

**PRESIDENT CHAIN STORE CORP. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2017 AND 2016**

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For the convenience of readers and for information purpose 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 the 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**  
**AUDIT REPORT OF INDEPENDENT ACCOUNTANTS**  
**DECEMBER 31, 2017 AND 2016**  
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**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES**

**Declaration of Consolidated Financial Statements of Affiliated Enterprises**

For the year ended December 31, 2017, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

Hereby declare,

PRESIDENT CHAIN STORE CORP.

February 23, 2018

## REPORT OF INDEPENDENT ACCOUNTANTS

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

### ***Opinion***

We have audited the accompanying consolidated balance sheets of President Chain Store Corp. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity, and of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (which are described in the *Other matters* section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of President Chain Store Corp. and its subsidiaries as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

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

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the year ended December 31, 2017 are stated as follows:

**Completeness and accuracy of retail sales revenue**

Description

Please refer to Notes 4(24) and 6(23) to the consolidated financial statements for the accounting policy and the details of accounting relating to this key audit matter.

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

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

How our audit addressed the matter

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

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

## **Cost-to-retail ratio of retail inventory method**

### Description

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

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

### How our audit addressed the matter

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

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

## **Significant acquisition**

### Description

Please refer to Notes 4(25) and 6(31) to the consolidated financial statements for the accounting policy and the details of accounting relating to this key audit matter.

President Chain Store Corp. originally held 30% shares of President Starbucks Coffee Corp. as joint venture investor which accounted for using equity method. In December 2017, President Chain Store Corp. acquired additional 30% shares of President Starbucks Coffee Corp. for a cash consideration amounted to NT\$3,226,806 thousand and obtained control over President Starbucks Coffee Corp.

The accounting treatment of the acquisition of additional shares in President Starbucks Coffee Corp. was in accordance with International Financial Reporting Standards (“IFRS”) 3 “Business Combinations”. The recognition and measurement of identifiable intangible assets resulting from the acquisition are based on management’s expectations for the future operations and prospects of President Starbucks Coffee Corp., which were based on management’s subjective judgement and critical estimates, and thus has been identified as a key audit matter.

#### How our audit addressed the matter

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

1. Interviewed management to understand the purpose of the acquisition, evaluation process, determination of the consideration, and reviewed the Board of Directors’ meeting minutes and the acquisition agreements to verify the related meeting resolutions were consistent with the acquisition agreement;
2. Assessed the competence and objectivity of the independent appraisers engaged by the management, and reviewed the reasonableness of major assumptions and original data used in recognizing and measuring the identifiable intangible assets in the Purchase Price Allocation report. Procedures performed by auditors and auditor’s internal experts were as follows:
  - (1) Reviewed the valuation methods and the calculations formula used by the independent appraisers.
  - (2) Reviewed and compared the expected growth rate as well as gross margin with historical data.
  - (3) Reviewed the discount rate and compared with the rate of return from similar assets in the trade markets.
  - (4) Evaluated the basis used in assessing the useful life of identifiable intangible assets.
3. Reviewed the accounting treatments and disclosures in the financial statements.

#### ***Other matter – Using the work of other auditors***

We did not audit the financial statements of certain consolidated subsidiaries, which reflect total assets of NT\$8,495,128 thousand and NT\$7,791,931 thousand, representing 6.1% and 8.2% of total consolidated assets as of December 31, 2017 and 2016, respectively, and total operating revenue of NT\$22,105,951 thousand and NT\$21,895,513 thousand, representing 10.0% and 10.2% of total consolidated operating revenue for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on investees disclosed in Note 13 were based solely on the reports of other independent accountants.

### ***Other matters – Parent company-only financial reports***

We have audited and expressed an unmodified opinion on the parent company only financial statements of President Chain Store Corp. as of and for the years ended December 31, 2017 and 2016.

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

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

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

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

### ***Auditor’s responsibilities for the audit of the consolidated financial statements***

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are, therefore, considered to be the key audit matters. We describe these matters in our auditor's report unless the law or regulations preclude public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Chun-Yuan, Hsiao  
for and on behalf of PricewaterhouseCoopers, Taiwan  
23 February, 2018

Chien-Hung, Chou

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan 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)

Assets	Notes	December 31, 2017		December 31, 2016	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
1100	Cash and cash equivalents	6(1)	\$ 35,783,291	26	\$ 32,003,633
1110	Financial assets at fair value	6(2)			
	through profit or loss - current		1,560,025	1	847,954
1170	Accounts receivable, net	6(3) and 7	4,868,902	3	4,325,889
1200	Other receivables	6(7)	28,412,101	20	1,143,071
1220	Current income tax assets	6(28)	2,097	-	1,448
130X	Inventories, net	6(4)	13,387,122	10	12,043,420
1410	Prepayments		1,417,175	1	1,387,459
1470	Other current assets		2,973,547	2	2,570,118
11XX	<b>Total current assets</b>		<b>88,404,260</b>	<b>63</b>	<b>54,322,992</b>
<b>Non-current assets</b>					
1523	Available-for-sale financial assets	6(5)			
	- non-current		1,050,734	1	899,490
1543	Financial assets measured at cost	6(6)			
	- non-current		25,721	-	27,494
1550	Investments accounted for using	6(7)			
	equity method		8,655,722	6	11,071,449
1600	Property, plant and equipment,	6(8)(24), 7 and 8			
	net		24,982,342	18	22,329,291
1760	Investment property, net	6(9)(32) and 7	1,519,115	1	1,359,189
1780	Intangible assets	6(10)(31)	10,656,713	8	1,076,176
1840	Deferred income tax assets	6(28)	1,409,184	1	1,208,032
1900	Other non-current assets	6(11) and 8	3,177,469	2	2,824,404
15XX	<b>Total non-current assets</b>		<b>51,477,000</b>	<b>37</b>	<b>40,795,525</b>
1XXX	<b>Total assets</b>		<b>\$ 139,881,260</b>	<b>100</b>	<b>\$ 95,118,517</b>

(Continued)

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
<b>Current Liabilities</b>						
2100	Short-term borrowings	6(13) and 8	\$ 965,180	1	\$ 1,660,825	2
2110	Short-term notes and bills payable		250,000	-	274,000	-
2150	Notes payable	7	2,066,511	2	2,207,113	2
2170	Accounts payable		18,849,947	13	17,582,498	19
2180	Accounts payable - related parties	7	2,321,016	2	2,344,741	2
2200	Other payables	6(14)	30,980,251	22	22,942,333	24
2230	Current income tax liabilities	6(28)	4,834,364	3	1,151,241	1
2300	Other current liabilities	6(15)	5,352,651	4	4,431,973	5
21XX	<b>Total current liabilities</b>		<b>65,619,920</b>	<b>47</b>	<b>52,594,724</b>	<b>55</b>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(16) and 8	1,105,451	1	869,479	1
2570	Deferred income tax liabilities	6(28)	4,652,948	3	10,219	-
2640	Net defined benefit liability	6(17)				
	- non-current		4,574,800	3	4,265,972	5
2670	Other non-current liabilities	6(18)	4,421,731	3	4,117,193	4
25XX	<b>Total non-current liabilities</b>		<b>14,754,930</b>	<b>10</b>	<b>9,262,863</b>	<b>10</b>
2XXX	<b>Total liabilities</b>		<b>80,374,850</b>	<b>57</b>	<b>61,857,587</b>	<b>65</b>
<b>Equity attributable to owners of the parent</b>						
	<b>Share capital</b>	6(19)				
3110	Share capital - common stock		10,396,223	8	10,396,223	11
	<b>Capital surplus</b>	6(20)				
3200	Capital surplus		43,875	-	1,158	-
	<b>Retained earnings</b>	6(21)				
3310	Legal reserve		9,191,733	7	8,208,064	9
3350	Unappropriated retained earnings		31,381,290	22	9,839,244	10
	<b>Other equity</b>	6(22)				
3400	Other equity interest		( 398,859 )	( 1 )	171,589	-
31XX	<b>Equity attributable to owners of the parent</b>		<b>50,614,262</b>	<b>36</b>	<b>28,616,278</b>	<b>30</b>
36XX	<b>Non-controlling interest</b>		<b>8,892,148</b>	<b>7</b>	<b>4,644,652</b>	<b>5</b>
3XXX	<b>Total equity</b>		<b>59,506,410</b>	<b>43</b>	<b>33,260,930</b>	<b>35</b>
3X2X	<b>Total liabilities and equity</b>		<b>\$ 139,881,260</b>	<b>100</b>	<b>\$ 95,118,517</b>	<b>100</b>

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)

Items	Notes	For the years ended December 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(23) and 7	\$ 221,132,082	100	\$ 215,359,089	100
5000 <b>Operating costs</b>	6(4)(24) and 7	( 147,698,072)	( 67)	( 144,752,447)	( 67)
5900 <b>Gross profit</b>		73,434,010	33	70,606,642	33
<b>Operating expenses</b>	6(24)(25)				
6100 Selling expenses		( 53,630,951)	( 24)	( 51,620,116)	( 24)
6200 General and administrative expenses		( 9,380,899)	( 4)	( 8,581,906)	( 4)
6000 <b>Total operating expenses</b>		( 63,011,850)	( 28)	( 60,202,022)	( 28)
6900 <b>Operating profit</b>		10,422,160	5	10,404,620	5
<b>Non-operating income and expenses</b>					
7010 Other income	6(26)	2,946,735	1	1,739,886	1
7020 Other gains and losses	6(27)	26,313,566	12	( 303,634)	-
7050 Finance costs	6(13)(16)	( 94,511)	-	( 94,859)	-
7060 Share of profit of associates and joint ventures accounted for using equity method	6(7)	1,793,738	1	1,615,845	-
7000 <b>Total non-operating income and expenses</b>		30,959,528	14	2,957,238	1
7900 <b>Profit before income tax</b>		41,381,688	19	13,361,858	6
7950 Income tax expense	6(28)	( 9,063,616)	( 4)	( 2,223,289)	( 1)
8000 <b>Profit for the year from continuing operations</b>		32,318,072	15	11,138,569	5
8200 <b>Profit for the year</b>		\$ 32,318,072	15	\$ 11,138,569	5

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

Items	Notes	For the years ended December 31			
		2017	% AMOUNT	2016	% AMOUNT
<b>Other comprehensive income (loss)</b>					
8311 Remeasurements of net actuarial loss on defined benefit plan		(\$ 175,995)	-	(\$ 198,626)	-
8320 Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		( 24,107)	-	( 18,942)	-
8349 Income tax related to the components of other comprehensive income that will not be reclassified to profit or loss	6(28)		30,087		31,738
<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>					
8361 Exchange differences from translation of foreign operations	6(22)	( 170,015)	-	( 185,830)	-
8362 Unrealized gain (loss) on valuation of available-for-sale financial assets	6(22)	( 837,027) ( 1)	( 519,926)	-	
8370 Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive loss that will be reclassified to profit or loss	6(22)	151,253	-	( 23,595)	-
8399 Income tax relating to the components of other comprehensive loss that will be reclassified to profit or loss	6(22)(28)	( 15,720)	-	( 2,462)	-
<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>					
8360 Total other comprehensive loss for the year		( 6,283)	-	( 3,137)	-
<b>Total other comprehensive loss for the year</b>		( 707,777) ( 1)	( 549,120)	-	
<b>Total comprehensive income for the year</b>		<u><u>(\$ 877,792)</u></u> <u><u>( 1)</u></u> <u><u>(\$ 734,950)</u></u>		<u><u>(\$ 10,403,619)</u></u>	<u><u>5</u></u>
<b>Profit attributable to:</b>					
8610 Owners of the parent		\$ 31,017,094	14	\$ 9,836,690	4
8620 Non-controlling interests		1,300,978	1	1,301,879	1
		<u><u>\$ 32,318,072</u></u>	<u><u>15</u></u>	<u><u>\$ 11,138,569</u></u>	<u><u>5</u></u>
<b>Comprehensive income attributable to:</b>					
8710 Owners of the parent		\$ 30,272,245	13	\$ 9,235,021	4
8720 Non-controlling interests		1,168,035	1	1,168,598	1
		<u><u>\$ 31,440,280</u></u>	<u><u>14</u></u>	<u><u>\$ 10,403,619</u></u>	<u><u>5</u></u>
<b>Basic earnings per share (in dollars)</b>	6(29)	<u><u>\$ 29.83</u></u>		<u><u>\$ 9.46</u></u>	
<b>Diluted earnings per share (in dollars)</b>	6(29)	<u><u>\$ 29.72</u></u>		<u><u>\$ 9.43</u></u>	

Chairman: Lo, Chih-Hsien

President: Chen, Jui-Tang

Accounting Manager: Kuo, Ying-Chih

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

Notes	Equity attributable to owners of the parent										Non-controlling interest	Total equity		
	Retained Earnings				Other Equity Interest									
	Share capital - common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Financial statements exchange differences from translation of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total							
<b>For the year ended December 31, 2016</b>														
Balance at January 1, 2016	\$ 10,396,223	\$ 7,733	\$ 7,384,165	\$ 8,733,029	\$ 209,326	\$ 383,210	\$ 27,113,686	\$ 3,977,816	\$ 31,091,502					
Distribution of 2015 earnings:	6(21)													
Legal reserve	-	-	823,899	( 823,899 )	-	-	-	-	-					
Cash dividends	-	-	-	( 7,485,280 )	-	-	( 7,485,280 )	-	( 7,485,280 )					
Profit for the year	-	-	-	9,836,690	-	-	9,836,690	1,301,879	11,138,569					
Other comprehensive loss for the year	6(22)	-	-	( 180,722 )	( 395,554 )	( 25,393 )	( 601,669 )	( 133,281 )	( 734,950 )					
Acquisition of additional equity interest in a subsidiary	6(30)	-	( 6,554 )	-	( 240,574 )	-	-	( 247,128 )	( 19,300 )	( 266,428 )				
Adjustment of capital surplus due to associates' adjustment of capital surplus		-	( 21 )	-	-	-	-	( 21 )	-	( 21 )				
Non-controlling interest		-	-	-	-	-	-	-	( 482,462 )	( 482,462 )				
Balance at December 31, 2016	\$ 10,396,223	\$ 1,158	\$ 8,208,064	\$ 9,839,244	( \$ 186,228 )	\$ 357,817	\$ 28,616,278	\$ 4,644,652	\$ 33,260,930					
<b>For the year ended December 31, 2017</b>														
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					
Distribution of 2016 earnings:	6(21)													
Legal reserve	-	-	983,669	( 983,669 )	-	-	-	-	-					
Cash dividends	-	-	-	( 8,316,978 )	-	-	( 8,316,978 )	-	( 8,316,978 )					
Profit for the year	-	-	-	31,017,094	-	-	31,017,094	1,300,978	32,318,072					
Other comprehensive loss for the year	-	-	-	( 174,401 )	( 720,080 )	149,632	( 744,849 )	( 132,943 )	( 877,792 )					
Adjustment of capital surplus due to associates' adjustment of capital surplus	-	( 164 )	-	-	-	-	-	( 164 )	-	( 164 )				
Adjustment to capital surplus due to non-proportional investment accounted for using equity method	6(22)	-	42,881	-	-	-	-	-	42,881	-	-	42,881		
Non-controlling interest	6(31)	-	-	-	-	-	-	-	-	3,079,461	3,079,461	3,079,461		
Balance at December 31, 2017	\$ 10,396,223	\$ 43,875	\$ 9,191,733	\$ 31,381,290	( \$ 906,308 )	\$ 507,449	\$ 50,614,262	\$ 8,892,148	\$ 59,506,410					

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)

	Notes	For the years ended December 31	
		2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Consolidated profit before income tax for the year		\$ 41,381,688	\$ 13,361,858
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Gain on valuation of financial assets at fair value through profit or loss	6(2)	( 1,490 )	( 561 )
Provision for doubtful accounts	6(3)	18,141	16,379
Depreciation on property, plant and equipment	6(8)	5,135,228	5,169,678
Amortization		356,507	332,981
Depreciation on investment property	6(9)	16,916	17,401
Finance costs		94,511	94,859
Share of profit of associates and joint ventures accounted for using equity method		( 1,793,738 )	( 1,615,845 )
Gain on disposal of investments accounted for using the equity method	6(7)(27)	( 26,637,450 )	( 114,212 )
Loss on disposal of property, plant and equipment, net	6(27)	53,095	35,203
Interest income	6(26)	( 172,023 )	( 150,027 )
Dividend income	6(26)	( 1,135,332 )	( 26,669 )
Impairment loss on property, plant and equipment	6(8)(12)	11,853	59,639
Impairment loss on investment property	6(9)(12)	3,813	-
Impairment loss on intangible assets	6(10)(12)	-	11,574
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		39,419	4,772,993
Accounts receivable		( 578,251 )	( 14,793 )
Other receivables		( 164,774 )	177,623
Inventories		( 1,009,533 )	( 492,867 )
Prepayments		( 29,716 )	( 163,633 )
Other current assets		( 381,243 )	( 569,679 )
Net changes in liabilities relating to operating activities			
Accounts payable		810,619	718,156
Notes payable		( 141,754 )	1,060,121
Other payables		3,569,675	1,684,931
Advance receipts		921,293	596,772
Net defined benefit liabilities - non-current		132,178	( 38,245 )
Cash generated from operations		20,499,632	24,923,637
Interest received		177,703	132,975
Income tax paid		( 2,106,774 )	( 2,307,701 )
Interest paid		( 94,836 )	( 94,897 )
Dividends received		2,155,134	986,514
Net cash provided by operating activities		<u>20,630,859</u>	<u>23,640,528</u>

(Continued)

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

Notes	For the years ended December 31	
	2017	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets measured at cost		
- non-current	\$ 1,773	\$ -
Acquisition of property, plant and equipment	6(33) ( 6,727,782 )	( 5,747,445 )
Acquisition of investment property	6(9) ( 149,305 )	-
Proceeds from disposal of property, plant and equipment	139,989	162,782
Return of capital from available-for-sale financial assets -		
non-current	116	151
Proceeds from disposal of investments in subsidiaries	-	241,222
Proceeds from business combinations	6(31) 700,961	-
Increase in guarantee deposits paid	( 279,932 )	( 55,524 )
Acquisition of intangible assets	6(10) ( 313,175 )	( 127,603 )
Increase in other non-current assets	( 7,055 )	( 166,047 )
Net cash used in investing activities	( 6,634,410 )	( 5,692,464 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term borrowings	( 695,645 )	( 793,474 )
Decrease in short-term notes and bills payable	( 24,000 )	( 121,000 )
Increase in long-term borrowings	569,856	588,341
Repayment of long-term borrowings	( 237,687 )	( 299,388 )
Acquisition of equity interest in subsidiaries	6(30) -	( 266,428 )
Increase in guarantee deposits received	115,984	183,268
(Increase) decrease in other non-current liabilities	( 114,846 )	137,232
Change in non-controlling interests	48,109	( 94,832 )
Payment of cash dividends - the company	6(21) ( 8,316,978 )	( 7,485,280 )
Payment of cash dividends - subsidiaries	( 841,504 )	( 387,630 )
Net cash used in financing activities	( 9,496,711 )	( 8,539,191 )
Effect of foreign exchange rate changes on cash and cash equivalents	( 720,080 )	( 395,554 )
Increase in cash and cash equivalents	3,779,658	9,013,319
Cash and cash equivalents at beginning of year	32,003,633	22,990,314
Cash and cash equivalents at end of year	<u>\$ 35,783,291</u>	<u>\$ 32,003,633</u>

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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

**1. HISTORY AND ORGANISATION**

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on February 23, 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 endorsed by FSC effective from 2017 are as follows:

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012	July 1, 2014
Annual improvements to IFRSs 2011-2013	July 1, 2014
Annual improvements to IFRSs 2012-2014	January 1, 2016

B. The above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4. 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15 Clarifications to IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealized losses'	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. The quantitative impact will be disclosed when the assessment is complete.

IFRS 9, "Financial instruments"

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset

at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an “expected credit loss” approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses (“ECL”) or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

C. When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Group expects to adopt IFRS 15 using the modified retrospective approach. The significant effects of applying the new standards as of January 1, 2018 are summarised below:

Consolidated balance sheet <u>Affected items</u>	Effect of adoption of new standards			2018 version IFRSs amount	Remark
	2017 version IFRSs amount	IFRSs amount	2018 version IFRSs amount		
<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	41,744,823	-	41,744,823		
Total affected assets	\$ 139,881,260	\$ 127,167	\$ 140,008,427		

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

Explanation:

- (a) Under IFRS 15, if the customer returns a product, the Group is obliged to refund the purchase price. Therefore, a gross contract liability (refund liability) for the expected refunds to customers is recognized as adjustment to revenue. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognizes an asset and a corresponding adjustment to cost of sales. The asset is measured by reference to the former carrying amount of the product as the products are not material. Liabilities in relation to expected sales discounts and allowances were previously presented as accounts receivable - allowance for sales discounts in the balance sheet. As a result of these changes in accounting policies, accounts receivable 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 \$990,662 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 \$990,662.
- (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 assets and 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 programme 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.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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, 'Defined benefit plans: employee contributions'	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 financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, "Leases"

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
  - (a) Financial assets and financial liabilities at fair value through profit or loss.
  - (b) Available-for-sale financial assets measured at fair value.
  - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less the present value of defined benefit obligations.
- B. The preparation of financial statements, in conformity with IFRSs, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Basis of consolidation

- A. The basis for preparation of consolidated financial statements is as follows:
  - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
  - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)				
			December	December	31, 2017	31, 2016	Description
The Company	President Chain Store (BVI) Holdings Ltd.	Professional investment	100.00	100.00			
The Company	PCSC (China) Drugstore Limited	Professional investment	92.20	92.20			
The Company	Wisdom Distribution Service Corp.	Logistics and warehousing of publication	100.00	100.00			
The Company	President Drugstore Business Corp.	Sales of cosmetics, medicine and daily items	100.00	100.00			
The Company	Ren-Hui Investment Corp.	Professional investment	100.00	100.00			
The Company	Capital Inventory Services Corp.	Enterprise management consultancy	100.00	100.00			
The Company	President Yilan Art and Culture Corp.	Art and cultural exhibition	100.00	100.00			
The Company	Cold Stone Creamery Taiwan Ltd.	Sales of ice cream	100.00	100.00			
The Company	President Chain Store Corporation Insurance Brokers Co., Ltd.	Life and property insurance	100.00	100.00			
The Company	21 Century Enterprise Co., Ltd.	Operation of chain restaurants	100.00	100.00			
The Company	President Being Corp.	Sports and entertainment business	100.00	100.00			
The Company	Uni-President Oven Bakery Corp.	Bread and pastry retailer	100.00	100.00			
The Company	President Chain Store Tokyo Marketing Corp.	Enterprise management consultancy	100.00	100.00			
The Company	ICASH Corp.	Electronic ticketing	100.00	100.00			
The Company	Uni-President Superior Commissary Corp.	Food manufacturing	90.00	90.00			
The Company	Q-ware Systems & Services Corp.	Information software service	86.76	86.76			
The Company	President Information Corp.	Enterprise information management and consultancy	86.00	86.00			
The Company	Mech-President Corp.	Gas station and elevator installation	80.87	80.87			
The Company	President Pharmaceutical Corp.	Sales of various health care products, cosmetics, and pharmaceuticals	73.74	73.74			
The Company	President Collect Services Co., Ltd.	Collection agent	70.00	70.00			
The Company	Uni-President Department Store Corp.	Department stores	70.00	70.00			
The Company	President Transnet Corp.	Delivery service	70.00	70.00			
The Company	Uni-President Cold-Chain Corp.	Low-temperature logistics and warehousing	60.00	60.00			

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		
			December 31, 2017	December 31, 2016	Description
The Company	President Starbucks Coffee Corp.	Coffee chain store	60.00	-	(a)
The Company	Duskin Serve Taiwan Co.	Cleaning instruments leasing and selling	51.00	51.00	
The Company	Afternoon Tea Taiwan Co., Ltd.	Operation of restaurants	51.00	51.00	
The Company	Books.com. Co., Ltd.	Retail business without shop	50.03	50.03	
The Company	Retail Support International Corp.	Room-temperature logistics and warehousing	25.00	25.00	(b)
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Labuan) Holdings Ltd.	Professional investment	100.00	100.00	
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Hong Kong) Holdings Limited	Professional investment	100.00	100.00	
PCSC (China) Drugstore Limited	President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Wholesale of merchandise	100.00	100.00	
Wisdom Distribution Service Corp.	President Logistics International Corp.	Trucking	20.00	20.00	
Wisdom Distribution Service Corp.	Vision Distribution Service Corp.	Magazines and book publishing industry	60.00	60.00	
Uni-President Cold-Chain Corp.	President Logistics International Corp.	Trucking	25.00	25.00	
Uni-President Cold-Chain Corp.	Uni-President Logistics (BVI) Holdings Limited	Professional investment	100.00	100.00	
Retail Support International Corp.	Retail Support Taiwan Corp.	Room-temperature logistics and warehousing	51.00	51.00	
Retail Support International Corp.	President Logistics International Corp.	Trucking	49.00	49.00	
Retail Support Taiwan Corp.	President Logistics International Corp.	Trucking	6.00	6.00	
President Logistics International Corp.	Chieh-Shuen Logistics International Corp.	Trucking	100.00	100.00	
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	
Books.com. (BVI) Ltd.	Beijing Bokelai Customer Co.	Enterprise information consulting, network technology development and services	100.00	100.00	
Mech-President Corp.	Safety Elevator Corp.	Elevator installation, repair and maintenance	-	100.00	(d)
Mech-President Corp.	President Jing Corp.	Gas station	60.00	60.00	
President Pharmaceutical Corp.	President Pharmaceutical (Hong Kong) Holdings Limited	Sales of various health care products, cosmetics, and pharmaceuticals	100.00	100.00	
President Pharmaceutical (Hong Kong) Holdings Limited	President (Shanghai) Health Product Trading Company Ltd.	Sales of various health care products, cosmetics, and pharmaceuticals	100.00	100.00	
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corporation	Operation of chain store	52.22	52.22	
Philippine Seven Corporation	Convenience Distribution Inc.	Logistics and warehousing	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	PCSC (China) Drugstore Limited	Professional investment	7.80	7.80	
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Shanghai) Ltd.	Operation of chain store	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	Shanghai President Logistics Co., Ltd.	Logistics and warehousing	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	PCSC Restaurant (Cayman) Holdings Limited	Professional investment	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2017	December 31, 2016	
President Chain Store (Hong Kong) Holdings Limited	Shan Dong President Yinzuo Commercial Limited	Supermarkets	40.00	55.00	(e)
President Chain Store (Hong Kong) Holdings Limited	PCSC (Chengdu) Hypermarket Limited	Retail hypermarket	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	Shanghai Cold Stone Ice Cream Corporation	Sales of ice cream	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Taizhou) Ltd.	Logistics and warehousing	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Zhejiang) Ltd.	Operation of chain store	100.00	-	(f)
Shanghai President Logistics Co., Ltd.	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehousing	50.00	50.00	
Shanghai President Logistics Co., Ltd.	President Logistics Shan Dong Co., Ltd.	Logistics and warehousing	100.00	100.00	
PCSC Restaurant (Cayman) Holdings Limited	Shanghai President Chain Store Corporation Trade Co., Ltd.	Trade of food and commodities	100.00	100.00	
Uni-President Logistics (BVI) Holdings Limited	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehousing	50.00	50.00	
Ren-Hui Investment Corp.	Ren Hui Holding Co., Ltd.	Professional investment	100.00	-	(g)
Ren-Hui Holdings Co., Ltd.	Shan Dong President Yinzuo Commercial Limited .	Supermarkets	15.00	-	(e)

- (a) The Company acquired additional 30% shares of President Starbucks Coffee Corp., in December 2017 having control over it. Please refer to Note 6(7)C.
- (b) As the Company controls the financial and operating policies of Retail Support International Corp., the latter is included as a subsidiary in the consolidated financial statements.
- (c) The Company liquidated Duskin China (BVI) Holdings Limited, in December 2017 and the process of liquidation has not yet been completed by the balance sheet date.
- (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) Foreign currency translation

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

**A. Foreign currency transactions and balances**

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

**B. Translation of foreign operations**

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

**(5) Classification of current and non-current items**

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be paid off within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

**(6) Cash equivalents**

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

**(7) Financial assets at fair value through profit or loss**

- A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category if acquired principally for the purpose of selling in the short-term.
- 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. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

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

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

D. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in “financial assets measured at cost”.

(9) Loans and receivables

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

(10) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

- (a) Financial assets measured at amortized cost

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

(b) Financial assets measured at cost

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

(c) Available-for-sale financial assets

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

(11) Leases (Lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

- A. Inventories are initially recorded at cost. Cost of consolidated entities which manage convenience stores is determined using the retail inventory method while cost of other subsidiaries is determined in accordance with the type of business.
- B. Ending inventories are stated at the lower of cost and net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method - associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in "capital surplus" in proportion to its ownership.

- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then "capital surplus" and "investments accounted for using the equity method" shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amount previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

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

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

**(15) Property, plant and equipment**

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are audited, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	4~50 years
Transportation equipment	3~8 years
Office equipment	2~14 years
Leasehold assets	2~20 years

**(16) Leases (Lessee)**

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

**(17) Investment property**

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

**(18) Intangible assets**

**A. Computer software**

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

**B. Goodwill**

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

**C. License agreement and customer list and other intangible assets**

License agreement and customer list acquired in business combination are recognized at fair value at the acquisition date. Other intangible assets are separately acquired trademarks and licenses which are stated at historical cost. The latter have a finite useful life and are amortized on a straight-line basis over their estimated lives of 8 to 40 years.

**(19) Impairment of non-financial assets**

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal

should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

- B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

**(20) Notes and accounts payable**

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

**(21) Provisions**

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

**(22) Employee benefits**

**A. Short-term employee benefits**

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

**B. Pensions**

**(a) Defined contribution plans**

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

**(b) Defined benefit plans**

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit

credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

#### C. Termination benefits

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

#### D. Employees', directors' and supervisors' remuneration

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

### (23) Income tax

- A. The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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

**(24) Revenue recognition**

**A. Sales of goods**

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

**B. Sales of services**

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

**(25) Business Combination**

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

fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

**(26) Operating segments**

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

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

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

**6. DETAILS OF SIGNIFICANT ACCOUNTS**

**(1) Cash and cash equivalents**

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash on hand and petty cash	\$ 1,791,733	\$ 1,603,230
Checking accounts and demand deposits	14,483,269	8,906,034
Cash equivalents		
Time deposits	10,178,300	12,763,518
Short-term financial instruments	<u>9,329,989</u>	<u>8,730,851</u>
	<u>\$ 35,783,291</u>	<u>\$ 32,003,633</u>

- A. The Group transacts with a variety of financial institutions, all with high credit quality, to disperse credit risk, so it considers the probability of counterparty default as remote.
- B. Information on time deposits provided as security for performance guarantees and reclassified as "Other non-current assets – guaranteee deposits paid" is provided in Note 8.

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Financial assets held for trading		
-Open-ended fund	\$ 1,554,463	\$ 843,882
Valuation adjustment of financial assets held for trading	<u>5,562</u>	<u>4,072</u>
	<u>\$ 1,560,025</u>	<u>\$ 847,954</u>

The Group recognized net gain of \$5,816 and \$12,352 on financial assets held for trading for the years ended December 31, 2017 and 2016, respectively.

(3) Accounts receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable	\$ 5,010,640	\$ 4,557,391
Less: Allowance for sales returns and discounts	( 93,267)	( 118,853)
Allowance for doubtful accounts	( 48,471)	( 112,649)
	<u>\$ 4,868,902</u>	<u>\$ 4,325,889</u>

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

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Up to 90 days	\$ 119,587	\$ 146,432
91 to 180 days	11,421	8,194
181 to 365 days	2,062	4,476
Over 365 days	<u>11</u>	<u>6,175</u>
	<u>\$ 133,081</u>	<u>\$ 165,277</u>

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

(a) As of December 31, 2017 and 2016, the Group's accounts receivable that were impaired amounted to \$48,471 and \$112,649, respectively.

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

	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
At January 1	\$ 112,649	\$ 128,880
Provision for impairment	18,141	16,379
Factoring or write-offs during the year	( 76,881)	( 32,610)
Reversal of impairment	( 5,438)	-
At December 31	<u>\$ 48,471</u>	<u>\$ 112,649</u>

(4) Inventories

	<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>	( 135,791)	<u>13,309,109</u>
	<u>\$ 13,522,913</u>	( 135,791)	<u>\$ 13,387,122</u>

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

The cost of inventories recognized as expense for the year:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Cost of goods sold	\$ 145,925,125	\$ 142,917,476
(Gain on reversal of) loss on valuation of inventories	( 127,587)	85,524
Spoilage	1,657,419	1,517,211
Others	<u>243,115</u>	<u>232,236</u>
	<u>\$ 147,698,072</u>	<u>\$ 144,752,447</u>

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

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

	December 31, 2017	December 31, 2016
Listed stocks	\$ 265,606	\$ 265,606
Unlisted stocks	41,963	42,079
Government bonds	<u>199,840</u>	<u>199,733</u>
	507,409	507,418
Valuation adjustment	<u>543,325</u>	<u>392,072</u>
	<u>\$ 1,050,734</u>	<u>\$ 899,490</u>

- A. The Group recognized \$151,253 and (\$23,595) in other comprehensive income (loss) in relation to fair value changes for the years ended December 31, 2017 and 2016, respectively.
- B. The counterparties of debt instrument investments the Group invests in are of good credit quality.

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

- A. Based on the Group's intention, its investment in unlisted stocks should be classified as "available-for-sale financial assets". However, as those unlisted stocks are not traded in an active market, and no sufficient industry information of companies similar to these unlisted stocks can be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. As a result, the Group classified those stocks as "financial assets carried at cost".
- B. As of December 31, 2017 and 2016, no financial assets carried at cost held by the Group were pledged to others.

(7) Investments accounted for using the equity method

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b><u>Associates</u></b>		
PresiCarre Corp.	\$ 5,198,249	\$ 5,142,151
President Fair Development Corp.	1,954,089	1,952,428
Uni-President Development Corp.	750,774	819,847
President International Development Corp.	466,885	466,663
Tung Ho Development Corp.	123,504	88,539
Uni-President Organics Corp., etc.	<u>64,989</u>	<u>61,403</u>
	<u>8,558,490</u>	<u>8,531,031</u>
<b><u>Joint ventures</u></b>		
PCSC Restaurant (Cayman) Holdings Limited	-	1,998,444
President Starbucks Coffee Corp.	-	450,659
Mister Donut Taiwan Corp., Ltd.	<u>97,232</u>	<u>91,315</u>
	<u>97,232</u>	<u>2,540,418</u>
	<u><u>\$ 8,655,722</u></u>	<u><u>\$ 11,071,449</u></u>

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

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

	<u>For the year ended December 31, 2017</u>	<u>For the year ended December 31, 2016</u>
Profit for the year from continuing operations	\$ 405,845	\$ 277,848
Other comprehensive loss-net of tax	(37,310)	(17,655)
Total comprehensive income	<u>\$ 368,535</u>	<u>\$ 260,193</u>

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

	<u>For the year ended December 31, 2017</u>	<u>For the year ended December 31, 2016</u>
Profit for the year from continuing operations	\$ 1,387,893	\$ 1,337,997
Other comprehensive loss-net of tax	(2,517)	(3,749)
Total comprehensive income	<u>\$ 1,385,376</u>	<u>\$ 1,334,248</u>

B. 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 receivable') and recognized a gain on disposal of investments of \$24,537,947. Please refer to Note 6(27).

C. The Group originally held 30% shares of its joint venture using the equity method - President Starbucks Coffee Corp. In December 2017, the Group acquired additional 30% shares of President Starbucks Coffee Corp. for a cash consideration of \$3,226,806 (shown as 'other payable') and obtained control over President Starbucks Coffee Corp.. Please refer to Note 6(31) Business combinations.

(8) 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, 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	( 16,520)	( 1,622,614)	( 3,721,333)	( 12,428,793)	( 7,790,593)	( 4,265,302)	( 29,845,155)
	<u>\$ 2,230,395</u>	<u>\$ 2,427,169</u>	<u>\$ 2,112,074</u>	<u>\$ 6,427,977</u>	<u>\$ 5,066,870</u>	<u>\$ 4,064,806</u>	<u>\$ 22,329,291</u>
<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	-	117,987	699,970	2,127,853	1,659,439	2,310,334	6,915,583
Acquired through business combinations	-	-	-	286,652	1,120,999	88,235	1,495,886
Disposals	-	( 1,741)	( 25,417)	( 79,491)	( 82,219)	( 4,216)	( 193,084)
Reclassifications	28,822	147,393	94,288	109,184	229,984	( 712,898)	( 103,227)
Depreciation charge	-	( 182,513)	( 580,141)	( 2,079,863)	( 1,199,519)	( 1,093,192)	( 5,135,228)
(Impairment loss) reversal of impairment loss	153	( 11,122)	-	6,723	( 6,393)	( 1,214)	( 11,853)
Net exchange differences	( 2,152)	( 1,621)	( 3,312)	( 3,212)	( 97,858)	( 206,871)	( 315,026)
Closing net book amount as of December 31	<u>\$ 2,257,218</u>	<u>\$ 2,495,552</u>	<u>\$ 2,297,462</u>	<u>\$ 6,795,823</u>	<u>\$ 6,691,303</u>	<u>\$ 4,444,984</u>	<u>\$ 24,982,342</u>
<u>At December 31, 2017</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>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, 2016</u>							
Cost	\$ 2,249,588	\$ 4,038,997	\$ 5,459,989	\$ 18,713,302	\$ 12,242,425	\$ 7,556,878	\$ 50,261,179
Accumulated depreciation and impairment	-	(1,457,639)	(3,362,211)	(12,108,333)	(6,771,150)	(4,222,470)	(27,921,803)
	<u>\$ 2,249,558</u>	<u>\$ 2,581,358</u>	<u>\$ 2,097,778</u>	<u>\$ 6,604,969</u>	<u>\$ 5,471,275</u>	<u>\$ 3,334,408</u>	<u>\$ 22,339,376</u>
<u>2016</u>							
Opening net book amount as of January 1	\$ 2,249,558	\$ 2,581,358	\$ 2,097,778	\$ 6,604,969	\$ 5,471,275	\$ 3,334,408	\$ 22,339,376
Additions	-	3,914	561,658	1,798,193	1,612,986	1,763,374	5,740,125
Disposals	-	(12,462)	(33,420)	(60,139)	(82,260)	(9,704)	(197,985)
Reclassifications	-	41,243	68,203	285,825	(574,208)	169,223	(9,714)
Depreciation charge	-	(180,774)	(574,578)	(2,130,489)	(1,256,143)	(1,027,694)	(5,169,678)
(Impairment loss) reversal of impairment loss	(16,520)	(1,449)	-	(50,130)	263	8,197	(59,639)
Net exchange differences	(2,673)	(4,661)	(7,567)	(20,252)	(105,043)	(172,998)	(313,194)
Closing net book amount as of December 31	<u>\$ 2,230,395</u>	<u>\$ 2,427,169</u>	<u>\$ 2,112,074</u>	<u>\$ 6,427,977</u>	<u>\$ 5,066,870</u>	<u>\$ 4,064,806</u>	<u>\$ 22,329,291</u>
<u>At December 31, 2016</u>							
Cost	\$ 2,246,915	\$ 4,049,783	\$ 5,833,407	\$ 18,856,770	\$ 12,857,463	\$ 8,330,108	\$ 52,174,446
Accumulated depreciation and impairment	(16,520)	(1,622,614)	(3,721,333)	(12,428,793)	(7,790,593)	(4,265,302)	(29,845,155)
	<u>\$ 2,230,395</u>	<u>\$ 2,427,169</u>	<u>\$ 2,112,074</u>	<u>\$ 6,427,977</u>	<u>\$ 5,066,870</u>	<u>\$ 4,064,806</u>	<u>\$ 22,329,291</u>

- B. Information on the property, plant and equipment acquired from business combinations is provided in Note 6(31).
- C. Information on reversal of impairment loss on property, plant and equipment is provided in Note 6(12).
- D. Information on property, plant and equipment pledged to others as collateral is provided in Note 8.

(9) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u><b>2017</b></u>			
January 1, 2017	\$ 902,270	\$ 456,919	\$ 1,359,189
Additions	132,700	16,605	149,305
Reclassification	28,047	3,303	31,350
Depreciation charge	- ( 16,916)	( 16,916)	( 16,916)
Impairment loss	( 3,479)	( 334)	( 3,813)
December 31, 2017	<u>\$ 1,059,538</u>	<u>\$ 459,577</u>	<u>\$ 1,519,115</u>
<u><b>2016</b></u>			
January 1, 2016	\$ 902,270	\$ 513,999	\$ 1,416,269
Reclassification	- ( 39,679)	( 39,679)	( 39,679)
Depreciation charge	- ( 17,401)	( 17,401)	( 17,401)
December 31, 2016	<u>\$ 902,270</u>	<u>\$ 456,919</u>	<u>\$ 1,359,189</u>

The fair value of the investment property held by the Group as at December 31, 2017 and 2016 ranged from \$3,447,020 to \$4,186,928, which was assessed based on recent settlement prices of similar and comparable properties, as well as the reports of independent appraisers.

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

	<u>Software</u>	<u>Goodwill</u>	<u>License agreement and customer list</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2016</u>					
Cost	\$ 1,200,565	\$ 393,414	\$ -	\$ 187,075	\$ 1,781,054
Accumulated amortization and impairment	( 600,019)	-	-	( 30,121)	( 630,140)
	<u>\$ 600,546</u>	<u>\$ 393,414</u>	<u>\$ -</u>	<u>\$ 156,954</u>	<u>\$ 1,150,914</u>
<u>2016</u>					
Opening net book amount as of January 1	\$ 600,546	\$ 393,414	\$ -	\$ 156,954	\$ 1,150,914
Additions	117,535	-	-	10,068	127,603
Disposals	( 579)	-	-	( 46,738)	( 47,317)
Reclassifications	65,736	-	-	14,898	80,634
Amortization expenses	( 183,573)	-	-	( 12,393)	( 195,966)
Impairment loss	-	( 11,574)	-	-	( 11,574)
Net exchange differences	( 5,744)	( 3,167)	-	( 19,207)	( 28,118)
Closing net book amount as of December 31	<u>\$ 593,921</u>	<u>\$ 378,673</u>	<u>\$ -</u>	<u>\$ 103,582</u>	<u>\$ 1,076,176</u>
<u>At December 31, 2016</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>

A. Information on the intangible assets acquired from business combinations is provided in Note 6(31).

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

(11) Other non-current assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Guarantee deposits paid	\$ 2,656,420	\$ 2,376,488
Others	521,049	447,916
	<u>\$ 3,177,469</u>	<u>\$ 2,824,404</u>

(12) Impairment loss

A. The Group recognized impairment loss for the years ended December 31, 2017 and 2016 amounting to \$15,666 and \$71,213, respectively. Details of impairment loss are as follows:

	For the year ended December 31, 2017		For the year ended December 31, 2016	
	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss
<u>Impairment loss</u>				
Property, plant and equipment	\$ 11,853	\$ -	\$ 59,639	\$ -
Investment property	3,813	-	-	-
Intangible assets - goodwill	-	-	11,574	-
	<u>\$ 15,666</u>	<u>\$ -</u>	<u>\$ 71,213</u>	<u>\$ -</u>

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

(13) Short-term borrowings

Type of borrowings	December 31, 2017	Interest rate range	Collateral
<u>Bank borrowings</u>			
Credit loan	\$ 965,180	0.94%~4.35%	None
<u>December 31, 2016</u>			
		Interest rate range	Collateral
<u>Type of borrowings</u>			
<u>Bank borrowings</u>			
Credit loan	\$ 1,660,825	0.98%~4.35%	None

There was no capitalisation of borrowing costs for the years ended December 31, 2017 and 2016. Relevant interest expense on borrowings is recognized as "finance costs".

(14) Other payables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Store collections	\$ 11,947,975	\$ 9,577,091
Wages, salaries and bonus payable	4,399,047	4,194,182
Payables for equity investments (See Note 6(7)C)	3,226,806	-
Sales receipt on behalf of others	1,134,831	1,175,306
Incentive bonus payable to franchisees	930,996	853,388
Rent payable	803,066	682,966
Employees' compensation and remuneration for directors and supervisors	1,612,325	886,756
Payables for acquisition of property, plant and equipment	1,071,524	883,723
Payables for labor and health insurance	240,769	224,975
Others	<u>5,612,912</u>	<u>4,463,946</u>
	<u>\$ 30,980,251</u>	<u>\$ 22,942,333</u>

(15) Other current liabilities

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Advance receipts for gift certificates	\$ 1,240,616	\$ 1,200,808
Advance receipts of deposits in icash cards	1,064,779	894,940
Advance receipts of members' deposits	1,059,753	457,262
Advance receipts for gift cards	737,431	697,721
Current portion of long-term liabilities	273,754	203,652
Advance receipts for franchise fee	231,312	233,901
Others	<u>745,006</u>	<u>743,689</u>
	<u>\$ 5,352,651</u>	<u>\$ 4,431,973</u>

(16) Long-term borrowings

<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	<u>360,699</u>
			1,379,205
Less: Current portion			( 273,754)
			<u>\$ 1,105,451</u>

Type of borrowings	Interest rate range	Collateral	December 31, 2016
<u>Long-term bank borrowings</u>			
Credit loan	0.88%~3.10%	None	\$ 772,591
Secured borrowings	1.99%~2.24%	Property, plant and equipment	<u>294,277</u>
			1,066,868
Less: Current portion			( <u>197,389</u> )
			<u>\$ 869,479</u>

There was no capitalization of borrowing costs for the years ended December 31, 2017 and 2016.

Relevant interest expense on borrowings is recognized as “finance costs”.

(17) 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%-7.74% of employees' monthly salaries and wages to a retirement fund at the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is 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 will make contribution for the deficit by next March. Furthermore, the subsidiary, Philippine Seven Corporation, operates an employer matching pension plan, under which the employer contributes the same amount as employee's to the employee's individual pension accounts.

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

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	(\$ 7,319,158)	(\$ 6,851,392)
Fair value of plan assets	<u>2,744,358</u>	<u>2,585,420</u>
Net defined benefit liability	<u>(\$ 4,574,800)</u>	<u>(\$ 4,265,972)</u>

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

	Present value of defined benefit <u>obligations</u>	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2017</u>			
Balance at January 1	(\$ 6,851,392)	\$ 2,585,420	(\$ 4,265,972)
Current service cost	( 92,250)	- (	92,250)
Interest (expense) income	( 104,593)	40,040 (	64,553)
Past service cost	<u>4,944</u>	<u>-</u>	<u>4,944</u>
	<u>( 7,043,291)</u>	<u>2,625,460</u>	<u>( 4,417,831)</u>

Remeasurements:

Return on plan assets (not including the amount included in interest income or expense)	- ( 13,939)	( 13,939)
Change in demographic assumptions	( 8,122)	- ( 8,122)
Change in financial assumptions	( 175,119)	- ( 175,119)
Experience adjustments	<u>21,185</u>	<u>-</u>
	<u>( 162,056)</u>	<u>( 13,939)</u>
Pension fund contribution	- 159,256	159,256
Paid pension	135,711 ( 111,246)	24,465
Effect of business combination	( 249,522) 84,827 ( 164,695)	
	<u>( 113,811)</u>	<u>132,837</u>
Balance at December 31	<u>(\$ 7,319,158)</u>	<u>\$ 2,744,358</u>
	<u>( \$ 4,574,800)</u>	

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>For the year ended December 31, 2016</u>			
Balance at January 1	(\$ 6,628,994)	\$ 2,523,402	(\$ 4,105,592)
Current service cost	( 101,701)	- ( 101,701)	
Interest (expense) income	( 104,115)	40,309 ( 63,806)	
Past service cost	<u>1,524</u>	<u>-</u>	<u>1,524</u>
	<u>( 6,833,286)</u>	<u>2,563,711</u>	<u>( 4,269,575)</u>
Remeasurements:			
Return on plan assets (not including the amount included in interest income or expense)	- ( 19,969)	( 19,969)	19,969)
Change in demographic assumptions	( 18,512)	- ( 18,512)	18,512)
Change in financial assumptions	( 109,857)	- ( 109,857)	109,857)
Experience adjustments	<u>( 50,288)</u>	<u>-</u>	<u>( 50,288)</u>
	<u>( 178,657)</u>	<u>( 19,969)</u>	<u>( 198,626)</u>
Pension fund contribution	- 149,094	149,094	149,094
Paid pension	<u>160,551</u>	<u>( 107,416)</u>	<u>53,135</u>
	<u>160,551</u>	<u>41,678</u>	<u>202,229</u>
Balance at December 31	<u>(\$ 6,851,392)</u>	<u>\$ 2,585,420</u>	<u>(\$ 4,265,972)</u>

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Discount rate	<u>1.00%~5.05%</u>	<u>1.25%~5.41%</u>
Future salary increases	<u>2.00%~5.50%</u>	<u>2.00%~5.50%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%

December 31, 2017

Effect on present value of defined benefit obligation (\$ 234,327) \$ 245,304 \$ 240,403 (\$ 230,421)

December 31, 2016

Effect on present value of defined benefit obligation (\$ 225,824) \$ 236,604 \$ 232,426 (\$ 222,621)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The method and the assumption of sensitivity analysis are the same for the years ended December 31, 2017 and 2016.

(e)Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 are \$154,632.

(f)As of December 31, 2017, the weighted average duration of the retirement plan is 10 to 24 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 130,562
1-2 year(s)	193,501
2-5 years	635,738
Over 5 years	<u>11,466,291</u>
	<u>\$ 12,426,092</u>

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

(a) The Company's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC.) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2017 and 2016 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 years ended December 31, 2017 and 2016 were \$828,204 and \$807,481, respectively.

(18) Other non-current liabilities

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Guarantee deposit received	\$ 3,355,171	\$ 3,239,187
Provision for decommissioning liability	392,807	376,896
Deferred income	365,868	185,412
Others	<u>307,885</u>	<u>315,698</u>
	<u>\$ 4,421,731</u>	<u>\$ 4,117,193</u>

(19) Share capital

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

(20) Capital surplus

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

(21) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, must first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount is to be set aside as a legal reserve. After setting aside or reversing a special reserve, in accordance with related laws, the remaining amount is distributable for the given period. The appropriation of the total distributable amount (that is, the distributable amount for the period along with accumulated unappropriated earnings from prior years) should be proposed by the Board of Directors and voted on by the shareholders at the shareholders' meeting. The dividends and bonus to be distributed to shareholders may be 50%-100% of the total distributable amount, and 50%-100% of dividends are to be distributed as cash dividends, and the remaining undistributed amount to 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 2016 and 2015 as resolved by the shareholders on June 13, 2017 and June 15, 2016, respectively, are as follows:

	2016		2015	
	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)	Amount
Legal reserve	\$ 983,669		\$ 823,899	
Cash dividends	8,316,978	\$ 8.00	7,485,280	\$ 7.20

E. The appropriations for 2017 as resolved by the Board of Directors on February 23, 2018 are as follows:

	2017		Dividends per share (in dollars)	
	Amount		Amount	(in dollars)
Legal reserve		\$ 3,101,709		
Cash dividends		25,990,556	\$ 25.00	

E. See Note 6(25) for information on employees' compensation and directors' and supervisors' remuneration.

## (22) Other equity items

	<u>For the year ended December 31, 2017</u>		
	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
<b>Revaluation:</b>			
–Group	-	151,253	151,253
–Associates	-	4,662	4,662
Revaluation-tax	- (	6,283)	( 6,283)
<b>Currency translation differences:</b>			
–Group	( 699,698)	- ( 699,698)	( 699,698)
–Associates	( 20,382)	- ( 20,382)	( 20,382)
At December 31, 2017	(\$ 906,308)	\$ 507,449	(\$ 398,859)

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

(23) Operating revenue

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Sales revenue	\$ 196,057,358	\$ 193,292,683
Service revenue	12,566,609	11,663,782
Other operating revenue	12,508,115	10,402,624
	<u>\$ 221,132,082</u>	<u>\$ 215,359,089</u>

(24) Expenses by nature

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Cost of goods sold	\$ 130,527,303	\$ 128,526,593
Employee benefit expense	23,348,191	21,960,533
Incentive bonuses for franchisees	19,604,749	18,106,047
Operating lease payments	10,697,568	10,330,256
Depreciation and amortization	5,491,735	5,502,659
Utilities expense	3,847,338	3,793,049
Other costs and expenses	17,193,038	16,735,332
Total operating costs and operating expenses	<u>\$ 210,709,922</u>	<u>\$ 204,954,469</u>

(25) Employee benefit expense

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Wages and salaries	\$ 19,408,418	\$ 18,123,049
Labor and health insurance fees	1,692,115	1,608,670
Pension costs	980,063	971,464
Other personnel expenses	<u>1,267,595</u>	<u>1,257,350</u>
	<u><u>\$ 23,348,191</u></u>	<u><u>\$ 21,960,533</u></u>

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

B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at \$985,057 and \$515,635, respectively; while directors' and supervisors' remuneration was accrued at \$549,159 and \$172,272, respectively.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 2.59% and 1.44% of profit of the current year distributable for the year ended December 31, 2017. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$985,057 and \$549,159 and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2016 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2016 financial statements.

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

(26) Other income

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Grants income	\$ 582,706	\$ 589,413
Interest income	172,023	150,027
Rental revenue	168,858	180,275
Dividend income	1,135,332	26,669
Others	<u>887,816</u>	<u>793,502</u>
	<u><u>\$ 2,946,735</u></u>	<u><u>\$ 1,739,886</u></u>

(27) Other gains and losses

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Gain on disposal of investments (See Note 6(7)(31))	\$ 26,641,776	\$ 126,003
Loss on disposal of property, plant and equipment	( 53,095)	( 35,203)
Impairment loss	( 15,666)	( 71,213)
Other expenses	( 259,449)	( 323,221)
	<u>\$ 26,313,566</u>	<u>( \$ 303,634)</u>

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Current tax:		
Current tax on profits for the year	\$ 5,757,845	\$ 2,288,412
Tax on undistributed surplus earnings	36,045	203
Over provision of prior year's income tax	( 3,993)	( 7,870)
Total current tax	<u>5,789,897</u>	<u>2,280,745</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>3,273,719</u>	<u>( 57,456)</u>
Income tax expense	<u>\$ 9,063,616</u>	<u>\$ 2,223,289</u>

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

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Fair value gains/losses on available-for-sale financial assets	\$ 6,283	\$ 3,137
Remeasurement of defined benefit obligations	( 30,087)	( 31,738)
	<u>( \$ 23,804)</u>	<u>( \$ 28,601)</u>

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2017	For the year ended December 31, 2016
Tax calculated based on profit before tax and statutory tax rate	\$ 10,019,101	\$ 2,928,172
Expenses disallowed by tax regulation	( 836,372)	( 682,546)
Capital reduction plan to offset accumulated deficit	( 151,165)	( 14,670)
Additional 10% tax on undistributed earnings	36,045	203
Over provision of prior year's income tax	( 3,993)	( 7,870)
Tax expense	<u>\$ 9,063,616</u>	<u>\$ 2,223,289</u>

The difference between the Group's accounting income and taxable income in 2017 and 2016 was mainly due to the dividend income, investment tax credits and the operating loss of subsidiaries.

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

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

	For the year ended December 31, 2016			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<b><u>Deferred tax assets</u></b>				
Allowance for doubtful accounts	\$ 27,375	(\$ 2,789)	\$ -	\$ 24,586
Unrealized sales allowance	15,138	1,102	-	16,240
Loss on inventory market value decline	35,059	8,134	-	43,193
Unrealized expenses	259,195	8,616	-	267,811
Book-tax difference of pension	71,490	(48)	-	71,442
Remeasurements of the defined benefit plan	634,052	-	31,738	665,790
Tax losses	80,457	1,843	-	82,300
Others	27,185	12,622	(3,137)	36,670
	<u>1,149,951</u>	<u>29,480</u>	<u>28,601</u>	<u>1,208,032</u>
<b><u>Deferred tax liabilities</u></b>				
Unrealized exchange gain	(38,195)	27,976	-	(10,219)
	(38,195)	27,976	-	(10,219)
	<u>\$ 1,111,756</u>	<u>\$ 57,456</u>	<u>\$ 28,601</u>	<u>\$ 1,197,813</u>

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

December 31, 2017					
<u>Year incurred</u>	<u>Amount filed/assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Usable until</u>	
2008~2017	\$ 4,383,344	\$ 4,383,344	\$ 3,872,364	\$ 3,872,364	2018~2027
<b>December 31, 2016</b>					
<u>Year incurred</u>	<u>Amount filed/assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Usable until</u>	
2007~2016	\$ 5,138,543	\$ 5,138,543	\$ 4,629,475	\$ 4,629,475	2017~2026

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

	For the year ended December 31, 2017	For the year ended December 31, 2016
Deductible temporary differences	\$ 150,516	\$ 169,695

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

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

H. The balance of the imputation tax credit account was \$748,620 and \$1,125,612 as of December 31, 2017 and 2016, respectively. The creditable tax rate was 20.73% for 2016.

(29) Earnings per share

	For the year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<b>Basic earnings per share</b>			
Profit attributable to ordinary shareholders of the parent	\$ 31,017,094	1,039,622	\$ 29.83
<b>Diluted earnings per share</b>			
Profit attributable to ordinary shareholders of the parent	- \$ 31,017,094	1,039,622	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus		- 3,848	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 31,017,094	1,043,470	\$ 29.72
 <b>For the year ended December 31, 2016</b>			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<b>Basic earnings per share</b>			
Profit attributable to ordinary shareholders of the parent	\$ 9,836,690	1,039,622	\$ 9.46
<b>Diluted earnings per share</b>			
Profit attributable to ordinary shareholders of the parent	\$ 9,836,690	1,039,622	
Assumed conversion of all dilutive potential ordinary shares	-		
Employees' bonus	-	3,073	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 9,836,690	1,042,695	\$ 9.43

(30) Transactions with non-controlling interest

A. Acquisition of additional equity interest in a subsidiary

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

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

B. The Group did not conduct any transaction with non-controlling interest in 2017.

(31) Business combinations

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

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

- (3) The Group recognized a gain of \$2,099,503 (shown as gain on disposal of investments) as a result of measuring at fair value its 30% equity interest in President Starbucks Coffee Corp. held before the business combination. Please refer to Note 6(27).
- (4) The fair value of the non-controlling interest in President Starbucks Coffee Corp. was estimated by considering the implied control premium deducted from the purchase price paid for the acquisition.
- (5) As President Starbucks Coffee Corp. became a consolidated entity on December 31, 2017, the Group did not recognize any operating revenue and profit before income tax of President Starbucks Coffee Corp. Had President Starbucks Coffee Corp. been consolidated from January 1, 2017, the consolidated statement of comprehensive income would show operating revenue of \$231,383,842 and profit before income tax of \$42,106,950.

(32) 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>December 31, 2017</u>	<u>December 31, 2016</u>
Less than one year	\$ 94,376	\$ 82,807
Over one year but less than five years	292,261	207,925
Over five years	<u>51,674</u>	<u>67,573</u>
	<u>\$ 438,311</u>	<u>\$ 358,305</u>

Lessee

- A. The Group leases business premises for its stores. The lease terms are between one and twenty years, and certain lease agreements are renewable at the end of the lease period. Rents are paid in accordance with the agreements. Partial leases incur extra rent based on the operating revenue of stores or changes in local price indices. Rental expenses recognized in profit and loss for the years ended December 31, 2017 and 2016 are as follows:

	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Rental expenses	<u>\$ 10,206,762</u>	<u>\$ 9,948,663</u>
Contingent rents	<u>\$ 490,806</u>	<u>\$ 381,593</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Less than one year	\$ 9,765,924	\$ 8,595,157
Over one year but less than five years	30,324,865	27,192,685
Over five years	<u>15,732,948</u>	<u>14,443,449</u>
	<u>\$ 55,823,737</u>	<u>\$ 50,231,291</u>

B. The Group has sub-leased certain business premises to others. Sublease revenues recognized in profit and loss for the years ended December 31, 2017 and 2016 are as follows:

	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Sublease revenues	<u>\$ 257,336</u>	<u>\$ 227,240</u>
Contingent rents	<u>\$ 1,199,375</u>	<u>\$ 1,228,653</u>

In accordance with non-cancellable sub-lease agreements as of December 31, 2017, sub-lease payments totalling \$493,875 are expected to be collected between 2018 and 2028.

**(33) Supplemental cash flow information**

Investing activities with partial cash payments

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Purchase of property, plant and equipment	\$ 6,915,583	\$ 5,740,125
Add: Opening balance of payable on equipment	883,723	891,043
Less: Ending balance of payable on equipment	(1,071,524)	(883,723)
Cash paid during the year	<u>\$ 6,727,782</u>	<u>\$ 5,747,445</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Parent and ultimate controlling party

The Company's parent company and the Group's ultimate parent company is Uni-President Enterprises Corp. which holds a 45.4% equity interest in the Company as of December 31, 2017.

### (2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Uni-President Enterprises Corp.	Ultimate parent company
Uni-President Organics Corp.	Investee of the Group accounted for using the equity method
Mister Donut Taiwan Co., Ltd.	"
President Fair Development Corp.	"
PresiCarre. Corp.	"
Shanghai President Starbucks Coffee Corp.	Originally was investee of the Group accounted for using the equity method, and was sold in December 2017. Please refer to Note 6(7).
President Starbucks Coffee Corp.	Originally held 30% shares of President Starbucks Coffee Corp. in joint venture accounted for using the equity method. In December 2017, the Company acquired additional 30% shares of President Starbucks Coffee Corp., and accordingly, the latter was included as a subsidiary in the consolidated financial statements. Please refer to Note 6(31).
Shanghai Songjiang President Enterprises Co., Ltd.	Subsidiary of ultimate parent company
Hefei President Enterprises Co., Ltd.	"
Kunshan President Enterprises Food Co., Ltd.	"
Uni-President (Kunshan) Trading Co., Ltd.	"
Presco Netmarketing Inc.	"
Tung Ang Enterprises Corp.	"
President Packaging Corp.	"
President Tokyo Corp.	"
President Natural Industrial Corp.	"
Tait Marketing & Distribution Co., Ltd.	"
Lien-Bo Enterprises Corp.	"
Kuang Chuan Dairy Corp.	Investee of ultimate parent company accounted for using the equity method
Weilih Food Industrial Co., Ltd.	"
Kang Na Hsiung Enterprises Co., Ltd.	Investee of subsidiaries of ultimate parent company accounted for using the equity method
Tung Chan Enterprise Corp.	"
Koasa Yamako Corp	The Company is a director of Koasa Yamako Corp.
Wei Kuon Co., Ltd.	Subsidiaries of investee of ultimate parent company accounted for using the equity method

(3) Significant related party transactions and balances

A. Operating revenue

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
<b><u>Sales of goods</u></b>		
Ultimate parent	\$ 558,127	\$ 511,881
Associates	1,165,505	917,685
Sister companies	247,093	265,635
Other related parties	83,659	58,409
<b><u>Sales of services</u></b>		
Ultimate parent	8,014	8,955
Associates	153,513	138,774
Sister companies	11,334	8,571
Other related parties	<u>2,924</u>	<u>4,195</u>
	<u>\$ 2,230,169</u>	<u>\$ 1,914,105</u>

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

B. Purchases

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Ultimate parent	\$ 14,869,457	\$ 14,443,403
Associates	456,768	368,036
Sister companies	3,959,122	4,311,155
Other related parties	<u>950,419</u>	<u>1,125,787</u>
	<u>\$ 20,235,766</u>	<u>\$ 20,248,381</u>

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

C. Receivables from related parties

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Ultimate parent	\$ 190,171	\$ 183,293
Associates	68,686	143,208
Sister companies	72,400	74,809
Other related parties	<u>8,725</u>	<u>4,916</u>
	<u>\$ 339,982</u>	<u>\$ 406,226</u>

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

**D. Payables to related parties**

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Ultimate parent	\$ 1,558,451	\$ 1,615,103
Associates	68,577	117,549
Sister companies	406,713	479,849
Other related parties	<u>327,697</u>	<u>197,161</u>
	<u>\$ 2,361,438</u>	<u>\$ 2,409,662</u>

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

**E. Long-term installment payable**

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

	<u>December 31, 2016</u>
Sister companies	\$ 6,317
Discount on the long-term installment payable	( 49)
Net amount	6,268
Less: Current portion	( 6,263)
	<u>5</u>

**F. Property transactions**

Acquisition of property, plant and equipment and investment property:

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

No property transactions with related parties occurred during 2016.

**(4) Key management compensation**

	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Salaries and other short-term employee benefits	<u>\$ 1,041,158</u>	<u>\$ 579,354</u>

## 8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2017	December 31, 2016	
Land	\$ 368,869	\$ 368,869	Long-term and short-term borrowings and guarantee facilities
Buildings	187,884	211,041	Long-term and short-term borrowings and guarantee facilities
Transportation equipment	493,134	474,585	Long-term borrowings and long-term installment payable
Pledged time deposits (Recognized as "Other non-current assets - guarantee deposits paid")	49,665	31,065	Performance guarantee
	\$ 1,099,552	\$ 1,085,560	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the following amendments have a significant impact on the Group, effective from January 1, 2018:

- (1) The Group's applicable income tax rate will be raised from 17% to 20%. The Group's deferred tax assets and deferred tax liability will increase by 3%, which will decrease and increase income tax expense, respectively.
- (2) With the abolishment of the Integrated Income Tax System, the balance of imputation credit account will be adjusted to \$0 from January 1, 2018.

## 12. OTHERS

### (1) Capital management

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

### (2) Financial instruments

#### A. Fair value information of financial instruments

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

	December 31, 2017		December 31, 2016	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Guarantee deposit paid	\$ 2,656,420	\$ 2,639,566	\$ 2,376,488	\$ 2,359,056
Financial liabilities:				
Guarantee deposit received	\$ 3,355,171	\$ 3,327,231	\$ 3,239,187	\$ 3,212,077

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

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

#### B. Financial risk management policies

- (a) The Group's risk management and hedging policies mainly focus on hedging business risk. The Group also establishes hedge positions when trading derivative financial instruments. The choice of instruments should hedge risks relating to interest expense, assets or liabilities arising from business operations.
- (b) For managing derivative instruments, the treasury department is responsible for managing trading positions of derivative instruments and assesses market values periodically. If transactions and gains (losses) are abnormal, the treasury will respond accordingly and report to the Board of Directors immediately.

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

###### Foreign exchange risk

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

	December 31, 2017			December 31, 2016				
	Foreign currency		Book value (NTD)	Foreign currency		Book value (NTD)		
	amount (In thousands)	Exchange rate		amount (In thousands)	Exchange rate			
(Foreign currency: functional currency)								
<u>Financial assets</u>								
<u>Monetary items</u>								
USD : NTD	\$ 3,610	29.7600	\$ 107,434	\$ 942	32.2500	\$ 30,380		
RMB : NTD	507,009	4.5737	2,318,907	31,493	4.6436	146,241		
JPY : NTD	104,720	0.2642	27,667	221,092	0.2756	60,933		
HKD : NTD	4,410	3.8085	16,795	9,136	4.1582	37,989		
<u>Non-monetary items</u>								
JPY : NTD	\$ 891,900	0.2642	\$ 235,640	\$ 720,900	0.2756	\$ 198,680		
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD : NTD	\$ 99,814	29.7600	\$ 2,970,465	\$ 585	32.2500	\$ 18,866		
JPY : NTD	63,542	0.2642	16,788	45,432	0.2756	12,521		

III. Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Group amounted to \$3,037 and \$162 for the years ended December 31, 2017 and 2016, respectively.

Price risk

- I. The Group is exposed to price risk on its equity securities investments, which are classified on the consolidated balance sheet as either available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage price risk on its equity securities investments, the Group seeks to maintain diversified portfolio in line with set policy.
- II. The Group's equity securities investments comprise domestic listed stocks and open-ended funds. The prices of equity securities and open-ended funds may change due to changes in the future value of investee companies. If the prices of these equity securities increase or decrease by 0.25%, and open-ended funds increase or decrease by 5%, with all other variables held constant, the post-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by \$3,900 and \$2,120, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$39,206 and \$31,596, respectively, over the same periods as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- I. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which are partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.
- II. The Group's investment in open-ended funds are mainly quasi money market funds. The holding durations of short-term transactions instruments are short. The Group has assessed there is no significant market risk.

**(b) Credit risk**

- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments under contract obligations. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum credit rating of "A" are accepted.
- II. Management has assessed there are no significant losses due to non-performance by these counterparties for the years ended December 31, 2017 and 2016.

**(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 \$1,560,025 and \$847,954 as at December 31, 2017 and 2016, respectively, which are expected to readily generate cash inflows for the purpose of managing liquidity risk.

III. The Group has undrawn borrowing facilities beyond one year of \$11,302,389 and \$7,946,043 as of December 31, 2017 and 2016, respectively.

III. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2017</u>	Less than	Between	Between	<u>Over 3 years</u>
	<u>1 year</u>	<u>1 and 2 years</u>	<u>2 and 3 years</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:

<u>December 31, 2016</u>	Less than	Between	Between	<u>Over 3 years</u>
	<u>1 year</u>	<u>1 and 2 years</u>	<u>2 and 3 years</u>	
Short-term borrowings	\$ 1,697,601	\$ -	\$ -	\$ -
Short-term notes and bills payable	274,000	-	-	-
Notes payable	2,207,113	-	-	-
Accounts payable	19,927,239	-	-	-
Other payables	22,942,333	-	-	-
Long-term borrowings (including current portion)	225,744	439,038	71,141	399,393

(3) Fair value information

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

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

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

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

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

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

December 31, 2017

	<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	<u>\$ 1,560,025</u>	\$ _____ -	\$ _____ -	<u>\$ 1,560,025</u>
Available-for-sale financial assets				
Equity securities	784,115	_____ -	64,460	848,575
Government bond	<u>202,159</u>	_____ -	_____ -	<u>202,159</u>
Subtotal	<u>986,274</u>	_____ -	<u>64,460</u>	<u>1,050,734</u>
Total	<u>\$ 2,546,299</u>	\$ _____ -	\$ <u>64,460</u>	<u>\$ 2,610,759</u>

December 31, 2016

	<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	<u>\$ 847,954</u>	\$ _____ -	\$ _____ -	<u>\$ 847,954</u>
Available-for-sale financial assets				
Equity securities	631,928	_____ -	64,577	696,505
Government bond	<u>202,985</u>	_____ -	_____ -	<u>202,985</u>
Subtotal	<u>834,913</u>	_____ -	<u>64,577</u>	<u>899,490</u>
Total	<u>\$ 1,682,867</u>	\$ _____ -	\$ <u>64,577</u>	<u>\$ 1,747,444</u>

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

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

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

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

E. For the years ended December 31, 2017 and 2016, there was no significant transfer in or out of Level 3.

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

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

Fair value at		Significant	Range	
December	Valuation	unobservable	(weighted	Relationship of inputs
<u>31, 2017</u>	<u>technique</u>	<u>input</u>	<u>average)</u>	<u>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
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Fair value at		Significant	Range	Relationship of
December	Valuation	unobservable	(weighted	inputs
<u>31, 2016</u>	<u>technique</u>	<u>input</u>	<u>average)</u>	<u>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
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H. The Group has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If net assets from financial assets and liabilities categorised within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of December 31, 2017 and 2016.

### **13. SUPPLEMENTARY DISCLOSURES**

#### **(1) Significant transactions information**

- A. Loans to others: Please refer to Table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 2.
- D. Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please refer to Table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to Table 6.

#### **(2) Information on investees**

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

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

- A. Basic information: Please refer to Table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

## 14. SEGMENT INFORMATION

### (1) General information

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

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

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

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

### (2) Measurement of segment information

The chief operating decision-maker evaluates the performance of the operating segments based on operating revenue and profit before income tax, which are the basis for measuring performance.

(3) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the year ended December 31, 2017					
	Convenience stores	Retail business group	Logistics business group	Other operating segments	Adjustment and elimination	
					Total	
External revenue (net)	\$ 143,873,316	\$ 65,295,956	\$ 2,633,747	\$ 9,329,063	\$ -	\$ 221,132,082
Internal department revenue	606,564	2,171,020	12,885,352	6,133,809	(21,796,745)	-
Total segment revenue	\$ 144,479,880	\$ 67,466,976	\$ 15,519,099	\$ 15,462,872	(\$ 21,796,745)	\$ 221,132,082
Segment income	\$ 36,501,051	\$ 3,369,954	\$ 1,082,975	\$ 50,901,952	(\$ 50,474,244)	\$ 41,381,688
Depreciation and amortization	(\$ 2,036,658)	(\$ 2,088,475)	(\$ 728,676)	(\$ 637,926)	\$ -	(\$ 5,491,735)
Gain (loss) on investments accounted for using equity method	\$ 26,930,861	(\$ 114,447)	\$ 127,707	\$ 25,531,756	(\$ 50,682,139)	\$ 1,793,738
Income tax expense	(\$ 5,483,957)	(\$ 693,780)	(\$ 168,649)	(\$ 2,717,230)	\$ -	(\$ 9,063,616)
Interest income	\$ 104,826	\$ 30,152	\$ 7,595	\$ 30,547	(\$ 1,097)	\$ 172,023
Interest expense	(\$ 30,491)	(\$ 42,052)	(\$ 9,396)	(\$ 14,402)	\$ 1,830	(\$ 94,511)
	For the year ended December 31, 2016					
	Convenience stores	Retail business group	Logistics business group	Other operating segments	Adjustment and elimination	
					Total	
External revenue (net)	\$ 139,575,426	\$ 63,685,723	\$ 2,865,678	\$ 9,232,262	\$ -	\$ 215,359,089
Internal department revenue	571,709	2,509,633	11,658,022	6,036,028	(20,775,392)	-
Total segment revenue	\$ 140,147,135	\$ 66,195,356	\$ 14,523,700	\$ 15,268,290	(\$ 20,775,392)	\$ 215,359,089
Segment income	\$ 11,112,701	\$ 3,267,657	\$ 1,016,000	\$ 1,625,494	(\$ 3,659,994)	\$ 13,361,858
Depreciation and amortization	(\$ 2,206,735)	(\$ 1,979,186)	(\$ 684,285)	(\$ 632,453)	\$ -	(\$ 5,502,659)
Gain (loss) on investments accounted for using equity method	\$ 3,316,251	\$ -	\$ -	\$ -	(\$ 1,700,406)	\$ 1,615,845
Income tax expense	(\$ 1,276,011)	(\$ 686,447)	(\$ 152,882)	(\$ 107,949)	\$ -	(\$ 2,223,289)
Interest income	\$ 98,695	\$ 20,930	\$ 5,456	\$ 24,946	\$ -	\$ 150,027
Interest expense	(\$ 30,755)	(\$ 35,205)	(\$ 10,322)	(\$ 18,577)	\$ -	(\$ 94,859)

(4) Reconciliation of segment income (loss)

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

(5) Information on products and services

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Convenience stores	\$ 167,813,140	\$ 163,004,661
Sales of daily items	24,562,300	25,037,454
Gas station	9,870,474	9,152,819
Delivery service	10,948,622	10,374,721
Logistics service	2,633,747	2,865,678
Restaurants	1,569,884	1,743,845
Others	<u>3,733,915</u>	<u>3,179,911</u>
	<u>\$ 221,132,082</u>	<u>\$ 215,359,089</u>

(6) Information on geographic area

As of and for the years ended December 31, 2017 and 2016, the information on geographic area is as follows:

	2017		2016	
	Non-current		Non-current	
	Revenue	assets	Revenue	assets
Taiwan	\$ 191,271,714	\$ 36,004,968	\$ 185,297,250	\$ 23,767,335
Others	<u>29,860,368</u>	<u>5,739,855</u>	<u>30,061,839</u>	<u>5,029,757</u>
	<u>\$ 221,132,082</u>	<u>\$ 41,744,823</u>	<u>\$ 215,359,089</u>	<u>\$ 28,797,092</u>

(7) Major customer information

No customers constituted more than 10% of the Group's total revenue for the years ended December 31, 2017 and 2016.

## PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

## Loan to others

For the year ended December 31, 2017

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year						Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Ceiling on total loans granted (Note 1)	Footnote
					Balance at December 31, 2017	Acutal amount drawn down	Interest rate	Nature of loan	Item	Value				Item	Value				
1	President Information Corp.	Uni-President Superior Commissary Corp.	Other receivables	Y	\$ 100,000	\$ -	-	Short-term financing	\$ -	-	Additional operating capital	-	\$ -	-	\$ -	\$ 184,989	\$ 184,989		
2	Uni-President Department Store Corp.	Uni-President Superior Commissary Corp.	Other receivables	Y	150,000	-	-	Short-term financing	-	-	Additional operating capital	-	-	-	-	303,333	303,333		

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

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES**  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2017

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017				
				Number of shares	Book value (Note)	Ownership (%)	Fair value	Footnote
	Stock:							
President Chain Store Corp.	President Securities Corp.	Investees of Uni-President Enterprises Corp. under the equity method	Available-for-sale financial assets - non-current	38,221,259	\$ 548,475	2.75	\$ 548,475	
President Chain Store Corp.	Duskin Co., Ltd.	None	"	300,000	235,640	0.56	235,640	
President Chain Store Corp.	President Investment Trust Corp.	Director of President Investment Trust	"	2,667,600	45,298	7.60	45,298	
President Chain Store Corp.	Q-ware Systems & Services Corp.	"	"	4,172,422	-	10.00	-	
President Chain Store Corp.	Koasa Yamako Corp.	"	"	650,000	4,348	10.00	4,348	
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.	"	Financial assets measured at cost - non-current	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	-	-	-	
	Open ended funds:							
Books.com. Co., Ltd.	Jih Sun Money Market Fund	None	Financial assets at fair value through profit or loss - current	1,358,373	\$ 20,005	-	\$ 20,005	
Chieh-Shuen Logistics International Corp.	UPAMC James Bond Money Market Fund	"	"	872,768	14,501	-	14,501	
Chieh-Shuen Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	5,250,222	71,007	-	71,007	
President Starbucks Coffee Corp.	Union Money Market Fund	"	"	6,855,158	90,000	-	90,000	
President Starbucks Coffee Corp.	Jih Sun Money Market Fund	"	"	10,185,028	150,000	-	150,000	
President Starbucks Coffee Corp.	Nomura money market fund	"	"	12,328,480	200,000	-	200,000	
President Starbucks Coffee Corp.	Allianz Global Investors Taiwan Money Market Fund	"	"	2,408,497	30,000	-	30,000	
President Starbucks Coffee Corp.	FSITC Taiwan Money Market	"	"	13,151,752	200,000	-	200,000	
President Starbucks Coffee Corp.	Taishin 1699 Money Market Fund	"	"	3,718,301	50,000	-	50,000	
President Starbucks Coffee Corp.	Cathay Taiwan Money Market Fund	"	"	2,422,481	30,000	-	30,000	
President Information Corp.	Jih Sun Money Market Fund	"	"	9,323,901	137,318	-	137,318	
President Information Corp.	Prudential Financial Money Market Fund	"	"	5,474,517	86,074	-	86,074	
President Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	2,810,047	38,004	-	38,004	
President Pharmaceutical Corp.	Jih Sun Money Market Fund	"	"	5,968,302	87,898	-	87,898	
President (Shanghai) Health Product Trading Company Ltd.	CIFM Money Market Fund	"	"	6,614,445	30,252	-	30,252	
Retail Support Taiwan Corp.	FSITC Money Market Fund	"	"	60,905	10,803	-	10,803	
Shanghai President Logistics Co., Ltd.	CIFM RMB Money Market Fund	"	"	9,063,065	41,474	-	41,474	
Zhejiang Uni-Champion Logistics Development Co., Ltd.	CIFM RMB Money Market Fund	"	"	8,021,645	36,689	-	36,689	
Q-ware Systems & Services Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	17,449,813	236,000	-	236,000	
	Bond:							
ICASH Corp.	Government bond	None	Available-for-sale financial assets - non-current	-	\$ 202,159	-	\$ 202,159	

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES  
Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital  
For the year ended December 31, 2017

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Type and name of securities	General ledger account	Counterparty	Balance as at January 1, 2017			Addition		Disposal			Other increase (decrease)		Balance as at December 31, 2017		
				Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	Number of shares	Amount
President Chain Store Corp.	Open ended funds:															
President Chain Store Corp.	Jih Sun Money Market Fund	Note 1	Not applicable	Not applicable	-	\$ -	68,023,509	\$ 1,000,000	68,023,509	\$ 1,000,456	\$ 1,000,000	\$ -	456	- \$ -	- \$ -	
President Chain Store Corp.	Prudential Financial Money Market Fund	"	"	"	-	-	31,870,682	500,000	31,870,682	500,427	500,000	427	-	-	-	
Books.com. Co., Ltd.	Jih Sun Money Market Fund	"	"	"	5,454,347	80,014	108,850,266	1,600,000	112,946,240	1,660,570	1,660,000	570	- ( 9)	1,358,373	20,005	
Books.com. Co., Ltd.	CTBC Hwa-win Money Market Fund	"	"	"	-	-	52,150,927	570,000	52,150,927	570,098	570,000	98	-	-	-	
Chieh-Shuen Logistics International Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	"	1,484,693	20,001	46,437,214	626,900	42,671,685	576,056	575,900	156	-	6	5,250,222	71,007
President Information Corp.	Jih Sun Money Market Fund	"	"	"	-	-	39,817,482	585,818	30,493,581	448,718	448,500	218	-	-	9,323,901	137,318
President Information Corp.	Prudential Financial Money Market Fund	"	"	"	-	-	23,899,531	375,374	18,425,014	289,574	289,300	274	-	-	5,474,517	86,074
President Pharmaceutical Corp.	Jih Sun Money Market Fund	"	"	"	15,426,309	226,299	39,161,825	575,500	48,619,832	714,300	713,875	425	- ( 26)	5,968,302	87,898	
Q-ware Systems & Services Corp.	Yuanta Wan Tai Money Market Fund	"	"	"	8,194,155	123,000	50,675,248	761,500	58,869,403	884,822	884,500	322	-	-	-	-
Q-ware Systems & Services Corp.	Eastspring Investments Well Pool Money Market Fund	"	"	"	7,719,715	104,000	83,660,752	1,129,500	73,930,654	997,999	997,500	499	-	-	17,449,813	236,000
President Chain Store Corp.	Stock:															
President Chain Store Corp.	President Chain Store (BVI) Holdings Ltd.	Note 2	Cash capital increase	Parent company to subsidiary	140,384,307	\$ 5,053,883	31,205,279	\$ 939,333	-	\$ -	\$ -	-	-	\$ 18,614,689	171,589,586	\$ 24,607,905
President Chain Store Corp.	President Starbucks Coffee Corp.	"	Starbucks Coffee International Inc.	Not applicable	10,691,337	450,659	10,691,337	3,226,806	-	-	-	-	-	2,131,819	21,382,674	5,809,284
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Hong Kong) Holdings Limited	"	Cash capital increase	Subsidiary to sub-subsidiary	103,398,075	3,319,112	31,205,379	928,669	-	-	-	-	-	23,456,961	134,603,454	27,704,742
President Chain Store (Hong Kong) Holdings Limited	President Coffee (Cayman) Holdings Ltd.	Note 3	Starbucks EMEA Holdings Ltd.	Not applicable	1,800,000	1,998,444	-	-	1,800,000	25,642,728	1,104,781	24,537,947	- ( 893,663)	-	-	-

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

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

Note 3: President Chain Store (Hong Kong) Holdings Limited sold all the equity ownership of President Coffee (Cayman) Holdings Ltd. in December 2017.

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES**  
 Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
 For the year ended December 31, 2017

Table 4

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)	
			Purchases (sales)	Amount	(sales)	Credit term	Unit price	Credit term	Balance (\$ 1,133,314)	Percentage of total notes/accounts receivable (payable)
							No significant differences	No significant differences		
President Chain Store Corp.	Uni-President Enterprises Corp.	Ultimate parent company	Purchases	\$ 14,628,726	16	Net 30~40 days from the end of the month when invoice is issued	"	"	(\$ 1,133,314)	8
	Uni-President Superior Commissary Corp.	Subsidiary	"	3,304,904	4	Net 45 days from the end of the month when invoice is issued	"	"	( 563,132)	4
	Tung Ang Enterprises Corp.	Sister company	"	1,934,415	2	Net 30 days from the end of the month when invoice is issued	"	"	( 123,015)	1
	Lien-Bo Enterprises Corp.	"	"	637,880	1	Net 10~54 days from the end of the month when invoice is issued	"	"	( 82,345)	1
	Vision Distribution Service Corp.	Subsidiary	"	631,371	1	Net 30~60 days from the end of the month when invoice is issued	"	"	( 36,838)	0
	Tait Marketing & Distribution Co., Ltd.	Sister company	"	420,219	0	Net 20~70 days from the end of the month when invoice is issued	"	"	( 58,591)	0
	Q-ware Systems & Services Corp.	Subsidiary	"	620,659	0	Net 40 days from the end of the month when invoice is issued	"	"	( 109,067)	0
	President Packaging Ind. Corp	Sister company	"	336,034	0	Net 15~60 days from the end of the month when invoice is issued	"	"	( 63,925)	0
	Kuang Chuan Dairy Corp.	Other related party	"	267,425	0	Net 30~65 days from the end of the month when invoice is issued	"	"	( 93,074)	1
	President Transnet Corp.	Subsidiary	"	238,314	0	Net 60 days from the end of the month when invoice is issued	"	"	( 22,795)	0
	Weilih Food Industrial Co., Ltd.	Other related party	"	228,994	0	Net 30~60 days from the end of the month when invoice is issued	"	"	( 56,183)	0
	21 Century Enterprise Co., Ltd.	Subsidiary	"	221,317	0	Net 30~60 days from the end of the month when invoice is issued	"	"	( 82,235)	1
	Mister Donut Taiwan Co., Ltd.	Associate	"	176,361	0	Net 55~60 days from the end of the month when invoice is issued	"	"	( 28,730)	0
Capital Inventory Services Corp.	President Chain Store Corp.	Parent company	Service revenue	( 161,792)	( 68)	Net 60 days from the end of the month when invoice is issued	"	"	31,249	61
Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary of President Chain Store Corp.	Delivery revenue	( 883,327)	( 49)	Net 40 days from the end of the month when invoice is issued	"	"	143,130	63
	President Logistics International Corp.	Parent company	"	( 845,059)	( 47)	Net 20 days from the end of the month when invoice is issued	"	"	80,078	35
Duskin Serve Taiwan Co.	President Chain Store Corp.	"	Service revenue	( 241,016)	( 21)	Net 15~60 days from the end of the month when invoice is issued	"	"	37,633	23
President Information Corp.	President Chain Store Corp.	"	"	( 764,669)	( 63)	Net 45 days from the end of the month when invoice is issued	"	"	195,955	63
President Logistics International Corp.	Retail Support International Corp.	"	Delivery revenue	( 731,275)	( 25)	Net 20 days from the end of the month when invoice is issued	"	"	63,779	22
	Uni-President Cold-Chain Corp.	Subsidiary of President Chain Store Corp.	"	( 1,005,173)	( 34)	Net 20 days from the end of the month when invoice is issued	"	"	86,371	29
	Wisdom Distribution Service Corp.	"	"	( 841,630)	( 29)	Net 20 days from the end of the month when invoice is issued	"	"	116,412	39
President Logistics International Corp.	Chieh-Shuen Logistics International Corp.	Subsidiary	Purchases	845,059	31	Net 20 days from the end of the month when invoice is issued	"	"	( 80,078)	62)

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES**  
 Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
 For the year ended December 31, 2017

Table 4

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction					Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)	
			Purchases (sales)	Amount	(sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Uni-President Superior Commissary Corp.	Uni-President Enterprises Corp.	Ultimate parent company	Purchases	\$ 107,839	5	Net 60 days from the end of the month when invoice is issued	"	"	( 17,588)	( 3)	
	President Chain Store Corp.	Parent company	Sales revenue	( 3,304,904)	100	Net 45 days from the end of the month when invoice is issued	"	"	563,132	100	
President Transnet Corp.	President Chain Store Corp.	"	"	( 238,314)	36	Net 60 days from the end of the month when invoice is issued	"	"	22,795	1	
	Chieh-Shuen Logistics International Corp.	Subsidiary of President Chain Store Corp.	Service cost	883,327	9	Net 40 days from the end of the month when invoice is issued	"	"	( 143,130)	10	
Retail Support Taiwan Corp.	Retail Support International Corp.	Parent company	Delivery revenue	( 296,424)	80	Net 15~20 days from the end of the month when invoice is issued	"	"	20,011	64	
Q-ware Systems & Services Corp.	President Chain Store Corp.	"	Service revenue	( 620,659)	69	Net 40 days from the end of the month when invoice is issued	"	"	109,067	73	
Wisdom Distribution Service Corp.	Books.com. Co., Ltd.	Subsidiary of President Chain Store Corp.	"	( 292,289)	12	Net 30 days from the end of the month when invoice is issued	"	"	26,170	4	
	President Logistics International Corp.	"	Service cost	841,630	32	Net 20 days from the end of the month when invoice is issued	"	"	( 116,412)	45	
President Drugstore Business Corp.	President Pharmaceutical Corp.	"	Purchases	646,186	8	Net 70 days from the end of the month when invoice is issued	"	"	( 19,443)	( 3)	
President Pharmaceutical Corp.	President Drugstore Business Corp.	"	Sales revenue	( 646,186)	29	Net 70 days from the end of the month when invoice is issued	"	"	19,443	38	
21 Century Enterprise Co., Ltd.	President Chain Store Corp.	Parent company	"	( 221,317)	29	Net 30~60 days from the end of the month when invoice is issued	"	"	82,235	53	
Vision Distribution Service Corp.	President Chain Store Corp.	"	"	( 631,371)	54	Net 30~60 days from the end of the month when invoice is issued	"	"	36,838	24	
Retail Support International Corp.	President Logistics International Corp.	Subsidiary	Service cost	731,275	42	Net 20 days from the end of the month when invoice is issued	"	"	( 63,779)	29	
	Retail Support Taiwan Corp.	"	"	296,424	17	Net 15~20 days from the end of the month when invoice is issued	"	"	( 20,011)	9	
Uni-President Cold-Chain Corp.	President Logistics International Corp.	Subsidiary of President Chain Store Corp.	"	1,005,173	38	Net 20 days from the end of the month when invoice is issued	"	"	( 86,371)	2	
Zhejiang Uni-Champion Logistics Development Co., Ltd.	Shanghai President Logistics Co., Ltd.	Parent company	Delivery revenue	( 174,487)	38	Net 60 days from the end of the month when invoice is issued	"	"	52,430	44	

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES  
 Receivables from related parties reaching \$100 million or 20% of paid-in capital or more  
 December 31, 2017

Table 5

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as of December 31, 2017			Overdue receivables		Amount collected subsequent to the balance sheet date	\$	\$	Allowance for doubtful accounts
			2017	Turnover rate	Amount	Action taken					
President Chain Store Corp.	President Chain Store (BVI) Holdings Ltd.	Subsidiary	\$ 4,940,160	Note	\$ -	None	\$ 4,940,160	\$ -	\$ -	\$ -	\$ -
	Wisdom Distribution Service Corp.	"	983,165	"	-	"	779,207				
	Retail Support International Corp.	"	125,182	"	-	"	125,162				
	Uni-President Cold-Chain Corp.	"	111,186	"	-	"	4,727				
Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary of President Chain Store Corp.	143,130	5.75	-	"	48,232				
President Information Corp.	President Chain Store Corp.	Parent company	195,955	4.24	-	"	142,801				
President Logistics International Corp.	Wisdom Distribution Service Corp.	Subsidiary of President Chain Store Corp.	116,412	9.25	-	"	116,412				
President Collect Services Co., Ltd.	President Transnet Corp.	"	1,010,035	Note	-	"	1,010,035				
Uni-President Superior Commissary Corp.	President Chain Store Corp.	Parent company	563,132	5.92	-	"	268,451				
Q-ware Systems & Services Corp.	President Chain Store Corp.	"	109,067	4.64	-	"	65,769				

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

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES  
Significant inter-company transactions during the reporting periods  
For the year ended December 31, 2017

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction		Percentage of consolidated total operating revenues or total assets
						Transaction terms		
0	President Chain Store Corp.	Retail Support International Corp.	Parent company to subsidiary	Other receivables	\$ 125,182	Net 60 days from the end of the month when invoice is issued		0.09
0	President Chain Store Corp.	Uni-President Cold-Chain Corp.	Parent company to subsidiary	Other receivables	111,186	Net 30 days from the end of the month when invoice is issued		0.08
0	President Chain Store Corp.	Wisdom Distribution Service Corp.	Parent company to subsidiary	Other receivables	983,165	Net 30-60 days from the end of the month when invoice is issued		0.71
0	President Chain Store Corp.	President Chain Store (BVI) Holdings Ltd.	Parent company to subsidiary	Dividend receivable	4,940,160	-		3.56
0	President Chain Store Corp.	Books.com. Co., Ltd.	Parent company to subsidiary	Other operating income	( 182,525)	Net 60 days from the end of the month when invoice is issued		0.08
0	President Chain Store Corp.	President Transnet Corp.	Parent company to subsidiary	Other operating income	( 179,760)	Net 30 days from the end of the month when invoice is issued		0.08
0	President Chain Store Corp.	Retail Support International Corp.	Parent company to subsidiary	Other revenues	( 249,181)	Net 60 days from the end of the month when invoice is issued		0.11
0	President Chain Store Corp.	Uni-President Cold-Chain Corp.	Parent company to subsidiary	Other revenues	( 186,236)	Net 30 days from the end of the month when invoice is issued		0.08
1	Uni-President Superior Commissary Corp.	President Chain Store Corp.	Subsidiary to Parent company	Sales revenue	( 3,304,904)	Net 45 days from the end of the month when invoice is issued		1.49
1	Uni-President Superior Commissary Corp.	President Chain Store Corp.	Subsidiary to Parent company	Accounts receivable	563,132	Net 45 days from the end of the month when invoice is issued		0.41
2	President Collect Services Co., Ltd.	President Transnet Corp.	Subsidiary to subsidiary	Other receivables	1,010,035	Net 40 days from the end of the month when invoice is issued		0.73
3	21 Century Enterprise Co., Ltd.	President Chain Store Corp.	Subsidiary to Parent company	Sales revenue	( 221,317)	Net 30-60 days from the end of the month when invoice is issued		0.10
4	Chieh-Shuen Logistics International Corp.	President Logistics International Corp.	Subsidiary to subsidiary	Delivery revenue	( 845,059)	Net 20 days from the end of the month when invoice is issued		0.38
4	Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary to subsidiary	Delivery revenue	( 883,327)	Net 40 days from the end of the month when invoice is issued		0.40
4	Chieh-Shuen Logistics International Corp.	President Transnet Corp.	Subsidiary to subsidiary	Accounts receivable	143,130	Net 40 days from the end of the month when invoice is issued		0.10
5	President Logistics International Corp.	Wisdom Distribution Service Corp.	Subsidiary to subsidiary	Accounts receivable	116,412	Net 20 days from the end of the month when invoice is issued		0.08
5	President Logistics International Corp.	Retail Support International Corp.	Subsidiary to subsidiary	Delivery revenue	( 731,275)	Net 20 days from the end of the month when invoice is issued		0.33
5	President Logistics International Corp.	Uni-President Cold-Chain Corp.	Subsidiary to subsidiary	Delivery revenue	( 1,005,173)	Net 20 days from the end of the month when invoice is issued		0.45
5	President Logistics International Corp.	Wisdom Distribution Service Corp.	Subsidiary to subsidiary	Delivery revenue	( 841,630)	Net 20 days from the end of the month when invoice is issued		0.38
6	President Pharmaceutical Corp.	President Drugstore Business Corp.	Subsidiary to subsidiary	Sales revenue	( 646,186)	Net 70 days from the end of the month when invoice is issued		0.29

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

For the year ended December 31, 2017

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction terms	Transaction		Percentage of consolidated total operating revenues or total assets
7	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Shanghai President Logistics Co., Ltd.	Subsidiary to subsidiary	Delivery revenue	(\$ 174,487)	Net 60 days from the end of the month when invoice is issued			0.08
8	Vision Distribution Service Corp.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	( 631,371)	Net 30-60 days from the end of the month when invoice is issued			0.29
9	Wisdom Distribution Service Corp.	Books.com. Co., Ltd.	Subsidiary to subsidiary	Service revenue	( 292,289)	Net 30 days from the end of the month when invoice is issued			0.13
10	Retail Support Taiwan Corp.	Retail Support International Corp.	Subsidiary to subsidiary	Delivery revenue	( 296,424)	Net 15-20 days from the end of the month when invoice is issued			0.13
11	President Transnet Corp.	President Collect Services Co., Ltd.	Subsidiary to subsidiary	Service revenue	( 301,228)	Net 40 days from the end of the month when invoice is issued			0.14
11	President Transnet Corp.	President Chain Store Corp.	Subsidiary to parent company	Sales revenue	( 238,314)	Net 60 days from the end of the month when invoice is issued			0.11
12	President Information Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	195,955	Net 45 days from the end of the month when invoice is issued			0.14
12	President Information Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	( 764,669)	Net 45 days from the end of the month when invoice is issued			0.35
13	Duskin Serve Taiwan Co.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	( 241,016)	Net 15-60 days from the end of the month when invoice is issued			0.11
14	Capital Inventory Services Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	( 161,792)	Net 60 days from the end of the month when invoice is issued			0.07
15	Q-ware Systems & Services Corp.	President Chain Store Corp.	Subsidiary to parent company	Accounts receivable	109,067	Net 40 days from the end of the month when invoice is issued			0.08
15	Q-ware Systems & Services Corp.	President Chain Store Corp.	Subsidiary to parent company	Service revenue	( 620,659)	Net 40 days from the end of the month when invoice is issued			0.28

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES**  
 Names, locations and other information of investee companies (not including investees in Mainland China)  
 For the year ended December 31, 2017

Table 7

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Investment income (loss) recognised by the Company for the year ended December 31,		
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value	2017	2017	Footnote
President Chain Store Corp.	President Chain Store (BVI) Holdings Ltd.	British Virgin Islands	Professional investment	\$ 5,923,078	\$ 4,983,745	171,589,586	100.00	\$ 24,607,905	\$ 24,256,863	\$ 24,256,863	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	1,419,062	349,196	349,196	Subsidiary
President Chain Store Corp.	President Transnet Corp.	Taiwan	Delivery service	711,576	711,576	103,496,399	70.00	1,438,218	392,408	274,686	Subsidiary
President Chain Store Corp.	Mech-President Corp.	Taiwan	Gas station, installment and maintenance	904,475	904,475	55,858,815	80.87	681,820	97,094	78,521	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	728,214	210,992	147,973	Subsidiary
President Chain Store Corp.	Uni-President Department Store Corp.	Taiwan	Department stores	840,000	840,000	27,999,999	70.00	530,833	310,002	217,001	Subsidiary
President Chain Store Corp.	Uni-President Superior Commissary Corp.	Taiwan	Fresh food manufacture	520,141	520,141	48,519,890	90.00	456,939	26,896	24,207	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	617,057	321,668	193,001	Subsidiary
President Chain Store Corp.	President Information Corp.	Taiwan	Enterprise information management and consultancy	320,741	320,741	25,714,475	86.00	506,567	85,672	73,678	Subsidiary
President Chain Store Corp.	Q-ware Systems & Services Corp.	Taiwan	Information software services	332,482	332,482	24,382,921	86.76	356,381	65,519	56,844	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	433,012	220,300	220,300	Subsidiary
President Chain Store Corp.	Books.com. Co., Ltd.	Taiwan	Retail business without shop	100,400	100,400	9,999,999	50.03	420,255	424,867	212,543	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	231,906	1,349	1,349	Subsidiary
President Chain Store Corp.	Duskin Serve Taiwan Co.	Taiwan	Cleaning instruments leasing and selling	102,000	102,000	10,199,999	51.00	197,140	128,795	65,819	Subsidiary
President Chain Store Corp.	ICASH Corp.	Taiwan	Electronic ticketing services	500,000	500,000	50,000,000	100.00	352,272	16,049	16,049	Subsidiary
President Chain Store Corp.	President Starbucks Coffee Corp.	Taiwan	Coffee chain store	3,286,206	59,400	21,382,674	60.00	5,809,284	799,374	239,812	Subsidiary
President Chain Store Corp.	Ren-Hui Investment Corp.	Taiwan	Professional investment	261,087	196,187	6,500,000	100.00	79,505	4,069	4,069	Subsidiary
President Chain Store Corp.	Capital Inventory Services Corp.	Taiwan	Enterprise management consultancy	9,506	9,506	2,500,000	100.00	75,422	28,451	28,451	Subsidiary
President Chain Store Corp.	PCSC (China) Drugstore Limited	British Virgin Islands	Professional investment	277,805	277,805	8,746,008	92.20	64,911	3,986	3,675	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	21,547	5,987	5,987	Subsidiary
President Chain Store Corp.	Cold Stone Creamery Taiwan Ltd.	Taiwan	Sales of ice cream	170,000	170,000	12,244,390	100.00	23,539	13,646	13,646	Subsidiary
President Chain Store Corp.	President Being Corp.	Taiwan	Sports and entertainment business	35,000	35,000	1,500,000	100.00	60,187	5,923	5,923	Subsidiary
President Chain Store Corp.	21 Century Enterprise Co., Ltd.	Taiwan	Operation of chain restaurants	60,680	60,680	10,000,000	100.00	9,500	14,716	14,716	Subsidiary
President Chain Store Corp.	President Chain Store Tokyo Marketing Corp.	Japan	Enterprise management consultancy	35,648	35,648	9,800	100.00	69,476	10,606	10,606	Subsidiary
President Chain Store Corp.	Uni-President Oven Bakery Corp.	Taiwan	Bread and pastry retailer	391,300	391,300	6,511,963	100.00	9,469	7,941	7,941	Subsidiary
President Chain Store Corp.	President Collect Services Co., Ltd.	Taiwan	Collection agent	10,500	10,500	1,049,999	70.00	76,698	79,595	55,717	Subsidiary
President Chain Store Corp.	Afternoon Tea Taiwan Co., Ltd.	Taiwan	Operation of restaurants	147,900	86,700	14,789,999	51.00	41,916	40,856	20,836	Subsidiary
President Chain Store Corp.	Retail Support International Corp.	Taiwan	Room-temperature logistics and warehousing	91,414	91,414	6,429,999	25.00	195,525	209,996	52,499	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	750,774	111,834	22,367	Note 1
President Chain Store Corp.	Presicar Corp.	Taiwan	Management of retail department	7,112,028	7,112,028	130,801,027	19.50	5,198,249	1,735,486	338,417	Note 1
President Chain Store Corp.	President Fair Development Corp.	Taiwan	Operation of shopping mall, department store, international trade,etc.	2,457,825	3,191,700	190,000,000	19.00	1,954,089	8,743	1,661	Note 1
President Chain Store Corp.	President International Development Corp.	Taiwan	Professional investment	500,000	500,000	44,100,000	3.33	466,885	923,311	30,924	Note 1

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES**  
 Names, locations and other information of investee companies (not including investees in Mainland China)  
 For the year ended December 31, 2017

Table 7

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017				Net profit (loss) of the investee for the year ended December 31,	Investment income (loss) recognised by the Company for the year ended December 31,	Footnote			
				Balance as at December 31, 2017	Balance as at December 31, 2016	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	\$ 123,504	(\$ 49,671)	\$ 7,795	(\$ 7,795)	Note 1			
President Chain Store Corp.	Mister Donut Taiwan Corp., Ltd.	Taiwan	Bakery retailer	112,088	112,088	7,500,049	50.00	97,232	30,007	15,448	15,448	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	43,610	38,456	14,101	14,101	Note 1			
President Chain Store Corp.	President Technology Corp.	Taiwan	Software development and call center service	7,500	7,500	750,000	15.00	19,529	35,505	6,044	6,044	Note 1			
President Chain Store Corp.	Grand Bills Finance Corp.	Taiwan	Securities trading	1,050	1,050	108,160	0.02	1,850	628,224	126	126	Note 1			
Books.com. Co., Ltd.	Books.com. (BVI) Ltd.	British Virgin Islands	Professional investment	1,478	1,478	500	100.00	590	(4) (4)	3) (3)	Subsidiary of a subsidiary				
Duskin Serve Taiwan Co.	Duskin China (BVI) Holdings Limited	British Virgin Islands	Professional investment	-	21,217	-	-	-	-	-	-	Note 2			
Mech-President Corp.	President Jing Corp.	Taiwan	Gas station	9,600	25,553	960,000	60.00	29,589	15,899	9,539	9,539	Subsidiary of a subsidiary			
President Chain Store (Hong Kong) Holdings Limited	PCSC Restaurant (Cayman) Holdings Limited	Cayman Islands	Professional investment	154,993	154,993	8,880,000	100.00	31,832	(1,385)	(1,385)	(1,385)	Subsidiary of a subsidiary			
President Chain Store (Hong Kong) Holdings Limited	PCSC (China) Drugstore Limited	British Virgin Islands	Professional investment	22,022	22,022	740,000	7.80	5,491	3,986	311	311	Subsidiary of a subsidiary			
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Hong Kong) Holdings Limited	Hong Kong	Professional investment	4,005,796	3,077,127	134,603,354	100.00	27,704,742	23,771,940	23,995,921	23,995,921	Subsidiary of a subsidiary			
President Chain Store (BVI)	President Chain Store (Labuan) Holdings Ltd.	Malaysia	Professional investment	867,901	867,901	29,163,337	100.00	1,921,689	392,487	392,487	392,487	Subsidiary of a subsidiary			
President Chain Store (Labuan)	Philippine Seven Corp.	Philippines	Operation of chain stores	867,067	867,067	394,970,516	52.22	1,920,960	795,567	406,588	406,588	Subsidiary of a subsidiary			
President Logistics International Corp.	Chieh-Shuen Logistics International Corp.	Taiwan	Trucking	180,000	180,000	26,670,000	100.00	309,444	20,386	20,386	20,386	Subsidiary of a subsidiary			
President Pharmaceutical Corp.	President Pharmaceutical (Hong Kong) Holdings	Hong Kong	Sales of various health care products, cosmetics, and pharmaceuticals	89,415	89,415	3,000,000	100.00	8,532	(65,239)	(65,245)	(65,245)	Subsidiary of a subsidiary			
Ren-Hui Investment Corp.	Books.com. Co., Ltd.	Taiwan	Retail business without shop	-	-	1	-	-	424,867	-	-	Subsidiary of a subsidiary			
Ren-Hui Investment Corp.	Uni-President Department Store Corp.	Taiwan	Department stores	-	-	1	-	-	310,002	-	-	Subsidiary of a subsidiary			
Ren-Hui Investment Corp.	Mech-President Corp.	Taiwan	Gas station, installment and maintenance of elevators	-	-	1	-	-	97,094	-	-	Subsidiary of a subsidiary			
Ren-Hui Investment Corp.	President Information Corp.	Taiwan	Enterprise information management and consultancy	-	-	1	-	-	85,672	-	-	Subsidiary of a subsidiary			
Ren-Hui Investment Corp.	President Transnet Corp.	Taiwan	Delivery service	-	-	1	-	-	392,408	-	-	Subsidiary of a subsidiary			
Ren-Hui Investment Corp.	Q-ware Systems & Services Corp.	Taiwan	Information software services	-	-	1	-	-	65,519	-	-	Subsidiary of a subsidiary			
Ren-Hui Investment Corp.	Duskin Serve Taiwan Co.	Taiwan	Cleaning instruments leasing and selling	-	-	1	-	-	128,795	-	-	Subsidiary of a subsidiary			
Ren-Hui Investment Corp.	President Pharmaceutical Corp.	Taiwan	Sales of various health care products, cosmetics, and pharmaceuticals	-	-	1	-	-	210,992	-	-	Subsidiary of a subsidiary			
Ren-Hui Investment Corp.	Mister Donut Taiwan Corp., Ltd.	Taiwan	Bakery retailer	\$ -	\$ -	1	-	\$ -	\$ 30,007	\$ 30,007	\$ 30,007	Note 1			

**PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES**  
 Names, locations and other information of investee companies (not including investees in Mainland China)  
 For the year ended December 31, 2017

Table 7

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31,	Investment income (loss) recognised by the Company for the year ended December 31,		Footnote		
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value		2017	2017			
Ren-Hui Investment Corp.	Uni-President Superior Commissary Corp.	Taiwan	Fresh food manufacture	-	-	1	-	-	26,896	-	-	Subsidiary of a subsidiary		
Ren-Hui Investment Corp.	Uni-President Cold-Chain Corp.	Taiwan	Low-temperature logistics and warehousing	-	-	1	-	-	321,668	-	-	Subsidiary of a subsidiary		
Ren-Hui Investment Corp.	Retail Support International Corp.	Taiwan	Room-temperature logistics and warehousing	-	-	1	-	-	209,996	-	-	Subsidiary of a subsidiary		
Ren-Hui Investment Corp.	President Collect Services Co., Ltd.	Taiwan	Collection agent	-	-	1	-	-	79,595	-	-	Subsidiary of a subsidiary		
Ren-Hui Investment Corp.	Afternoon Tea Taiwan Co., Ltd.	Taiwan	Operation of restaurants	-	-	1	-	-	40,856)	-	-	Subsidiary of a subsidiary		
Ren-Hui Investment Corp.	Ren Hui Holding Co., Ltd.	British Virgin Islands	Professional investment	60,374	-	2,000,000	100.00	66,724	890	890	890	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	73,567	48,523	24,747	24,747	Subsidiary of a subsidiary		
Retail Support International Corp.	President Logistics International Corp.	Taiwan	Trucking	44,975	44,975	9,481,500	49.00	156,062	71,000	34,790	34,790	Subsidiary of a subsidiary		
Retail Support Taiwan Corp.	President Logistics International Corp.	Taiwan	Trucking	5,425	5,425	1,161,000	6.00	19,238	71,000	4,388	4,388	Subsidiary of a subsidiary		
Uni-President Cold-Chain Corp.	President Logistics International Corp.	Taiwan	Trucking	23,850	23,850	4,837,500	25.00	79,624	71,000	17,750	17,750	Subsidiary of a subsidiary		
Uni-President Cold-Chain Corp.	Uni-President Logistics (BVI) Holdings Limited	British Virgin Islands	Professional investment	87,994	87,994	2,990	100.00	103,623	10,582	10,582	10,582	Subsidiary of a subsidiary		
Wisdom Distribution Service Corp.	President Logistics International Corp.	Taiwan	Trucking	18,850	18,850	3,870,000	20.00	63,699	71,000	14,200	14,200	Subsidiary of a subsidiary		
Wisdom Distribution Service Corp.	Vision Distribution Service Corp.	Taiwan	Publishing Industry	60,000	60,000	6,000,000	60.00	65,930	1,440	864	864	Subsidiary of a subsidiary		
Philippine Seven Corp.	Convenience Distribution Inc.	Philippines	Logistics and warehousing	26,827	26,827	4,500,000	100.00	26,827	6,664	-	-	Subsidiary of a subsidiary		
Philippine Seven Corp.	Store Sites Holding, Inc.	Philippines	Professional investment	29,057	29,057	40,000	40.00	29,057	1,281	-	-	Note 1		

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

Note 2: The investee has been into liquidation in 2017.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2017

Table 8

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, 2017	Remitted to Mainland China	Remitted back to Taiwan	2017	Taiwan to Mainland China	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017		Footnote
Shanghai President Chain Store Corporation Trade Co., Ltd.	Trade of food and commodities	\$ 264,269	Note 1	\$ 153,877	\$ -	\$ -	\$ 153,877	(\$ 1,319)	100.00	(\$ 1,319)	\$ 31,581	\$ -	-	Note 2	
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Wholesale of merchandise	457,368	Note 1	280,258	-	-	280,258	4,092	100.00	4,092	69,567	-	Note 2		
President Chain Store (Shanghai) Ltd.	Operation of chain stores	2,286,840	Note 1	2,035,558	264,220	-	2,299,778	( 151,283)	100.00	( 151,283)	225,908	-	Note 2		
Shanghai President Logistic Co., Ltd.	Logistics and warehousing	59,520	Note 1	59,520	-	-	59,520	50,901	100.00	51,631	353,417	-	Note 2		
Shanghai Cold Stone Ice Cream Corporation	Sales of ice cream	1,017,843	Note 1	710,807	263,507	-	974,314	( 139,398)	100.00	( 139,398)	53,126	-	Note 2		
PCSC (Chengdu) Hypermarket Limited	Retail hypermarket	603,726	Note 1	385,764	143,260	-	529,024	( 122,031)	100.00	( 122,031)	78,078	-	Note 2		
Shan Dong President Yinzuco Commercial Limited	Supermarkets	274,421	Note 1	121,372	-	-	121,372	36,987	55.00	20,171	199,969	-	Note 2		
President (Shanghai) Health Product Trading Company Ltd.	Sales of various health care products, cosmetics, and pharmaceuticals	89,280	Note 1	89,280	-	-	89,280	( 58,419)	73.74	( 43,310)	16,188	-	Note 2		
Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehouse	182,947	Note 1	173,846	-	-	173,846	21,013	80.00	16,811	158,084	-	Note 2		
Beijing Bokelai Customer Co.	Enterprise information consulting, network technology development and services	446	Note 1	-	-	-	-	( 5)	50.03	( 2)	16	-	Note 2		
President Chain Store (Taizhou) Ltd.	Logistics and warehousing	274,421	Note 1	274,421	-	-	274,421	36,710	100.00	36,608	313,189	-	Note 2		
President Logistics Shan Dong Co., Ltd.	Logistics and warehousing	228,684	Note 1	91,474	137,210	-	228,684	( 29,442)	100.00	( 29,442)	198,738	-	Note 2		
President Chain Store (Zhejiang) Ltd.	Operation of chain stores	274,421	Note 1	-	274,421	-	274,421	( 85,730)	100.00	( 85,730)	187,329	-	Note 2		

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

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	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
		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Economic Affairs (MOEA)	Commission of MOEA
President Chain Store Corp.	\$ 4,587,148	\$ 7,528,240	\$ 35,703,846	
President Pharmaceutical Corp.	89,280	89,280	463,316	
Uni-President Cold-Chain Corp.	88,311	88,311	604,732	
Ren-Hui Investment Corp.	51,285	51,285	80,000	