

- A. The basis for preparation of consolidated financial statements is as follows:
 - (a) The basis for preparation of these consolidated financial statements is consistent with those for the preparation of consolidated financial statements for the year ended December 31, 2017.

- (b) The details of the individual financial statements of the Company's subsidiaries reviewed or unreviewed by the independent accountants are summarized below:

Name of the subsidiaries	March 31, 2018	March 31, 2017
Retail Support International Corp.	Financial statements were reviewed	Financial statements were reviewed
President Chain Store (BVI) Holdings Ltd.	"	"
Shan Dong President Yinzuo Commercial Limited	"	"
Mech-President Corp.	"	"
President Transnet Corp.	"	"
President Drugstore Business Corp.	"	"
Books.com. Co., Ltd.	"	"
Uni-President Cold-Chain Corp.	"	"
Uni-President Superior Commissary Corp.	"	"
President Pharmaceutical Corp.	"	"
Uni-President Department Store Corp.	"	"
President Chain Store (Hong Kong) Holdings Limited	"	Financial statements were unreviewed
Other subsidiaries	Financial statements were unreviewed	"

- (c) The financial statements of the subsidiary, Philippine Seven Corp., for the year ended December 31, 2017 were audited by other independent accountants, and the financial statements of other subsidiaries were audited by the same independent accountants as appointed by the Company.

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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2018	December 31, 2017	March 31, 2017	
The Company	President Chain Store (BVI) Holdings Ltd.	Professional investment	100.00	100.00	100.00	
The Company	PCSC (China) Drugstore Limited	Professional investment	92.20	92.20	92.20	
The Company	Wisdom Distribution Service Corp.	Logistics and storage of publication and e-commerce	100.00	100.00	100.00	
The Company	President Drugstore Business Corp.	Sales of cosmetics, medicine and daily items	100.00	100.00	100.00	
The Company	Ren-Hui Investment Corp.	Professional investment	100.00	100.00	100.00	
The Company	Capital Inventory Services Corp.	Enterprise management consultancy	100.00	100.00	100.00	
The Company	President Yilan Art and Culture Corp.	Art and cultural exhibition	100.00	100.00	100.00	
The Company	Cold Stone Creamery Taiwan Ltd.	Sales of ice cream	100.00	100.00	100.00	
The Company	President Chain Store Corporation Insurance Brokers Co., Ltd.	Life and property insurance	100.00	100.00	100.00	
The Company	21 Century Enterprise Co., Ltd.	Restaurant and sales of goods	100.00	100.00	100.00	
The Company	President Being Corp.	Sports and entertainment business	100.00	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2018	December 31, 2017	March 31, 2017	
The Company	Uni-President Oven Bakery Corp.	Bread and pastry retailer	100.00	100.00	100.00	
The Company	President Chain Store Tokyo Marketing Corp.	Enterprise management consultancy	100.00	100.00	100.00	
The Company	ICASH Corp.	Electronic ticketing	100.00	100.00	100.00	
The Company	Uni-President Superior Commissary Corp.	Fresh food manufacture	90.00	90.00	90.00	
The Company	Q-ware Systems & Services Corp.	Information software services	86.76	86.76	86.76	
The Company	President Information Corp.	Enterprise information management and consultancy	86.00	86.00	86.00	
The Company	Mech-President Corp.	Gas station, installment and maintenance of elevators	80.87	80.87	80.87	
The Company	President Pharmaceutical Corp.	Sales of various health care products, cosmetics, and pharmaceuticals	73.74	73.74	73.74	
The Company	President Collect Services Co., Ltd.	Collection agent	70.00	70.00	70.00	
The Company	Uni-President Department Store Corp.	Department stores	70.00	70.00	70.00	
The Company	President Transnet Corp.	Delivery service	70.00	70.00	70.00	
The Company	Uni-President Cold-Chain Corp.	Low-temperature logistics and warehousing	60.00	60.00	60.00	
The Company	Uni-Wonder Corp. (Formerly Known as "President Starbucks Coffee Corp.")	Coffee chain store	60.00	60.00	-	(a)
The Company	Duskin Serve Taiwan Co.	Cleaning instruments leasing and selling	51.00	51.00	51.00	
The Company	Afternoon Tea Taiwan Co., Ltd.	Operation of restaurants	51.00	51.00	51.00	
The Company	Books.com. Co., Ltd.	Retail business without shop	50.03	50.03	50.03	
The Company	Retail Support International Corp.	Room-temperature logistics and warehousing	25.00	25.00	25.00	(b)
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Labuan) Holdings Ltd.	Professional investment	100.00	100.00	100.00	
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Hong Kong) Holdings Limited	Professional investment	100.00	100.00	100.00	
PCSC (China) Drugstore Limited	President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Wholesale of merchandise	100.00	100.00	100.00	
Wisdom Distribution Service Corp.	President Logistics International Corp.	Trucking	20.00	20.00	20.00	
Wisdom Distribution Service Corp.	Vision Distribution Service Corp.	Publishing	60.00	60.00	60.00	
Uni-President Cold-Chain Corp.	President Logistics International Corp.	Trucking	25.00	25.00	25.00	
Uni-President Cold-Chain Corp.	Uni-President Logistics (BVI) Holdings Limited	Professional investment	100.00	100.00	100.00	
Retail Support International Corp.	Retail Support Taiwan Corp.	Logistics and storage of room temperature	51.00	51.00	51.00	
Retail Support International Corp.	President Logistics International Corp.	Trucking	49.00	49.00	49.00	
Retail Support Taiwan Corp.	President Logistics International Corp.	Trucking	6.00	6.00	6.00	
President Logistics International Corp.	Chieh-Shuen Logistics International Corp.	Trucking	100.00	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2018	December 31, 2017	March 31, 2017	
Duskin Serve Taiwan Co.	Duskin China (BVI) Holdings Limited	Professional investment	-	-	100.00	(c)
Books.com. Co., Ltd.	Books.com. (BVI) Ltd.	Professional investment	100.00	100.00	100.00	
Books.com. (BVI) Ltd.	Beijing Bokelai Customer Co.	Enterprise information consulting, network technology development and services	100.00	100.00	100.00	
Mech-President Corp.	Safety Elevator Corp.	Elevator installation, repair and maintenance	-	-	100.00	(d)
Mech-President Corp.	President Jing Corp.	Gas station	60.00	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	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	100.00	
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corporation	Operation of chain store	52.22	52.22	52.22	
Philippine Seven Corporation	Convenience Distribution Inc.	Logistics and warehousing	100.00	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	PCSC (China) Drugstore Limited	Professional investment	7.80	7.80	7.80	
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Shanghai) Ltd.	Operation of chain store	100.00	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	Shanghai President Logistics Co., Ltd.	Logistics and warehousing	100.00	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	PCSC Restaurant (Cayman) Holdings Limited	Professional investment	100.00	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	Shan Dong President Yinzuo Commercial Limited	Supermarkets	40.00	40.00	55.00	(e)
President Chain Store (Hong Kong) Holdings Limited	PCSC (Chengdu) Hypermarket Limited	Retail hypermarket	100.00	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	Shanghai Cold Stone Ice Cream Corporation Ltd.	Sales of ice cream	100.00	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Taizhou) Ltd.	Logistics and warehousing	100.00	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Zhejiang) Ltd.	Operation of chain store	100.00	100.00	-	(f)
Shanghai President Logistics Co., Ltd.	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehousing	50.00	50.00	50.00	
Shanghai President Logistics Co., Ltd.	President Logistic ShanDong Co., Ltd.	Logistics and warehousing	100.00	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2018	December 31, 2017	March 31, 2017	
PCSC Restaurant (Cayman) Holdings Limited	Shanghai President Chain Store Corporation Trade Co., Ltd.	Trade of food and commodities	100.00	100.00	100.00	
Uni-President Logistics (BVI) Holdings Limited	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehousing	50.00	50.00	50.00	
Ren-Hui Investment Corp	Ren Hui Holding Co., Ltd	Professional investment	100.00	100.00	-	(g)
Ren-Hui Holdings Co., Ltd.	Shan Dong President Yinzuo Commercial Limited .	Retail hypermarket	15.00	15.00	-	(e)

- (a) The Company acquired additional 30% shares of Uni-Wonder Corp. (Formerly known as “President Starbucks Coffee Corp.”), in December 2017 having control over it. Please refer to Note 6(6)D.
- (b) As the Company controls the financial and operating policies of Retail Support International Corp., the latter is included as a subsidiary in the consolidated financial statements.
- (c) The Company liquidated the subsidiary, Duskin China (BVI) Holdings Limited, and the process of cancellation of registration has been completed in January 2018.
- (d) The Company liquidated the subsidiary, Safety Elevator Corp., and the process of cancellation of registration has been completed in June 2017.
- (e) The Company transferred its 15% shares of the subsidiary, Shan Dong President Yinzuo Commercial Limited to Presiclerc Limited, in August 2017.
- (f) The subsidiary of the Company was established in July 2017.
- (g) The subsidiary of the Company was established in August 2017.

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) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
- (a) The objective of the Group’s business model is achieved both by collecting contractual cash flows and selling financial assets; and
- (b) The assets’ contractual cash flows represent solely payments of principal and interest.

- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
 - C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
- (6) Accounts and notes receivable
- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
 - B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- (7) Notes and accounts payable
- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
 - B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- (8) Income tax
- A. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
 - B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.
- (9) Revenue recognition
- A. Sale of goods
 - (a) The Group operates a chain of retail stores. Revenue from the sale of goods is recognized when the Group sells a product to the customer.
 - (b) Payment of the transaction price is due immediately when the customer purchases the furniture. It is the Group's policy to sell its products to the end customer with a right of return. Therefore, a refund liability and a right to the returned goods (included in other current assets) are recognized for the products expected to be returned. Accumulated experience is used to estimate such returns using the expected value method. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.
 - (c) The Group operates a loyalty program where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated on the basis of the discount granted when the points are redeemed and on the basis of the

likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. A contract liability is recognized for the transaction price which is allocated to the points and revenue is recognized when the points are redeemed or expire.

B. Sales of services

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

C. Financing components

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

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

There were no significant changes during the period. Please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2017.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Cash on hand and petty cash	\$ 1,150,966	\$ 1,791,733	\$ 949,133
Checking accounts and demand deposits	12,395,613	14,483,269	6,523,974
Cash equivalents			
Time deposits	37,358,899	10,178,300	13,985,802
Short-term financial instruments	<u>8,208,733</u>	<u>9,329,989</u>	<u>8,250,223</u>
	<u>\$ 59,114,211</u>	<u>\$ 35,783,291</u>	<u>\$ 29,709,132</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 about 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

	<u>March 31, 2018</u>
Current items:	
Beneficiary certificates	\$ 1,520,295
Valuation adjustment	<u>1,636</u>
	<u>\$ 1,521,931</u>
Non-current items:	
Unlisted stocks	\$ 275,554
Valuation adjustment	<u>(189,721)</u>
	<u>\$ 85,833</u>

- A. The Group recognized valuation loss of \$3,926 and disposal gain of \$1,317 in relation to financial assets at fair value through profit or loss for the three-month period ended March 31, 2018.
- B. No financial assets at fair value through profit or loss of the Group were pledged to others.
- C. Information relating to credit risk is provided in Note 12(2).
- D. Information on December 31, 2017 and March 31, 2017, are provided in Note 12(4).

(3) Accounts receivable

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Accounts receivable	\$ 4,435,645	\$ 5,010,640	\$ 3,958,914
Less: allowance for sales returns and discounts	-	(93,267)	(88,358)
allowance for doubtful accounts	(48,698)	(48,471)	(119,393)
	<u>\$ 4,386,947</u>	<u>\$ 4,868,902</u>	<u>\$ 3,751,163</u>

- A. The aging analysis of accounts receivable is as follows:

	<u>March 31, 2018</u>
Up to 90 days	\$ 131,753
91 to 180 days	19,388
181 to 365 days	<u>1,977</u>
	<u>\$ 153,118</u>

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

- B. No accounts receivable of the Group were pledged to others.
- C. As at March 31, 2018, December 31, 2107, and March 31, 2107, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$4,386,947, \$4,868,902, and \$3,751,163, respectively.
- D. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	<u>March 31, 2018</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials and work in process	\$ 73,518	\$ -	\$ 73,518
Merchandise and finished goods	<u>12,322,436</u>	<u>(95,408)</u>	<u>12,227,028</u>
	<u>\$ 12,395,954</u>	<u>(\$ 95,408)</u>	<u>\$ 12,300,546</u>

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

	March 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials and work in process	\$ 92,363	\$ -	\$ 92,363
Merchandise and finished goods	10,870,725	(165,683)	10,705,042
	<u>\$ 10,963,088</u>	<u>(\$ 165,683)</u>	<u>\$ 10,797,405</u>

The cost of inventories recognized as expenses for the period:

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Cost of goods sold	\$ 37,981,884	\$ 35,246,650
Gain on reversal of valuation of inventories	(40,383)	(97,695)
Spoilage	447,809	441,832
Others	57,196	54,683
	<u>\$ 38,446,506</u>	<u>\$ 35,645,470</u>

The Group reversed a previous inventory write-down because the Group sold certain inventories which were previously provided with allowance for the three-month periods ended March 31, 2018 and 2017, respectively.

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

	March 31, 2018
<u>Debt instruments</u>	
Government bonds	\$ 199,866
Valuation adjustment	1,760
	<u>201,626</u>
<u>Equity instruments</u>	
Listed stocks	265,606
Unlisted stocks	4,348
	269,954
Valuation adjustment	517,859
	<u>787,813</u>
	<u>\$ 989,439</u>

A.The Group has elected to classify the listed and unlisted stocks that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$787,813 as at March 31, 2018.

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

For the three-month
period ended
March 31, 2018

Equity instruments at fair value through other comprehensive income

Fair value change recognized in other comprehensive income (\$ 650)

Debt instruments at fair value through other comprehensive income

Fair value change recognized in other comprehensive income (\$ 560)

Interest income recognized in profit or loss \$ 590

C. As at March 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$989,439.

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

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

F. Information on December 31, 2017 and March 31, 2017 are provided in Note 12(4).

(6) Investments accounted for using the equity method

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
<u>Associates</u>			
PresiCarre Corp.	\$ 5,289,180	\$ 5,198,249	\$ 5,224,536
President Fair Development Corp.	1,962,610	1,954,089	1,940,247
Uni-President Development Corp.	751,964	750,774	824,424
President International Development Corp.	476,135	466,885	468,625
Tung Ho Development Corp.	121,136	123,504	85,217
Uni-President Organics Corp., etc.	<u>69,160</u>	<u>64,989</u>	<u>67,013</u>
	<u>8,670,185</u>	<u>8,558,490</u>	<u>8,610,062</u>
<u>Joint ventures</u>			
President Coffee (Cayman) Holdings Ltd.	\$ -	\$ -	\$ 1,747,855
Uni-Wonder Corp.	-	-	513,731
Mister Dount Taiwan Corp., Ltd.	<u>104,632</u>	<u>97,232</u>	<u>105,363</u>
	<u>104,632</u>	<u>97,232</u>	<u>2,366,949</u>
	<u>\$ 8,774,817</u>	<u>\$ 8,655,722</u>	<u>\$ 10,977,011</u>

A. The Group's investments accounted for using the equity method are based on the unreviewed financial statements of investees.

B. 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 three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Total comprehensive income	\$ <u>110,000</u>	\$ <u>78,994</u>

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

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Total comprehensive income	\$ <u>7,400</u>	\$ <u>408,758</u>

- C. In December 2017, the Group disposed of 30% shares of its joint venture – President Coffee (Cayman) Holdings Ltd. for a cash consideration of \$25,642,728 to Starbucks EMEA Holdings Ltd. (shown as 'other receivables' as at December 31, 2017), which was collected in February, 2018.
- D. The Group originally held 30% shares of its joint venture using the equity method – Uni-Wonder Corp. (formerly known as "President Starbucks Coffee Corp."). In December 2017, the Group acquired an additional 30% shares of Uni-Wonder Corp. for a cash consideration of \$3,226,806, (shown as 'other payables' as at December 31, 2017) and obtained control over Uni-Wonder Corp. Relevant cash consideration was fully paid in February, 2018.

(7) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2018</u>							
Cost	\$ 2,273,584	\$ 4,296,089	\$ 6,343,845	\$ 20,180,016	\$ 17,259,683	\$ 9,456,005	\$ 59,809,222
Accumulated depreciation and impairment	(16,366)	(1,800,537)	(4,046,383)	(13,384,193)	(10,568,380)	(5,011,021)	(34,826,880)
	<u>\$ 2,257,218</u>	<u>\$ 2,495,552</u>	<u>\$ 2,297,462</u>	<u>\$ 6,795,823</u>	<u>\$ 6,691,303</u>	<u>\$ 4,444,984</u>	<u>\$ 24,982,342</u>
<u>2018</u>							
Opening net book amount as of January 1	\$ 2,257,218	\$ 2,495,552	\$ 2,297,462	\$ 6,795,823	\$ 6,691,303	\$ 4,444,984	\$ 24,982,342
Additions	-	6,482	7,263	540,522	431,377	387,864	1,373,508
Disposals	-	-	(5,592)	(10,618)	(12,033)	(3,598)	(31,841)
Reclassifications	-	(240)	63,408	33,211	1,372	(89,201)	8,550
Depreciation charge	-	(48,092)	(139,268)	(559,738)	(419,549)	(309,418)	(1,476,065)
Net exchange differences	(1,538)	291	(5,597)	8,329	(84,013)	(151,740)	(234,268)
Closing net book amount as of March 31	<u>\$ 2,255,680</u>	<u>\$ 2,453,993</u>	<u>\$ 2,217,676</u>	<u>\$ 6,807,529</u>	<u>\$ 6,608,457</u>	<u>\$ 4,278,891</u>	<u>\$ 24,622,226</u>
<u>At March 31, 2018</u>							
Cost	\$ 2,272,046	\$ 4,290,907	\$ 6,378,570	\$ 20,463,001	\$ 17,272,073	\$ 9,338,398	\$ 60,014,995
Accumulated depreciation and impairment	(16,366)	(1,836,914)	(4,160,894)	(13,655,472)	(10,663,616)	(5,059,507)	(35,392,769)
	<u>\$ 2,255,680</u>	<u>\$ 2,453,993</u>	<u>\$ 2,217,676</u>	<u>\$ 6,807,529</u>	<u>\$ 6,608,457</u>	<u>\$ 4,278,891</u>	<u>\$ 24,622,226</u>

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2017</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	(<u>16,520</u>)	(<u>1,622,614</u>)	(<u>3,721,333</u>)	(<u>12,428,793</u>)	(<u>7,790,593</u>)	(<u>4,265,302</u>)	(<u>29,845,155</u>)
	<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>2017</u>							
Opening net book amount as of January 1	\$ 2,230,395	\$ 2,427,169	\$ 2,112,074	\$ 6,427,977	\$ 5,066,870	\$ 4,064,806	\$ 22,329,291
Additions	28,823	4,291	176,852	441,315	399,220	511,080	1,561,581
Disposals	- (613)	(613)	(6,525)	(31,037)	(17,249)	(2,020)	(57,444)
Reclassifications	-	-	73,975	13,953	10,288	(118,144)	(19,928)
Depreciation charge	- (45,030)	(45,030)	(142,599)	(522,229)	(292,494)	(253,875)	(1,256,227)
Reversal of impairment loss	-	-	-	221	-	618	839
Net exchange differences	(<u>1,832</u>)	(<u>2,880</u>)	(<u>5,034</u>)	(<u>21,553</u>)	(<u>82,493</u>)	(<u>170,988</u>)	(<u>284,780</u>)
Closing net book amount as of March 31	<u>\$ 2,257,386</u>	<u>\$ 2,382,937</u>	<u>\$ 2,208,743</u>	<u>\$ 6,308,647</u>	<u>\$ 5,084,142</u>	<u>\$ 4,031,477</u>	<u>\$ 22,273,332</u>
<u>At March 31, 2017</u>							
Cost	\$ 2,273,905	\$ 4,038,184	\$ 5,994,194	\$ 18,910,410	\$ 12,921,342	\$ 8,326,460	\$ 52,464,495
Accumulated depreciation and impairment	(<u>16,519</u>)	(<u>1,655,247</u>)	(<u>3,785,451</u>)	(<u>12,601,763</u>)	(<u>7,837,200</u>)	(<u>4,294,983</u>)	(<u>30,191,163</u>)
	<u>\$ 2,257,386</u>	<u>\$ 2,382,937</u>	<u>\$ 2,208,743</u>	<u>\$ 6,308,647</u>	<u>\$ 5,084,142</u>	<u>\$ 4,031,477</u>	<u>\$ 22,273,332</u>

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

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

(8) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>2018</u>			
January 1, 2018	\$ 1,059,538	\$ 459,577	\$ 1,519,115
Depreciation charge	<u>-</u>	<u>(4,239)</u>	<u>(4,239)</u>
March 31, 2018	<u>\$ 1,059,538</u>	<u>\$ 455,338</u>	<u>\$ 1,514,876</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>2017</u>			
January 1, 2017	\$ 902,270	\$ 456,919	\$ 1,359,189
Additions	160,747	18,922	179,669
Depreciation charge	<u>-</u>	<u>(4,227)</u>	<u>(4,227)</u>
March 31, 2017	<u>\$ 1,063,017</u>	<u>\$ 471,614</u>	<u>\$ 1,534,631</u>

The fair value of the investment property held by the Group ranged from \$3,608,641 to \$4,186,928 over the period from March 31, 2017 to March 31, 2018, which was assessed based on recent settlement prices of similar and comparable properties, as well as the reports of independent appraisers, which is categorized within Level 3 in the fair value hierarchy.

(9) Intangible assets

	<u>Software</u>	<u>Goodwill</u>	<u>License agreement and customer list</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2018</u>					
Cost	\$ 1,568,017	\$ 2,202,519	\$ 7,524,890	\$ 405,998	\$11,701,424
Accumulated amortization and impairment	<u>(975,791)</u>	<u>-</u>	<u>-</u>	<u>(68,920)</u>	<u>(1,044,711)</u>
	<u>\$ 592,226</u>	<u>\$ 2,202,519</u>	<u>\$ 7,524,890</u>	<u>\$ 337,078</u>	<u>\$10,656,713</u>
<u>2017</u>					
Opening net book amount as of January 1	\$ 592,226	\$ 2,202,519	\$ 7,524,890	\$ 337,078	\$10,656,713
Additions	21,824	-	-	-	21,824
Reclassifications	-	-	-	567	567
Amortization expenses	<u>(61,963)</u>	<u>-</u>	<u>(48,540)</u>	<u>(7,846)</u>	<u>(118,349)</u>
Net exchange differences	<u>887</u>	<u>(1,211)</u>	<u>-</u>	<u>(14)</u>	<u>(338)</u>
Closing net book amount as of March 31	<u>\$ 552,974</u>	<u>\$ 2,201,308</u>	<u>\$ 7,476,350</u>	<u>\$ 329,785</u>	<u>\$10,560,417</u>
<u>At March 31, 2018</u>					
Cost	\$ 1,536,354	\$ 2,201,308	\$ 7,524,890	\$ 401,130	\$11,663,682
Accumulated amortization and impairment	<u>(983,380)</u>	<u>-</u>	<u>(48,540)</u>	<u>(71,345)</u>	<u>(1,103,265)</u>
	<u>\$ 552,974</u>	<u>\$ 2,201,308</u>	<u>\$ 7,476,350</u>	<u>\$ 329,785</u>	<u>\$10,560,417</u>

	<u>Software</u>	<u>Goodwill</u>	<u>License agreement and customer list</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2017</u>					
Cost	\$ 1,368,689	\$ 378,673	\$ -	\$ 160,300	\$ 1,907,662
Accumulated amortization and impairment	(774,768)	-	-	(56,718)	(831,486)
	<u>\$ 593,921</u>	<u>\$ 378,673</u>	<u>\$ -</u>	<u>\$ 103,582</u>	<u>\$ 1,076,176</u>
<u>2017</u>					
Opening net book amount as of January 1	\$ 593,921	\$ 378,673	\$ -	\$ 103,582	\$ 1,076,176
Additions	16,775	-	-	175,623	192,398
Disposals	(334)	-	-	-	(334)
Reclassifications	-	-	-	5,036	5,036
Amortization expenses	(52,044)	-	-	(6,878)	(58,922)
Net exchange differences	(3,374)	(1,666)	-	(2,366)	(7,406)
Closing net book amount as of March 31	<u>\$ 554,944</u>	<u>\$ 377,007</u>	<u>\$ -</u>	<u>\$ 274,997</u>	<u>\$ 1,206,948</u>
<u>At March 31, 2017</u>					
Cost	\$ 1,374,046	\$ 377,007	\$ -	\$ 343,747	\$ 2,094,800
Accumulated amortization and impairment	(819,102)	-	-	(68,750)	(887,852)
	<u>\$ 554,944</u>	<u>\$ 377,007</u>	<u>\$ -</u>	<u>\$ 274,997</u>	<u>\$ 1,206,948</u>

Amortization expenses on intangible assets are recognized as operating expenses.

(10) Other non-current assets

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Guarantee deposits paid	\$ 2,639,129	\$ 2,656,420	\$ 2,370,893
Others	516,309	521,049	472,361
	<u>\$ 3,155,438</u>	<u>\$ 3,177,469</u>	<u>\$ 2,843,254</u>

(11) Impairment of non-financial assets

- A. The Group recognized reversal of impairment loss for the three-month periods ended March 31, 2018 and 2017 amounting to \$0 and \$839, respectively.
- B. Goodwill is allocated to the Group's cash-generating units based on operating segments. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations, which use pre-tax cash flow projections based on five-year financial budgets approved by the management. The Group performs impairment testing annually.

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
<u>Bank borrowings</u>			
Credit loan	\$ <u>5,898,726</u>	0.71%~4.35%	None

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

<u>Type of borrowings</u>	<u>March 31, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
<u>Bank borrowings</u>			
Credit loan	\$ <u>2,032,452</u>	0.80%~4.57%	None

There was no capitalization of borrowing costs for the three-month periods ended March 31, 2018 and 2017. Relevant interest expense on borrowings is recognized as “finance costs”.

(13) Other payables

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Store collections	\$ 10,108,950	\$ 11,947,975	\$ 7,986,564
Wages, salaries and bonus payable	3,057,090	4,399,047	3,091,068
Employees' compensation and remuneration for directors and supervisors	1,387,488	1,612,325	383,016
Incentive bonus payable to franchisees	994,581	930,996	873,261
Sales receipt on behalf of others	951,825	1,134,831	981,595
Rent payable	809,401	803,066	680,470
Payables for acquisition of property, plant and equipment	452,855	1,071,524	453,227
Payables for labor and health insurance	230,186	240,769	222,311
Payables for equity investments (See Note 6(6)D)	-	3,226,806	-
Others	<u>4,281,004</u>	<u>5,612,912</u>	<u>3,853,034</u>
	<u>\$ 22,273,380</u>	<u>\$ 30,980,251</u>	<u>\$ 18,524,546</u>

(14) Other current liabilities

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Advance receipts of deposits in icash cards	\$ 1,126,542	\$ 1,064,779	\$ 961,584
Current portion of long-term liabilities	285,197	273,754	194,446
Advance receipts of members' deposits	-	1,059,753	435,943
Advance receipts for gift certificates	-	1,240,616	1,200,026
Advance receipts for gift cards	-	737,431	680,183
Advance receipts for franchise fee	-	231,312	232,377
Others	384,768	745,006	698,891
	<u>\$ 1,796,507</u>	<u>\$ 5,352,651</u>	<u>\$ 4,403,450</u>

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

(15) Long-term borrowings

<u>Type of borrowings</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31, 2018</u>
<u>Long-term bank borrowings</u>			
Credit loan	0.85%~3.643%	None	\$ 997,064
Secured borrowings	1.77%~2.24%	Property, plant and equipment	375,058
			1,372,122
Less: Current portion			(285,197)
			<u>\$ 1,086,925</u>

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

<u>Type of borrowings</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31, 2017</u>
<u>Long-term bank borrowings</u>			
Credit loan	0.88%~3.10%	None	\$ 702,438
Secured borrowings	1.99%~2.25%	Property, plant and equipment	280,907
			983,345
Less: Current portion			(191,233)
			<u>\$ 792,112</u>

There was no capitalization of borrowing costs for the three-month periods ended March 31, 2018 and 2017. Relevant interest expense on borrowings is recognized as "finance costs".

(16) Pensions

A. The Company and its domestic subsidiaries operate a defined benefit pension plan, in accordance with the Labor Standards Law, which covers all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2%-8% of employees' monthly salaries and wages to a retirement fund at the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company 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 employees' to the employee's individual pension accounts.

For the aforementioned pension plan, the Group recognized pension costs of \$39,143 and \$40,183 for the three-month periods ended March 31, 2018 and 2017, respectively.

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

(a) The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the three-month periods ended March 31, 2018 and 2017 was 14%~25% and 13%~21%, 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 three-month periods ended March 31, 2018 and 2017 were \$226,103 and \$198,379, respectively.

(17) Other non-current liabilities

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Guarantee deposit received	\$ 3,384,281	\$ 3,355,171	\$ 3,302,704
Decommissioning liability	399,620	392,807	403,076
Deferred income	51,361	365,868	230,631
Others	<u>263,105</u>	<u>307,885</u>	<u>247,012</u>
	<u>\$ 4,098,367</u>	<u>\$ 4,421,731</u>	<u>\$ 4,183,423</u>

(18) Share capital

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

(19) Capital surplus

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

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, must first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount is to be set aside as a legal reserve. The Company may then set aside or reserve a certain amount as special reserve according to the relevant regulations. The appropriation of the remaining earnings and prior years' unappropriated retained earnings 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 2017 as proposed by the Board of Directors on February 23, 2018 and for 2016 as resolved by the shareholders on June 13, 2017 are as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 3,101,709		\$ 983,669	
Cash dividends - retained earnings	25,990,556	\$ 25.00	8,316,978	\$ 8.00

As of April 25, 2018, the appropriation for 2017 has not yet resolved by the shareholders.

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

(21) Other equity items

For the three-month period ended March 31, 2018				
	Exchange differences from translation of foreign operations	Unrealized gains/(losses) on valuation of financial assets at fair value through other comprehensive income	Unrealized gains/(losses) on available- for-sale financial assets	Total
At January 1, 2018	(\$ 906,308)	\$ -	\$ 507,449	(\$ 398,859)
Adjustments under new standards	-	477,996	(507,449)	(29,453)
Adjusted beginning balance	(906,308)	477,996	-	(428,312)
Revaluation:				
–Group	-	(1,210)	-	(1,210)
–Associates	-	220	-	220
Revaluation-tax	-	(512)	-	(512)
Currency translation differences:				
–Group	(564,616)	-	-	(564,616)
–Associates	(46)	-	-	(46)
At March 31, 2018	(\$ 1,470,970)	\$ 476,494	\$ -	(\$ 994,476)

For the three-month period ended March 31, 2017			
	Exchange differences from translation of foreign operations	Unrealized gains/(losses) on available-for-sale financial assets	Total
At January 1, 2017	(\$ 186,228)	\$ 357,817	\$ 171,589
Revaluation:			
–Group	-	56,439	56,439
–Associates	-	(114)	(114)
Revaluation-tax	-	181	181
Currency translation differences:			
–Group	(313,162)	-	(313,162)
–Associates	(1,204)	-	(1,204)
At March 31, 2017	(\$ 500,594)	\$ 414,323	(\$ 86,271)

(22) Operating revenue

	For the three-month period ended March 31, 2018
Revenue from contracts with customers	\$ 58,947,745

A. Disaggregation of revenue from contracts with customers

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

For the three-month period ended March 31, 2018	Convenience stores	Retail business group	Logistics Business group	Others	Total
Total segment revenue	\$ 37,154,144	\$17,244,823	\$ 3,650,418	\$ 6,438,162	\$64,487,547
Inter-segment revenue	(164,273)	(597,690)	(3,178,248)	(1,599,591)	(5,539,802)
Revenue from external customer contracts	<u>36,989,871</u>	<u>16,647,133</u>	<u>472,170</u>	<u>4,838,571</u>	<u>58,947,745</u>
Timing of revenue recognition					
–At a point in time	\$ 36,865,634	\$13,765,189	\$ 418,153	\$ 4,636,992	\$55,685,968
–Over time	<u>124,237</u>	<u>2,881,944</u>	<u>54,017</u>	<u>201,579</u>	<u>3,261,777</u>
At March 31, 2017	<u>\$ 36,989,871</u>	<u>\$16,647,133</u>	<u>\$ 472,170</u>	<u>\$ 4,838,571</u>	<u>\$58,947,745</u>

B. Contract liabilities

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

	March 31, 2018
Contract liabilities – advance receipts of gift certificates and gift cards	\$ 2,193,524
Contract liabilities – members’ deposits	1,215,948
Contract liabilities – franchise fee	225,547
Contract liabilities – customer loyalty programs	315,176
Contract liabilities – others	<u>186,828</u>
	<u>\$ 4,137,023</u>

	March 31, 2018
Contract liabilities- current	\$ 3,912,917
Contract liabilities- non-current	<u>224,106</u>
	<u>\$ 4,137,023</u>

(b) Revenues recognized that were included in the contract liabilities balance at the beginning was \$722,737 for the three-month period ended March 31, 2018.

C. Related disclosures for the three-month period ended March 31, 2017 operating revenue are provided in Note 12(5) B.

(23) Expenses by nature

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Cost of goods sold	\$ 34,219,005	\$ 31,632,327
Employee benefit expense	6,355,415	5,390,014
Incentive bonuses for franchisees	5,025,623	4,536,664
Operating lease payments	3,009,883	2,592,709
Depreciation and amortization	1,621,839	1,330,076
Utilities expense	875,880	839,578
Other costs and expenses	4,504,302	3,903,309
Total operating costs and operating expenses	<u>\$ 55,611,947</u>	<u>\$ 50,224,677</u>

(24) Employee benefit expense

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Wages and salaries	\$ 5,272,559	\$ 4,409,445
Labor and health insurance fees	483,132	444,252
Pension costs	265,246	238,562
Other personnel expenses	334,478	297,755
	<u>\$ 6,355,415</u>	<u>\$ 5,390,014</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 three-month periods ended March 31, 2018 and 2017 employees' compensation was accrued at \$149,600 and \$143,812, respectively; while directors' and supervisors' remuneration was accrued at \$49,980 and \$48,047, respectively.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 4.37% and 1.46% of distributable profit of the current period for the three-month period ended March 31, 2018.

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

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

(25) Other income

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Grants income	\$ 173,985	\$ 142,598
Interest income	147,170	37,898
Rental revenue	36,047	42,573
Others	178,914	181,167
	<u>\$ 536,116</u>	<u>\$ 404,236</u>

(26) Other gains and losses

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Gain on disposal of investments	\$ 1,317	\$ 684
Loss on disposal of property, plant and equipment	(7,784)	(8,467)
Other gains and losses	24,436	(19,852)
	<u>\$ 17,969</u>	<u>(\$ 27,635)</u>

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Current tax:		
Current tax on profits for the period	\$ 601,347	\$ 570,573
Under provision of prior year's income tax	-	118
Total current tax	<u>601,347</u>	<u>570,691</u>
Deferred tax:		
Origination and reversal of temporary differences	(142,290)	382
Impact of change in tax rate	640,304	-
Total deferred tax	<u>498,014</u>	<u>382</u>
Income tax expense	<u>\$ 1,099,361</u>	<u>\$ 571,073</u>

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

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Fair value gains/losses on available-for-sale financial assets	\$ -	(\$ 181)
Changes in fair value of financial assets at fair value through other comprehensive income	(2,805)	-
Impact of change in tax rate	(46,977)	-
	<u>(\$ 49,782)</u>	<u>(\$ 181)</u>

B. The Company's income tax returns through tax year 2015 have been assessed and approved by the Tax Authority.

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

(28) Earnings per share

	<u>For the three-month period ended March 31, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,537,621	1,039,622	\$ 2.44
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,537,621	1,039,622	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,838	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,537,621	1,042,460	\$ 2.43
	<u>For the three-month period ended March 31, 2017</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,741,471	1,039,622	\$ 2.64
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,741,471	1,039,622	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,153	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,741,471	1,041,775	\$ 2.63

(29) Operating leases

Lessor

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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Less than one year	\$ 93,898	\$ 94,376	\$ 81,140
Over one year but less than five years	277,573	292,261	203,420
Over five years	<u>43,094</u>	<u>51,674</u>	<u>59,791</u>
	<u>\$ 414,565</u>	<u>\$ 438,311</u>	<u>\$ 344,351</u>

Lessee

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

	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Rental expenses	\$ <u>2,917,548</u>	\$ <u>2,495,453</u>
Contingent rents	\$ <u>92,335</u>	\$ <u>97,256</u>

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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Less than one year	\$ 9,736,659	\$ 9,765,924	\$ 8,433,642
Over one year but less than five years	30,872,897	30,324,865	27,257,602
Over five years	<u>15,598,100</u>	<u>15,732,948</u>	<u>13,857,345</u>
	<u>\$ 56,207,656</u>	<u>\$ 55,823,737</u>	<u>\$ 49,548,589</u>

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

	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Sublease revenues	\$ <u>60,408</u>	\$ <u>50,240</u>
Contingent rents	\$ <u>283,640</u>	\$ <u>289,615</u>

In accordance with non-cancellable sub-lease agreements as of March 31, 2018, sub-lease payments totalling \$528,365 are expected to be collected between 2018 and 2029.

(30) Supplemental cash flow information

Investing activities with partial cash payments

	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Purchase of property, plant and equipment	\$ 1,373,508	\$ 1,561,581
Add: Opening balance of payable on equipment	1,071,524	883,723
Less: Ending balance of payable on equipment	(<u>452,855</u>)	(<u>453,227</u>)
Cash paid during the period	<u>\$ 1,992,177</u>	<u>\$ 1,992,077</u>

(31) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Other	Liabilities from financing activities-gross
January 1, 2018	\$ 965,180	\$1,105,451	\$4,671,731	\$ 6,742,362
Changes in cash flow from financing activities	4,933,546	32,945	72,638	5,039,129
Impact of changes in foreign exchange rate	-	(40,028)	-	(40,028)
Changes in other non-cash items	-	(11,443)	(346,011)	(357,454)
March 31, 2018	<u>\$5,898,726</u>	<u>\$1,086,925</u>	<u>\$4,398,358</u>	<u>\$ 11,384,009</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Uni-President Enterprises Corp.	Ultimate parent company
Mister Donut Taiwan Co., Ltd.	Investees of the Group accounted for using the equity method
Tung Ang Enterprises Corp.	Subsidiaries of ultimate parent company
President Packaging Corp.	"
President Tokyo Corp.	"
Tait Marketing & Distribution Co., Ltd.	"
Lien-Bo Enterprises Corp.	"
Kuang Chuan Dairy Corp.	Investees of ultimate parent company accounted for using the equity method
Weiluh Food Industrial Co., Ltd.	"
Kang Na Hsiung Enterprises Co., Ltd.	Investees of subsidiaries of ultimate parent company accounted for using the equity method
Tung Chan Enterprises Corp.	"
Koasa Yamako Corp.	The Company is a director of Koasa Yamako Corp.

(3) Significant related party transactions and balances

A. Operating revenue

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
<u>Sales of goods</u>		
Ultimate parent	\$ 142,050	\$ 135,969
Associates	37,902	300,507
Sister companies	63,789	56,437
Other related parties	18,176	13,586
<u>Sales of services</u>		
Ultimate parent	2,368	1,867
Associates	7,603	41,342
Sister companies	2,639	2,921
Other related parties	1,337	884
	<u>\$ 275,864</u>	<u>\$ 553,513</u>

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

B. Purchases

	For the three-month period ended March 31, 2018	For the three-month period ended March 31, 2017
Ultimate parent	\$ 3,538,542	\$ 3,469,362
Associates	82,857	120,610
Sister companies	953,554	946,558
Other related parties	479,714	209,139
	<u>\$ 5,054,667</u>	<u>\$ 4,745,669</u>

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

C. Receivables from related parties

	March 31, 2018	December 31, 2017	March 31, 2017
Ultimate parent	\$ 149,638	\$ 190,171	\$ 154,245
Associates	53,511	68,686	143,983
Sister companies	49,231	72,400	35,690
Other related parties	5,489	8,725	4,446
	<u>\$ 257,869</u>	<u>\$ 339,982</u>	<u>\$ 338,364</u>

Receivables from related parties arise mainly 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

	March 31, 2018	December 31, 2017	March 31, 2017
Ultimate parent	\$ 1,563,339	\$ 1,558,451	\$ 1,582,352
Associates	70,286	68,577	112,833
Sister companies	448,647	406,713	430,313
Other related parties	279,751	327,697	139,181
	<u>\$ 2,362,023</u>	<u>\$ 2,361,438</u>	<u>\$ 2,264,679</u>

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

E. Long-term installment payable

The subsidiaries, President Transnet Corp. and President Logistics International Corp., acquired transportation equipment on installment for up to five years. There was no related transaction in March 31, 2018 and December 31, 2017 as it was already paid. Details of the related long-term installment payables (under “Other current liabilities” and “Other non-current liabilities”) in March 31, 2017 are as follows:

	<u>March 31, 2017</u>
Sister companies	\$ 3,229
Discount on the long-term installment payable	(10)
Net amount	3,219
Less: Current portion	(3,213)
	<u>\$ 6</u>

F. Property transactions

Acquisition of property, plant and equipment and investment property:

	<u>Accounts</u>	<u>For the three-month period ended March 31, 2017</u>
Sister companies	Property, plant and equipment	\$ 32,215
	Investment property	179,669
		<u>\$ 211,884</u>

For the three-month period ended March 31, 2018, the Group did not conduct any property transaction.

(4) Key management compensation

	<u>For the three-month period ended March 31, 2018</u>	<u>For the three-month period ended March 31, 2017</u>
Salaries and other short-term employee benefits	\$ 189,512	\$ 169,737

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	March 31, 2018	December 31, 2017	
Land	\$ 314,492	\$ 368,869	Long-term and short-term borrowings and guarantee facilities
Buildings	71,388	187,884	Long-term and short-term borrowings and guarantee facilities
Transportation equipment	513,622	493,134	Long-term borrowings and long-term installment payable
Pledged time deposits (Recognized as “Other non-current assets - guarantee deposits paid ”)	49,665	49,665	Performance guarantee
	<u>\$ 949,167</u>	<u>\$ 1,099,552</u>	

Pledged asset	Book value		Purpose
	March 31, 2017		
Land	\$ 368,869		Long-term and short-term borrowings and guarantee facilities
Buildings	205,280		Long-term and short-term borrowings and guarantee facilities
Transportation equipment	306,957		Long-term borrowings and long-term installment payable
Pledged time deposits (Recognized as “Other non-current assets - guarantee deposits paid ”)	49,165		Performance guarantee
	<u>\$ 930,271</u>		

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets at fair value through profit or loss	\$ 1,607,764	\$ -	\$ -
Financial assets held for trading	-	1,560,025	992,774
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	787,813	-	-
Qualifying equity instrument	201,626	-	-
Available-for-sale financial assets	-	1,050,734	955,956
Financial assets measured at cost	-	25,721	27,388
Financial assets at amortized cost/Loans and receivables			
Cash and cash equivalents	59,114,211	35,783,291	29,709,132
Accounts receivable, net	4,386,947	4,868,902	3,751,163
Other receivables	3,147,066	28,412,101	1,504,805
Guarantee deposit paid	<u>2,639,129</u>	<u>2,656,420</u>	<u>2,370,893</u>
	<u>\$ 71,884,556</u>	<u>\$ 74,357,194</u>	<u>\$ 39,312,111</u>
<u>Financial liabilities</u>			
Financial liabilities measured at fair value through profit or loss			
Short-term borrowings	\$ 5,898,726	\$ 965,180	\$ 2,032,452
Short-term notes and bills payable	299,991	250,000	526,875
Notes payable	1,762,995	2,066,511	1,301,978
Accounts payables	20,517,232	21,170,963	18,033,680
Other payables	22,273,380	30,980,251	18,524,546
Long-term borrowings (including current portion)	1,372,122	1,379,205	983,345
Guarantee deposit received	<u>3,384,281</u>	<u>3,355,171</u>	<u>3,302,704</u>
	<u>\$ 55,508,727</u>	<u>\$ 60,167,281</u>	<u>\$ 44,705,580</u>

B. Risk management policies

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

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- I. The Group operates internationally and is exposed to foreign exchange risk arising from of the Company and its subsidiaries used in various functional currency, the transactions primarily with respect to the USD and RMB. Exchange risk arises from future commercial transactions and recognized assets and liabilities.
- II. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currencies.
- III. The Company's and certain subsidiaries' functional currency is the New Taiwan dollar (NTD), and for other certain subsidiaries, the functional currency is the Renminbi (RMB). The details of assets and liabilities denominated in foreign currencies whose values would be materially affected by exchange rate fluctuations are as follows:

(Foreign currency: functional currency)	March 31, 2018			December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>						
<u>Monetary items</u>						
USD: NTD	\$ 3,881	29.1050	\$ 112,957	\$ 3,610	29.7600	\$ 107,434
RMB:NTD	1,090	4.6379	5,055	507,009	4.5737	2,318,907
JPY:NTD	47,807	0.2739	13,094	104,720	0.2642	27,667
HKD:NTD	7,320	3.7082	27,144	4,410	3.8085	16,795
EUR:NTD	801	35.8700	28,732	-	-	-
<u>Non-monetary items</u>						
JPY: NTD	\$ 809,100	0.2739	\$ 221,612	\$ 891,900	0.2642	\$ 235,640
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD: NTD	\$ 4,194	29.1050	\$ 122,066	\$ 99,814	29.7600	\$ 2,970,465
JPY: NTD	91,022	0.2739	24,931	63,542	0.2642	16,788

(Foreign currency: functional currency)	March 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 853	30.330	\$ 25,871
RMB:NTD	32,151	4.4038	141,587
JPY:NTD	97,997	0.2713	26,587
<u>Non-monetary items</u>			
JPY: NTD	\$ 728,400	0.2713	\$ 197,615
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 567	30.330	\$ 17,197
JPY: NTD	89,303	0.2713	24,228

- IV. Total exchange gain (loss), including realized and unrealized from significant foreign exchange variations on monetary items held by the Group amounted to \$47,970 and (\$1,153) for the three-month periods ended March 31, 2018 and 2017, respectively.

Price risk

- I. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- II. The Group's investments in equity securities comprise shares and open-ended funds issued by the domestic companies. The prices of equity securities would change due to change of the future value of investee companies. If the prices of these equity securities increase / decrease by 5% , and open-ended funds increase / decrease by 0.25%, with all other variables held constant, the post-tax profit for the three-month periods ended March 31, 2018 and 2017 would have increased/decreased by \$8,096 and \$2,469, respectively, as a result of gains/losses on equity securities and open-ended funds classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$39,391 and \$34,435, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- I. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which are partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the three-month periods ended March 31, 2018 and 2017, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and Philippine Peso.
- II. If the borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the three-month periods ended March 31, 2018 and 2017 would have increased/decreased by \$2,680 and \$2,208, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.
- III. If the government bond yield rate had increased/decreased by 0.25% with all other variables held constant, other comprehensive income for the three-month periods ended March 31, 2018 and 2017 would have decreased by \$621 and \$1,118 or increased by \$624 and \$1,127, respectively. The main factor is that changes in market interest rates would affect the fair value of fixed interest rate bond investments held by the Group classified as financial assets at fair value through other comprehensive income.

(b) Credit risk

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

	<u>March 31, 2018</u>
	<u>Accounts receivable</u>
At January 1_IAS 39	\$ 48,471
Adjustments under new standards	<u>10,889</u>
At January 1_IFRS 9	59,360
Provision for impairment	3,122
Reversal of impairment	(1,678)
Write-offs	(11,115)
Effect of foreign exchange	<u>(991)</u>
At March 31	<u>\$ 48,698</u>

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

(c) Liquidity risk

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

- II. The Group invests surplus cash in interest bearing current accounts, time deposits, money market fund and marketable securities, and chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the aforementioned forecasting. The Group held money market funds of \$1,521,931, \$1,560,025 and \$992,774 as at March 31, 2018, December 31, 2017, and March 31, 2017, respectively, which are expected to readily generate cash inflows for the purpose of managing liquidity risk.
- III. The Group has undrawn borrowing facilities of \$15,586,976, \$11,302,389 and \$7,590,834 as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively.
- IV. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
<u>March 31, 2018</u>				
Short-term borrowings	\$ 6,026,212	\$ -	\$ -	\$ -
Short-term notes and bills payable	299,991	-	-	-
Notes payable	1,762,995	-	-	-
Accounts payable	20,517,232	-	-	-
Other payables	22,273,380	-	-	-
Long-term borrowings (including current portion)	316,437	514,058	96,052	515,016

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
<u>March 31, 2017</u>				
Short-term borrowings	\$ 2,081,616	\$ -	\$ -	\$ -
Short-term notes and bills payable	526,875	-	-	-
Notes payable	1,301,978	-	-	-
Accounts payable	18,033,680	-	-	-
Other payables	18,524,546	-	-	-
Long-term borrowings (including current portion)	214,130	358,334	7,053	456,192

(3) Fair value information

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

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

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

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

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

C. Financial instruments not measured at fair value

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

March 31, 2018				
	Fair value			
<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>Financial assets :</u>				
Guarantee deposit paid	\$ 2,639,129	\$ -	\$ -	\$ 2,623,753
<u>Financial liabilities :</u>				
Guarantee deposit received	\$ 3,384,281	\$ -	\$ -	\$ 3,360,372
December 31, 2017				
	Fair value			
<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>Financial assets :</u>				
Guarantee deposit paid	\$ 2,656,420	\$ -	\$ -	\$ 2,639,566
<u>Financial liabilities :</u>				
Guarantee deposit received	\$ 3,355,171	\$ -	\$ -	\$ 3,327,231
March 31, 2017				
	Fair value			
<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>Financial assets :</u>				
Guarantee deposit paid	\$ 2,370,893	\$ -	\$ -	\$ 2,356,564
<u>Financial liabilities :</u>				
Guarantee deposit received	\$ 3,302,704	\$ -	\$ -	\$ 3,273,860

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

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

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

<u>March 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Open-ended funds	\$ 1,521,931	\$ -	\$ -	\$ 1,521,931
Equity securities	-	-	85,833	85,833
	<u>1,521,931</u>	<u>-</u>	<u>85,833</u>	<u>1,607,764</u>
Financial assets at fair value through other comprehensive income				
Equity securities	783,465	-	4,348	787,813
Debt securities	<u>201,626</u>	<u>-</u>	<u>-</u>	<u>201,626</u>
	<u>985,091</u>	<u>-</u>	<u>4,348</u>	<u>989,439</u>
	<u>\$ 2,507,022</u>	<u>\$ -</u>	<u>\$ 90,181</u>	<u>\$ 2,597,203</u>

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

<u>March 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Open-ended funds	\$ 992,774	\$ -	\$ -	\$ 992,774
Available-for-sale financial assets				
Equity securities	688,690	-	64,577	753,267
Government bond	<u>202,689</u>	<u>-</u>	<u>-</u>	<u>202,689</u>
	<u>891,379</u>	<u>-</u>	<u>64,577</u>	<u>955,956</u>
	<u>\$ 1,884,153</u>	<u>\$ -</u>	<u>\$ 64,577</u>	<u>\$ 1,948,730</u>

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

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

	<u>Listed shares</u>	<u>Open-ended fund</u>	<u>Government bond</u>
Market quoted price	Closing price	Net asset value	Closing price

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

E. For the three-month period ended March 31, 2018, there was no transfer between Level 1 and Level 2.

F. For the three-month periods ended March 31, 2018 and 2017, there was no significant transfer in or out of Level 3.

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

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

	<u>Fair value at March 31, 2018</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 90,181	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value
	<u>Fair value at December 31, 2017</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 64,460	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value
	<u>Fair value at March 31, 2017</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
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

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

(4) Effects on initial application of IFRS 9, 'Leases'

A. Summaries of adopting significant accounting policies in the first quarter of 2017:

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

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

(b) Available for sale financial assets

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

(c) Loans and receivables

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

(d) Impairment of financial assets

- I. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- II. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i) Significant financial difficulty of the issuer or debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (iii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- III. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
 - (i) Financial assets at amortized cost
The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the

financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

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

		Available-for sale-equity		Available-for sale-liability		Effects			
	Accounts receivable, net	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Measured at fair value through other comprehensive income-liability	Measured at amortized cost	Total	Retained earnings	Other equity	Non- controlling interest
IAS39	\$ 4,868,902	\$ -	\$ 848,575	\$ 202,159	\$ 25,721	\$ 5,945,357	\$ -	\$ -	\$ -
Transferred into and measured at fair value through profit or loss	-	85,833	(60,112)	-	(25,721)	-	22,498	(22,498)	-
Recognized the IFRS 9 effects through investment accounted for using equity method	-	-	-	-	-	-	8,651	(6,955)	-
Impairment loss adjustment	(10,889)	-	-	-	-	(10,889)	(5,686)	-	(5,203)
IFRS9	<u>\$ 4,858,013</u>	<u>\$ 85,833</u>	<u>\$ 788,463</u>	<u>\$ 202,159</u>	<u>\$ -</u>	<u>\$ 5,934,468</u>	<u>\$ 25,463</u>	<u>(\$ 29,453)</u>	<u>(\$ 5,203)</u>

- (a) Under IAS 39, because the cash flows of debt instruments, which were classified as: available-for-sale financial assets, amounting to \$202,159, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, and the Group hold these assets for the purpose of receiving cash inflow and sale, thus were reclassified as “financial assets at fair value through other comprehensive income (debt instruments)” on initial application of IFRS 9.
- (b) Under IAS 39, the equity instruments, which were classified as: available-or-sale financial assets, financial assets at cost, amounting to \$60,112 and \$25,721, respectively, were reclassified as “financial assets at fair value through profit or loss (equity instruments)”, increased retained earnings and decreased other equity interest in the amounts of \$22,498 and \$22,498, respectively, under IFRS 9.
- (c) The Group’s investee accounted for using the equity method expects to make certain reclassifications in accordance with IFRS 9. Accordingly, the Group was expected to increase investments accounted for using the equity method and retained earnings in the amount of \$1,696 and \$8,651, respectively, and decrease other equity interest in the amount of \$6,955.
- (d) The Group’s accounts receivable for impairment and provision from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9. In line with the regulation of IFRS 9 on provision for impairment, accounts receivable were reduced by \$10,889, decreased retained earnings and non-controlling interests in the amounts of \$5,686 and \$5,203, respectively.
- C. The significant accounts as of December 31, 2017 and for the three-month period ended March 31, 2017 are as follows:

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

	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Financial assets held for trading		
Open-ended fund	\$ 1,554,463	\$ 987,566
Valuation adjustment of financial assets held for trading	<u>5,562</u>	<u>5,208</u>
	<u>\$ 1,560,025</u>	<u>\$ 992,774</u>

The Group recognized net gain of \$1,820 on financial assets held for trading for the three-month period ended March 31, 2017.

- (b) Available-for-sale financial assets

	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Listed stocks	\$ 265,606	\$ 265,606
Unlisted stocks	41,963	42,079
Government bonds	<u>199,840</u>	<u>199,760</u>
	507,409	507,445
Valuation adjustment	<u>543,325</u>	<u>448,511</u>
	<u>\$ 1,050,734</u>	<u>\$ 955,956</u>

- I. The Group recognized \$56,439 in other comprehensive income for fair value change for the three-month period ended March 31, 2017.
- II. The counterparties of the Group’s investments in debt instruments have good credit quality.
- (c) Financial assets at cost
- I. According to the Group’s intention, its investment objectives should be classified as ‘available-for-sale financial assets’. However, as the investment objectives are not traded in active market, and no sufficient industry information of companies similar to their financial information cannot be obtained, the fair value of the investment objectives cannot be measured reliably. The Group classified those stocks as ‘financial assets measured at cost’.
- II. As of December 31, 2017 and March 31, 2017, no financial assets measured at cost held by the Group were pledged to others.

D. Credit risk information as of December 31, 2017 and for the three-month period ended March 31, 2017 are as follows :

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- (b) For the three-month period ended March 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The Group's accounts receivable that are neither past due nor impaired are fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.
- (d) The ageing analysis of financial assets that were past due but not impaired is as follows:

	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Up to 90 days	\$ 119,587	\$ 128,197
91 to 180 days	11,421	5,667
181 to 365 days	2,062	1,863
Over 365 days	<u>11</u>	<u>-</u>
	<u>\$ 133,081</u>	<u>\$ 135,727</u>

- (e) Movements in the provision for impairment of accounts receivable for the three-month period ended March 31, 2017 are as follows:

	<u>For the three-month period ended March 31, 2017</u>
At January 1	\$ 112,649
Provision for impairment	12,769
Reversal of impairment	(5,455)
Write-offs	(<u>570</u>)
At March 31	<u>\$ 119,393</u>

(5) Effects of initial application of IFRS 15

A. The significant accounting policies applied on revenue recognition for the three-month period ended March 31, 2017 are set out below:

- (a) Sales of goods

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

the award credits. The amount of proceeds allocated to the award credits is measured by reference to the fair value of goods that can be redeemed by using the award credits and the proportion of award credits that are expected to be redeemed by customers. The Group recognizes the deferred portion of the proceeds allocated to the award credits as revenue only when it has fulfilled its obligations in respect of the award credits.

(b) Sales of services

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

- B. The revenue recognized by using above accounting policies for the three-month period ended March 31, 2017 are as follows:

	For the three-month period ended March 31, 2017
Sales revenue	\$ 46,994,671
Service revenue	3,218,005
Other operating revenue	<u>2,789,251</u>
Total	<u>\$ 53,001,927</u>

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

		March 31, 2018		
<u>Balance sheet items</u>	<u>Description</u>	<u>Balance by using IFRS 15</u>	<u>Balance by using previous accounting policies</u>	<u>Effects from changes in accounting policy</u>
Accounts receivable, net	(a)	\$ 4,386,947	\$ 4,338,399	\$ 48,548
Other current assets	(a)	2,809,311	2,774,332	34,979
Other current liabilities	(a)(b)	1,796,507	5,625,897	(3,829,390)
Contract liabilities -current	(b)	3,912,917	-	3,912,917
Contract liabilities -non current	(b)	224,106	-	224,106
Other non-current liabilities	(b)	4,098,367	4,322,473	(224,106)

- (a) Under IFRS 15, liability in relation to expected discounts and refunds to customers is recognized as refund liability in the amount of \$83,527. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognizes as current asset (shown as 'other current assets') in the amount of \$34,979. But were previously presented as accounts receivable - allowance for sales discounts in the balance sheet.
- (b) Under IFRS 15, liabilities in relation to sales of gift certificates, gift cards, and franchise agreements are recognized as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of March 31, 2018, the balance amounted to \$3,912,917. Liabilities in relation to the customer loyalty program are recognized as contract liabilities, but were previously presented as deferred revenue in the balance sheet. As of March 31, 2018, the balance amounted to \$224,106 and was presented as non-current liability.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 1.
- D. Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please refer to Table 2.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to Table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to Table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(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 period.

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

The revenue of the Group's reportable segments is derived from the operations of convenience stores, retail business group and logistics business group. Other operating segments include a restaurant-related business group, 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 three-month period ended March 31, 2018					
	Convenience stores	Retail business group	Logistics business group	Other operating segments	Adjustment and elimination	Total
External revenue (net)	\$ 36,989,871	\$ 16,647,133	\$ 472,170	\$ 4,838,571	\$ -	\$ 58,947,745
Internal department revenue	164,273	597,690	3,178,248	1,599,591	(5,539,802)	-
Total segment revenue	<u>\$ 37,154,144</u>	<u>\$ 17,244,823</u>	<u>\$ 3,650,418</u>	<u>\$ 6,438,162</u>	<u>(\$ 5,539,802)</u>	<u>\$ 58,947,745</u>
Segment income (loss)	<u>\$ 3,223,754</u>	<u>\$ 810,863</u>	<u>\$ 275,173</u>	<u>\$ 592,016</u>	<u>(\$ 941,250)</u>	<u>\$ 3,960,556</u>

	For the three-month period ended March 31, 2017					
	Convenience stores	Retail business group	Logistics business group	Other operating segments	Adjustment and elimination	Total
External revenue (net)	\$ 34,181,441	\$ 15,856,405	\$ 694,691	\$ 2,269,390	\$ -	\$ 53,001,927
Internal department revenue	156,850	567,897	2,937,348	1,429,614	(5,091,709)	-
Total segment revenue	<u>\$ 34,338,291</u>	<u>\$ 16,424,302</u>	<u>\$ 3,632,039</u>	<u>\$ 3,699,004</u>	<u>(\$ 5,091,709)</u>	<u>\$ 53,001,927</u>
Segment income (loss)	<u>\$ 3,099,036</u>	<u>\$ 788,969</u>	<u>\$ 283,447</u>	<u>\$ 707,320</u>	<u>(\$ 1,260,041)</u>	<u>\$ 3,618,731</u>

(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.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
March 31, 2018

Table 1

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 March 31, 2018				
				Number of shares	Book value (Note)	Ownership (%)	Fair value	Footnote
President Chain Store Corp.	Stock: President Investment Trust Corp.	Director of President Investment Trust Corp.	Financial assets at fair value through profit or loss - non-current	2,667,600	\$ 45,298	7.60	\$ 45,298	
President Chain Store Corp.	Q-ware Systems & Services Corp.	Director of Q-ware Systems & Services Corp.	"	21,494	-	10.00	-	
President Chain Store Corp.	Career Consulting Co. Ltd	None	"	837,753	14,814	5.37	14,814	
President Chain Store Corp.	Kaohsiung Rapid Transit Corp.	"	"	2,572,127	25,721	0.92	25,721	
President Chain Store Corp.	PK Venture Capital Corp.	Director of PK Venture Capital Corp.	"	321,300	-	6.67	-	
Mech-President Corp.	Yamay International Development Corp.	None	"	9	-	-	-	
President Chain Store Corp.	President Securities Corp.	Investees of Uni-President Enterprises Corp. under the equity method	Financial assets at fair value through other comprehensive income - non - current	38,221,259	561,853	2.75	561,853	
President Chain Store Corp.	Duskin Co., Ltd.	None	"	300,000	221,612	0.56	221,612	
President Chain Store Corp.	Koasa Yamako Corp.	Director of Koasa Yamako Corp.	"	650,000	4,348	10.00	4,348	
Books.com. Co., Ltd.	Open ended funds: Jih Sun Money Market Fund	None	Financial assets at fair value through profit or loss - current	4,070,722	\$ 60,017	-	\$ 60,017	
Chieh-Shuen Logistics International Corp.	UPAMC James Bond Money Market Fund	"	"	1,202,617	20,002	-	20,002	
Chieh-Shuen Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	5,022,995	68,006	-	68,006	
Uni-Wonder Corp.	Union Money Market Fund	"	"	6,848,481	90,000	-	90,000	
Uni-Wonder Corp.	Nomura money market fund	"	"	6,157,901	100,000	-	100,000	
Uni-Wonder Corp.	Allianz Global Investors Taiwan Money Market Fund	"	"	2,405,851	30,000	-	30,000	
Uni-Wonder Corp.	FSITC Taiwan Money Market Fund	"	"	16,421,332	250,000	-	250,000	
Uni-Wonder Corp.	Taishin 1699 Money Market Fund	"	"	6,685,783	90,000	-	90,000	
Uni-Wonder Corp.	Cathay Taiwan Money Market Fund	"	"	2,420,448	30,000	-	30,000	
President Information Corp.	Jih Sun Money Market Fund	"	"	7,635,462	112,573	-	112,573	
President Information Corp.	Prudential Financial Money Market Fund	"	"	6,842,141	107,696	-	107,696	
President Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	369,582	5,004	-	5,004	
President Pharmaceutical Corp.	Jih Sun Money Market Fund	"	"	5,593,066	82,461	-	82,461	
President (Shanghai) Health Product Trading Company Ltd.	CIFM Money Market Fund	"	"	1,146,563	5,318	-	5,318	
Retail Support Taiwan Corp.	FSITC Money Market Fund	"	"	139,801	24,823	-	24,823	
Zhejiang Uni-Champion Logistics Development Co., Ltd.	CIFM RMB Money Market Fund	"	"	13,124,492	60,870	-	60,870	
Q-ware Systems & Services Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	21,799,064	295,138	-	295,138	
President Drugstore Business Corp.	Jih Sun Money Market Fund	"	"	1,357,575	20,015	-	20,015	
President Drugstore Business Corp.	FSITC Taiwan Money Market Fund	"	"	4,598,491	70,008	-	70,008	
ICASH Corp.	Bond: Government bond	None	Financial assets at fair value through other comprehensive income - non-current	-	\$ 201,626	-	\$ 201,626	

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital
For the three-month period ended March 31, 2018

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Type and name of securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2018		Addition		Disposal			Gain (loss) on disposal	Other increase (decrease)		Balance as at March 31, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount	Number of shares	Amount
	Open ended funds:															
Books.com. Co., Ltd.	Jih Sun Money Market Fund	Note 1	Not applicable	Not applicable	1,358,373	\$ 20,005	34,611,591	\$ 510,000	31,899,242	\$ 470,124	\$ 470,000	\$ 124	-	\$ 12	4,070,722	\$ 60,017
Uni-Wonder Corp.	FSITC Taiwan Money Market Fund	"	"	"	13,151,752	200,000	19,708,491	300,000	16,438,911	250,268	250,000	268	-	-	16,421,332	250,000
Uni-Wonder Corp.	Nomura money market Fund	"	"	"	12,328,480	200,000	12,318,306	200,000	18,488,885	300,128	300,000	128	-	-	6,157,901	100,000
Q-ware Systems & Services Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	"	17,449,813	236,000	22,981,814	311,000	18,632,563	252,125	252,000	125	-	138	21,799,064	295,138

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

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the three-month period ended March 31, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
President Chain Store Corp.	Uni-President Enterprises Corp.	Ultimate parent company	Purchases	\$ 3,449,400	14	Net 30~40 days from the end of the month when invoice is issued	No significant differences	No significant differences	(\$ 1,151,822) (	8)	
	Uni-President Superior Commissary Corp.	Subsidiary	"	826,262	3	Net 45 days from the end of the month when invoice is issued	"	"	(590,220) (	4)	
	Q-ware Systems & Services Corp.	"	"	158,781	1	Net 40 days from the end of the month when invoice is issued	"	"	(100,835) (	1)	
	Tung Ang Enterprises Corp.	Sister company	"	428,235	2	Net 30 days from the end of the month when invoice is issued	"	"	(182,559) (	1)	
	Lien-Bo Enterprises Corp.	"	"	160,446	1	Net 10~54 days from the end of the month when invoice is issued	"	"	(82,147) (	1)	
	Kuang Chuan Dairy Corp.	Other related party	"	103,246	-	Net 30~65 days from the end of the month when invoice is issued	"	"	(95,396) (	1)	
	Vision Distribution Service Corp.	Subsidiary	Purchases returns	(149,679)	-	Net 30~60 days from the end of the month when invoice is issued	"	"	-	-	
Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary of President Chain	Delivery revenue	(189,516) (	41)	Net 40 days from the end of the month when invoice is issued	"	"	80,575		48
	President Logistics International Corp.	Parent company	"	(249,869) (	55)	Net 20 days from the end of the month when invoice is issued	"	"	82,283		49
Uni-Wonder Corp.	Tung Chan Enterprise Corp.	Other related party	Purchases	221,091	24	Net 25 days from the end of the month when invoice is issued	"	"	(53,428) (	14)	
President Information Corp.	President Chain Store Corp.	Parent company	Service revenue	(168,911) (	65)	Net 45 days from the end of the month when invoice is issued	"	"	146,991		65
President Logistics International Corp.	Retail Support International Corp.	"	Delivery revenue	(182,249) (	23)	Net 20 days from the end of the month when invoice is issued	"	"	63,592		23
	Uni-President Cold-Chain Corp.	Subsidiary of President Chain	"	(239,731) (	31)	Net 20 days from the end of the month when invoice is issued	"	"	86,582		31
	Wisdom Distribution Service Corp.	"	"	(285,209) (	36)	Net 20 days from the end of the month when invoice is issued	"	"	98,225		36
	Chieh-Shuen Logistics International Corp.	Subsidiary	Service cost	249,869	33	Net 20 days from the end of the month when invoice is issued	"	"	(82,283) (	60)	
Uni-President Superior Commissary Corp.	President Chain Store Corp.	Parent company	Sales revenue	(826,262) (	100)	Net 45 days from the end of the month when invoice is issued	"	"	590,220		100
President Transnet Corp.	Chieh-Shuen Logistics International Corp.	Subsidiary of President Chain	Service cost	189,516	8	Net 40 days from the end of the month when invoice is issued	"	"	(80,575) (	7)	
Q-ware Systems & Services Corp.	President Chain Store Corp.	Parent company	Service revenue	(158,781) (	69)	Net 40 days from the end of the month when invoice is issued	"	"	100,835		78
President Drugstore Business Corp.	President Pharmaceutical Corp.	Subsidiary of President Chain	Purchases	189,405	8	Net 70 days from the end of the month when invoice is issued	"	"	(80,066) (	4)	
Wisdom Distribution Service Corp.	President Logistics International Corp.	"	Service cost	285,209	43	Net 20 days from the end of the month when invoice is issued	"	"	(98,225) (	51)	
President Pharmaceutical Corp.	President Drugstore Business Corp.	"	Sales revenue	(189,405) (	38)	Net 70 days from the end of the month when invoice is issued	"	"	80,066		18
Vision Distribution Service Corp.	President Chain Store Corp.	Parent company	Sales returns	149,679	-	Net 30~60 days from the end of the month when invoice is issued	"	"	-	-	

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the three-month period ended March 31, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
			Transaction								
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Retail Support International Corp.	President Logistics International Corp.	Subsidiary	Service cost	\$ 182,249	42	Net 20 days from the end of the month when invoice is issued	No significant differences	No significant differences	(\$ 63,592)	(47)	
Uni-President Cold-Chain Corp.	President Logistics International Corp.	Subsidiary of President Chain	〃	239,731	38	Net 20 days from the end of the month when invoice is issued	〃	〃	(86,582)	(18)	

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
March 31, 2018

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as of March 31, 2018	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	\$ 840,323	Note	\$ -	None	\$ 1,218	\$ -
President Information Corp.	President Chain Store Corp.	Parent company	146,991	3.94	-	"	7,179	-
Q-ware Systems & Services Corp.	President Chain Store Corp.	"	100,835	6.05	-	"	59,646	-
Uni-President Superior Commissary Corp.	President Chain Store Corp.	"	590,220	5.73	-	"	284,511	-

Note: It is not applicable to calculate receivables turnover ratio since most of the collections pertain to purchase rebate for goods collection.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
For the three-month period ended March 31, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

					Transaction		
							Percentage of consolidated total operating revenues or total assets
Number	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction terms	
0	President Chain Store Corp.	Wisdom Distribution Service Corp.	Parent company to subsidiary	Other receivables	\$ 840,323	Net 30-60 days from the end of the month when invoice is issued	0.62
1	President Information Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	(168,911)	Net 45 days from the end of the month when invoice is issued	0.29
1	President Information Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	146,991	Net 45 days from the end of the month when invoice is issued	0.11
2	Q-ware Systems & Services Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	(158,781)	Net 40 days from the end of the month when invoice is issued	0.27
2	Q-ware Systems & Services Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	100,835	Net 40 days from the end of the month when invoice is issued	0.07
3	Uni-President Superior Commissary Corp.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	(826,262)	Net 45 days from the end of the month when invoice is issued	1.40
3	Uni-President Superior Commissary Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	590,220	Net 45 days from the end of the month when invoice is issued	0.43
4	Vision Distribution Service Corp.	President Chain Store Corp.	Subsidiary to parent company	Sales returns	149,679	Net 30-60 days from the end of the month when invoice is issued	0.25
5	President Pharmaceutical Corp.	President Drugstore Business Corp.	Subsidiary to subsidiary	Sales revenue	(189,405)	Net 70 days from the end of the month when invoice is issued	0.32
6	Chieh-Shuen Logistics International Corp.	President Logistics International Corp.	Subsidiary to subsidiary	Delivery revenue	(249,869)	Net 20 days from the end of the month when invoice is issued	0.42
6	Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary to subsidiary	Delivery revenue	(189,516)	Net 40 days from the end of the month when invoice is issued	0.32
7	President Logistics International Corp.	Retail Support International Corp.	Subsidiary to subsidiary	Delivery revenue	(182,249)	Net 20 days from the end of the month when invoice is issued	0.31
7	President Logistics International Corp.	Uni-President Cold-Chain Corp.	Subsidiary to subsidiary	Delivery revenue	(239,731)	Net 20 days from the end of the month when invoice is issued	0.41
7	President Logistics International Corp.	Wisdom Distribution Service Corp.	Subsidiary to subsidiary	Delivery revenue	(285,209)	Net 20 days from the end of the month when invoice is issued	0.48

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

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Names, locations and other information of investee companies (not including investees in Mainland China)
For the three-month period ended March 31, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at March 31, 2018			Investment income			
Investor	Investee	Location	Main business activities	Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the three-month period ended	(loss) recognised by the Company for the three-month period ended	Footnote	
				March 31, 2018	December 31, 2017				March 31, 2018	March 31, 2018		
President Chain Store Corp.	President Chain Store (BVI) Holdings Ltd.	British Virgin Islands	Professional investment	\$ 6,712,138	\$ 6,712,138	171,589,586	100.00	\$ 24,150,716	\$ 116,436	\$ 116,436	Subsidiary	
President Chain Store Corp.	President Drugstore Business Corp.	Taiwan	Sales of cosmetics, medicines and daily items	288,559	288,559	78,520,000	100.00	1,447,260	27,570	27,570	Subsidiary	
President Chain Store Corp.	President Transnet Corp.	Taiwan	Delivery service	711,576	711,576	103,496,399	70.00	1,543,791	152,644	104,900	Subsidiary	
President Chain Store Corp.	Mech-President Corp.	Taiwan	Gas station, installment and maintenance of elevators	904,475	904,475	55,858,815	80.87	704,414	27,268	22,052	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	799,007	96,783	71,604	Subsidiary	
President Chain Store Corp.	Uni-President Department Store Corp.	Taiwan	Department stores	840,000	840,000	27,999,999	70.00	609,982	112,943	79,060	Subsidiary	
President Chain Store Corp.	Uni-President Superior Commissary Corp.	Taiwan	Fresh food manufacture	520,141	520,141	48,519,890	90.00	455,981 (	1,064) (	958)	Subsidiary
President Chain Store Corp.	Uni-President Cold-Chain Corp.	Taiwan	Low-temperature logistics and warehousing	237,437	237,437	23,605,042	60.00	678,747	100,103	60,042	Subsidiary	
President Chain Store Corp.	President Information Corp.	Taiwan	Enterprise information management and consultancy	320,741	320,741	25,714,475	86.00	526,365	22,327	19,201	Subsidiary	
President Chain Store Corp.	Q-ware Systems & Services Corp.	Taiwan	Information software services	332,482	332,482	24,382,921	86.76	379,534	25,782	22,368	Subsidiary	
President Chain Store Corp.	Wisdom Distribution Service Corp.	Taiwan	Logistics and storage of publication and e-commerce	50,000	50,000	10,847,421	100.00	482,760	49,626	49,626	Subsidiary	
President Chain Store Corp.	Books.com. Co., Ltd.	Taiwan	Retail business without shop	100,400	100,400	9,999,999	50.03	480,893	120,717	60,395	Subsidiary	
President Chain Store Corp.	President Yilan Art and Culture Corp.	Taiwan	Art and cultural exhibition	200,000	200,000	20,000,000	100.00	232,116	210	210	Subsidiary	
President Chain Store Corp.	Duskin Serve Taiwan Co.	Taiwan	Cleaning instruments leasing and selling	102,000	102,000	10,199,999	51.00	217,068	38,313	19,540	Subsidiary	
President Chain Store Corp.	ICASH Corp.	Taiwan	Electronic ticketing services	500,000	500,000	50,000,000	100.00	354,105	2,393	2,393	Subsidiary	
President Chain Store Corp.	Uni-Wonder Corp.	Taiwan	Coffee chain store	3,286,206	3,286,206	21,382,674	60.00	5,775,286	206,729 (	34,710)	Subsidiary
President Chain Store Corp.	Ren-Hui Investment Corp.	Taiwan	Professional investment	637,231	637,231	6,500,000	100.00	82,214	2,304	2,304	Subsidiary	
President Chain Store Corp.	Capital Inventory Services Corp.	Taiwan	Enterprise management consultancy	9,506	9,506	2,500,000	100.00	80,744	4,640	4,640	Subsidiary	
President Chain Store Corp.	PCSC (China) Drugstore Limited	British Virgin Islands	Professional investment	277,805	277,805	8,746,008	92.20	65,927	145	134	Subsidiary	
President Chain Store Corp.	President Chain Store Corporation Insurance Brokers Co., Ltd.	Taiwan	Life and property insurance	213,000	213,000	1,500,000	100.00	21,273 (	274) (	274)	Subsidiary
President Chain Store Corp.	Cold Stone Creamery Taiwan Ltd.	Taiwan	Sales of ice cream	170,000	170,000	12,244,390	100.00 (	19,809)	3,730	3,730	Subsidiary
President Chain Store Corp.	President Being Corp.	Taiwan	Sports and entertainment business	170,000	170,000	1,500,000	100.00 (	55,915)	4,272	4,272	Subsidiary
President Chain Store Corp.	21 Century Enterprise Co., Ltd.	Taiwan	Operation of chain restaurants	160,680	160,680	10,000,000	100.00	19,603	10,103	10,103	Subsidiary	
President Chain Store Corp.	President Chain Store Tokyo Marketing Corp.	Japan	Enterprise management consultancy	35,648	35,648	9,800	100.00	68,305 (	3,361) (	3,361)	Subsidiary
President Chain Store Corp.	Uni-President Oven Bakery Corp.	Taiwan	Bread and pastry retailer	391,300	391,300	6,511,963	100.00 (	8,299)	1,171	1,171	Subsidiary
President Chain Store Corp.	President Collect Services Co., Ltd.	Taiwan	Collection agent	10,500	10,500	1,049,999	70.00	89,753	18,342	12,839	Subsidiary	
President Chain Store Corp.	Afternoon Tea Taiwan Co., Ltd.	Taiwan	Operation of restaurants	147,900	147,900	14,789,999	51.00	41,802 (	225) (	115)	Subsidiary
President Chain Store Corp.	Retail Support International Corp.	Taiwan	Room-temperature logistics and warehousing	91,414	91,414	6,429,999	25.00	212,528	68,026	16,772	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	751,964	5,952	1,190	Note 1	
President Chain Store Corp.	Presicarre Corp.	Taiwan	Management of retail department store	7,112,028	7,112,028	130,801,027	19.50	5,289,180	461,298	90,931	Note 1	
President Chain Store Corp.	President Fair Development Corp.	Taiwan	Operation of shopping mall, department store, international trade, etc.	3,191,700	3,191,700	190,000,000	19.00	1,962,610	44,842	8,520	Note 1	
President Chain Store Corp.	President International Development Corp.	Taiwan	Professional investment	500,000	500,000	44,100,000	3.33	476,135	265,157	7,378	Note 1	

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Names, locations and other information of investee companies (not including investees in Mainland China)
For the three-month period ended March 31, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2018			Net profit (loss) of the investee for the three-month period ended March 31, 2018	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018		Footnote
				Balance as at March 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value				
President Chain Store Corp.	Tung Hong Development Corp.	Taiwan	Management of entertainment business	\$ 861,696	\$ 861,696	19,930,000	12.46	\$ 121,136	(\$ 19,004)	(\$ 2,367)		Note 1
President Chain Store Corp.	Mister Donut Taiwan Corp., Ltd.	Taiwan	Bakery retailer	200,000	200,000	7,500,049	50.00	104,633	14,801	7,400		Note 1
President Chain Store Corp.	Uni-President Organics Corp.	Taiwan	Health care products and organic food	47,190	47,190	1,833,333	36.67	48,268	12,721	4,647		Note 1
President Chain Store Corp.	President Technology Corp.	Taiwan	Software development and call center service	7,500	7,500	750,000	15.00	19,013	(3,438)	(516)		Note 1
President Chain Store Corp.	Grand Bills Finance Corp.	Taiwan	Securities trading	1,050	1,050	108,160	0.02	1,878	160,677	32		Note 1
Books.com. Co., Ltd.	Books.com. (BVI) Ltd.	British Virgin Islands	Professional investment	1,478	1,478	500	100.00	590	-	-		Subsidiary of a subsidiary
Mech-President Corp.	President Jing Corp.	Taiwan	Gas station	9,600	9,600	960,000	60.00	31,747	3,597	2,158		Subsidiary of a subsidiary
President Chain Store (Hong Kong) Holdings Limited	PCSC Restaurant (Cayman) Holdings Limited	Cayman Islands	Professional investment	151,581	151,581	8,880,000	100.00	32,252	(18)	(18)		Subsidiary of a subsidiary
President Chain Store (Hong Kong) Holdings Limited	PCSC (China) Drugstore Limited	British Virgin Islands	Professional investment	21,538	21,538	740,000	7.80	5,577	145	11		Subsidiary of a subsidiary
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Hong Kong) Holdings Limited	Hong Kong	Professional investment	4,533,305	4,533,305	134,603,354	100.00	27,263,617	120,249	120,249		Subsidiary of a subsidiary
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Labuan) Holdings Ltd.	Malaysia	Professional investment	848,799	848,799	29,163,337	100.00	1,855,054	56,474	56,474		Subsidiary of a subsidiary
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corp.	Philippines	Operation of chain stores	847,983	847,983	394,970,516	52.22	1,854,343	109,817	56,475		Subsidiary of a subsidiary
President Logistics International Corp.	Chieh-Shuen Logistics International Corp.	Taiwan	Trucking	180,000	180,000	26,670,000	100.00	322,718	13,274	13,274		Subsidiary of a subsidiary
President Pharmaceutical Corp.	President Pharmaceutical (Hong Kong) Holdings Limited	Hong Kong	Sales of various health care products, cosmetics, and pharmaceuticals	89,415	89,415	3,000,000	100.00	6,433	(1,219)	(1,219)		Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Books.com. Co., Ltd.	Taiwan	Retail business without shop	-	-	1	-	-	120,717	-		Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Uni-President Department Store Corp.	Taiwan	Department stores	-	-	1	-	-	112,943	-		Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Mech-President Corp.	Taiwan	Gas station, installment and maintenance of elevators	-	-	1	-	-	27,268	-		Subsidiary of a subsidiary
Ren-Hui Investment Corp.	President Information Corp.	Taiwan	Enterprise information management and consultancy	-	-	1	-	-	22,327	-		Subsidiary of a subsidiary
Ren-Hui Investment Corp.	President Transnet Corp.	Taiwan	Delivery service	-	-	1	-	-	152,644	-		Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Q-ware Systems & Services Corp.	Taiwan	Information software services	-	-	1	-	-	25,782	-		Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Duskin Serve Taiwan Co.	Taiwan	Cleaning instruments leasing and selling	-	-	1	-	-	38,313	-		Subsidiary of a subsidiary
Ren-Hui Investment Corp.	President Pharmaceutical Corp.	Taiwan	Sales of various health care products, cosmetics, and pharmaceuticals	-	-	1	-	-	96,783	-		Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Mister Donut Taiwan Corp., Ltd.	Taiwan	Bakery retailer	-	-	1	-	-	14,801	-		Note 1
Ren-Hui Investment Corp.	Uni-President Superior Commissary Corp.	Taiwan	Fresh food manufacture	-	-	1	-	-	(1,064)	-		Subsidiary of a subsidiary

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Names, locations and other information of investee companies (not including investees in Mainland China)
For the three-month period ended March 31, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at March 31, 2018			Investment income		
									Net profit (loss) of the investee for the three-month period ended	(loss) recognised by the Company for the three-month period ended	
				Balance as at	Balance as at		Ownership				
Investor	Investee	Location	Main business activities	March 31, 2018	December 31, 2017	Number of shares	(%)	Book value	March 31, 2018	March 31, 2018	Footnote
Ren-Hui Investment Corp.	Uni-President Cold-Chain Corp.	Taiwan	Low-temperature logistics and warehousing	\$ -	-	1	-	\$ -	\$ 100,103	\$ -	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Retail Support International Corp.	Taiwan	Room-temperature logistics and warehousing	-	-	1	-	-	68,026	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	President Collect Services Co., Ltd.	Taiwan	Collection agent	-	-	1	-	-	18,342	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Afternoon Tea Taiwan Co., Ltd.	Taiwan	Operation of restaurants	-	-	1	-	- (	225)	-	Subsidiary of a subsidiary
Ren-Hui Investment Corp.	Ren Hui Holding Co., Ltd.	British Virgin Islands	Professional investment	60,374	60,374	2,000,000	100.00	69,210	2,080	2,080	Subsidiary of a subsidiary
Retail Support International Corp.	Retail Support Taiwan Corp.	Taiwan	Room-temperature logistics and warehousing	15,300	15,300	2,871,300	51.00	80,047	12,669	6,461	Subsidiary of a subsidiary
Retail Support International Corp.	President Logistics International Corp.	Taiwan	Trucking	44,975	44,975	9,481,500	49.00	164,874	17,376	8,514	Subsidiary of a subsidiary
Retail Support Taiwan Corp.	President Logistics International Corp.	Taiwan	Trucking	5,425	5,425	1,161,000	6.00	20,189	17,376	914	Subsidiary of a subsidiary
Uni-President Cold-Chain Corp.	President Logistics International Corp.	Taiwan	Trucking	23,850	23,850	4,837,500	25.00	84,120	17,376	4,344	Subsidiary of a subsidiary
Uni-President Cold-Chain Corp.	Uni-President Logistics (BVI) Holdings Limited	British Virgin Islands	Professional investment	87,994	87,994	2,990	100.00	109,245	4,276	4,276	Subsidiary of a subsidiary
Wisdom Distribution Service Corp.	President Logistics International Corp.	Taiwan	Trucking	18,850	18,850	3,870,000	20.00	66,828	17,376	3,008	Subsidiary of a subsidiary
Wisdom Distribution Service Corp.	Vision Distribution Service Corp.	Taiwan	Publishing Industry	60,000	60,000	6,000,000	60.00	48,169 (	29,601) (	17,761)	Subsidiary of a subsidiary
Philippine Seven Corp.	Convenience Distribution Inc.	Philippines	Logistics and warehousing	25,091	25,091	4,500,000	100.00	25,091	7,430	-	Subsidiary of a subsidiary
Philippine Seven Corp.	Store Sites Holding, Inc.	Philippines	Professional investment	27,177	27,177	40,000	40.00	27,177	290	-	Note 1

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

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
Information on investments in Mainland China
For the three-month period ended March 31, 2018

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee for the three-month period ended March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai President Chain Store Corporation Trade Co., Ltd.	Trade of food and commodities	\$ 258,452	Note 1	\$ 150,490	\$ -	\$ -	\$ 150,490	\$ 111	100.00	\$ 111	\$ 32,135	\$ -	Note 3
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Wholesale of merchandise	463,788	Note 1	274,090	-	-	274,090	146	100.00	146	70,689	-	Note 3
President Chain Store (Shanghai) Ltd.	Operation of chain stores	2,318,940	Note 1	2,249,161	-	-	2,249,161	(52,446)	100.00	(52,056)	176,674	-	Note 3
Shanghai President Logistic Co., Ltd.	Logistics and warehousing	58,210	Note 1	58,210	-	-	58,210	21,195	100.00	21,195	379,702	-	Note 3
Shanghai Cold Stone Ice Cream Corporation	Sales of ice cream	1,032,130	Note 1	952,869	-	-	952,869	(4,204)	100.00	(4,204)	49,638	-	Note 3
PCSC (Chengdu) Hypermarket Limited	Retail hypermarket	612,200	Note 1	517,380	-	-	517,380	(1,661)	100.00	(1,661)	77,499	-	Note 3
Shan Dong President Yinzuo Commercial Limited	Supermarkets	278,273	Note 1	118,700	-	-	118,700	13,661	55.00	7,514	209,952	-	Note 2
President (Shanghai) Health Product Trading Company Ltd.	Sales of various health care products, cosmetics, and pharmaceuticals	87,315	Note 1	87,315	-	-	87,315	(2,622)	73.74	(1,932)	(18,398)	53,769	Note 3
Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehouse	185,515	Note 1	173,103	-	-	173,103	7,771	80.00	6,843	168,598	3,970	Note 3
Beijing Bokelai Customer Co.	Enterprise information consulting, network technology development and services	437	Note 1	-	-	-	-	-	50.03	-	16	-	Note 3
President Chain Store (Taizhou) Ltd.	Logistics and warehousing	278,273	Note 1	278,273	-	-	278,273	6,332	100.00	6,332	323,950	-	Note 3
President Logistic ShanDong Co., Ltd.	Logistics and warehousing	231,894	Note 1	231,894	-	-	231,894	4,218	100.00	4,252	205,808	-	Note 3
President Chain Store (Zhejiang) Ltd.	Operation of chain stores	278,273	Note 1	278,273	-	-	278,273	(28,110)	100.00	(29,316)	160,443	-	Note 3

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.

Note 3: These amounts are based solely on their unreviewed financial statements.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
President Chain Store Corp.	\$ 4,486,188	\$ 7,316,238	\$ 37,042,851
President Pharmaceutical Corp.	87,315	87,315	520,726
Uni-President Cold-Chain Corp.	86,367	86,367	666,443
Ren-Hui Investment Corp.	50,156	50,156	80,000