

PRESIDENT CHAIN STORE CORP.
PARENT COMPANY ONLY
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2017 AND 2016

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.

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

Key audit matters for the Company's parent company only financial statements of the year ended December 31,2017 are stated as follows:

Completeness and accuracy of retail sales revenue

Description

Please refer to Notes 4(22) and 6(18) to the parent company only financial statements for the accounting policy and the details of accounting relating to this key audit matter.

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

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

How our audit addressed the matter

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

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

Cost-to-retail ratio of retail inventory method

Description

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

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

How our audit addressed the matter

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

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

Significant acquisition

Description

Please refer to Notes 4(23) and 6(6) to the parent company only 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 investee companies. The balance of these investments accounted for using equity method amounted to NT\$1,920,960 thousand and NT\$1,763,320 thousand, representing 1.9% and 2.6% of total assets as of December 31, 2017 and 2016, respectively, and the related total comprehensive net income (including share of profit of subsidiaries, associates and joint ventures accounted for using equity method and share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method) amounted to NT\$401,705 thousand and NT\$422,849 thousand, representing 1.3% and 4.6%

of total comprehensive net income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on investees disclosed in Note 13 were based solely on the reports of other independent accountants.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 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.

Chun-Yuan, Hsiao

Chien-Hung, Chou

for and on behalf of PricewaterhouseCoopers, Taiwan

23 February, 2018

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

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.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 22,422,981	22	\$ 22,292,169	33
1170	Accounts receivable, net	6(2)	600,671	1	513,190	1
1200	Other receivables	7(3)	7,556,281	7	1,781,453	3
130X	Inventory, net	6(3)	7,194,707	7	6,003,727	9
1410	Prepayments		267,738	-	196,516	-
1470	Other current assets		1,646,623	2	1,621,933	2
11XX	Total current assets		39,689,001	39	32,408,988	48
Non-current assets						
1523	Available-for-sale financial assets - non-current	6(4)	848,575	1	696,505	1
1543	Financial assets measured at cost - non-current	6(5)	25,721	-	25,721	-
1550	Investments accounted for using equity method	6(6)	47,983,892	48	22,286,379	33
1600	Property, plant and equipment, net	6(7)	8,946,459	9	8,608,695	13
1760	Investment property, net	6(8)	1,196,819	1	1,028,377	2
1780	Intangible assets	6(9)	211,865	-	278,320	-
1840	Deferred income tax assets	6(23)	673,959	1	604,251	1
1900	Other non-current assets	6(10)	1,176,722	1	1,252,541	2
15XX	Total non-current assets		61,064,012	61	34,780,789	52
1XXX	Total assets		\$ 100,753,013	100	\$ 67,189,777	100

(Continued)

PRESIDENT CHAIN STORE CORP.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2017		December 31, 2016			
			AMOUNT	%	AMOUNT	%		
Current liabilities								
2150	Notes payable		\$	1,488,293	2	\$	1,563,628	2
2160	Notes payable - related parties	7(3)		4,251,017	4		4,069,433	6
2170	Accounts payable			1,662,063	2		1,641,608	2
2180	Accounts payable - related parties	7(3)		7,099,859	7		7,567,186	11
2200	Other payables	6(11)		22,286,764	22		15,205,974	23
2230	Current income tax liabilities	6(23)		1,713,191	2		657,191	1
2310	Advance receipts	6(12)		2,459,527	2		2,421,518	4
21XX	Total current liabilities			40,960,714	41		33,126,538	49
Non-current liabilities								
2570	Deferred income tax liabilities	6(23)		3,373,090	3		9,413	-
2640	Net defined benefit liability	6(13)		2,842,380	3		2,673,749	4
2645	Guarantee deposit received			2,435,662	2		2,314,037	3
2670	Other non-current liabilities			526,905	1		449,762	1
25XX	Total non-current liabilities			9,178,037	9		5,446,961	8
2XXX	Total liabilities			50,138,751	50		38,573,499	57
Equity								
Share capital		6(14)						
3110	Share capital - common stock			10,396,223	10		10,396,223	15
Capital surplus		6(15)						
3200	Capital surplus			43,875	-		1,158	-
Retained earnings		6(16)						
3310	Legal reserve			9,191,733	9		8,208,064	12
3350	Unappropriated retained earnings			31,381,290	31		9,839,244	15
Other equity		6(17)						
3400	Other equity interest		(	398,859)	-		171,589	1
3XXX	Total equity			50,614,262	50		28,616,278	43
3X2X	Total liabilities and equity		\$	100,753,013	100	\$	67,189,777	100

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Lo, Chih-Hsien

President: Chen, Jui-Tang

Accounting Manager: Kuo, Ying-Chih

PRESIDENT CHAIN STORE CORP.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

		For the years ended December 31			
		2017		2016	
Items	Notes	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(18) and 7(3)	\$ 144,479,880	100	\$ 140,147,135	100
5000 Operating costs	6(21)(22) and 7(3)	(93,840,583)	(65)	(92,063,384)	(66)
5900 Gross profit		<u>50,639,297</u>	<u>35</u>	<u>48,083,751</u>	<u>34</u>
Operating expenses	6(21)(22)				
6100 Selling expenses		(39,193,337)	(27)	(36,979,166)	(26)
6200 General and administrative expenses		(5,199,235)	(4)	(4,431,009)	(3)
6000 Total operating expenses		<u>(44,392,572)</u>	<u>(31)</u>	<u>(41,410,175)</u>	<u>(29)</u>
6900 Operating profit		<u>6,246,725</u>	<u>4</u>	<u>6,673,576</u>	<u>5</u>
Non-operating income and expenses	7(3)				
7010 Other income	6(19)	1,374,192	1	1,162,568	1
7020 Other gains and losses	6(20)	1,979,764	1	8,939	-
7050 Finance costs		(30,491)	-	(30,755)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		<u>26,930,861</u>	<u>19</u>	<u>3,316,251</u>	<u>2</u>
7000 Total non-operating income and expenses		<u>30,254,326</u>	<u>21</u>	<u>4,439,125</u>	<u>3</u>
7900 Profit before income tax		<u>36,501,051</u>	<u>25</u>	<u>11,112,701</u>	<u>8</u>
7950 Income tax expense	6(23)	(5,483,957)	(4)	(1,276,011)	(1)
8200 Profit for the year		<u>\$ 31,017,094</u>	<u>21</u>	<u>\$ 9,836,690</u>	<u>7</u>
Other comprehensive loss	6(17)				
8311 Remeasurements of net actuarial loss on defined benefit plan		(\$ 180,212)	-	(\$ 202,180)	-
8330 Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(24,825)	-	(12,913)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	<u>30,636</u>	<u>-</u>	<u>34,371</u>	<u>-</u>
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		<u>(174,401)</u>	<u>-</u>	<u>(180,722)</u>	<u>-</u>
8361 Exchange differences from translation of foreign operations		(697,337)	-	(381,870)	-
8362 Unrealized gain (loss) on valuation of available-for-sale financial assets		152,186	-	(23,625)	-
8380 Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(19,014)	-	(12,315)	-
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(23)	<u>(6,283)</u>	<u>-</u>	<u>(3,137)</u>	<u>-</u>
8360 Components of other comprehensive loss that will be reclassified to profit or loss		<u>(570,448)</u>	<u>-</u>	<u>(420,947)</u>	<u>-</u>
8300 Total other comprehensive loss for the year		<u>(\$ 744,849)</u>	<u>-</u>	<u>(\$ 601,669)</u>	<u>-</u>
8500 Total comprehensive income for the year		<u>\$ 30,272,245</u>	<u>21</u>	<u>\$ 9,235,021</u>	<u>7</u>
9750 Basic earnings per share (in dollars)	6(24)	<u>\$ 29.83</u>		<u>\$ 9.46</u>	
9850 Diluted earnings per share (in dollars)	6(24)	<u>\$ 29.72</u>		<u>\$ 9.43</u>	

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Lo, Chih-Hsien

President: Chen, Jui-Tang

Accounting Manager: Kuo, Ying-Chih

PRESIDENT CHAIN STORE CORP.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

(Expressed in thousands of New Taiwan dollars)				Retained Earnings		Other Equity Interest		
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Exchange differences from translation of foreign operations	Unrealized gain or loss on available-for- sale financial assets	Total equity
<u>For the year ended December 31, 2016</u>								
Balance at January 1, 2016		\$ 10,396,223	\$ 7,733	\$ 7,384,165	\$ 8,733,029	\$ 209,326	\$ 383,210	\$ 27,113,686
Distribution of 2015 earnings:	6(16)							
Legal reserve		-	-	823,899	(823,899)	-	-	-
Cash dividends		-	-	-	(7,485,280)	-	-	(7,485,280)
Acquisition of additional equity interest in a subsidiary	6(27)	-	(6,554)	-	(240,574)	-	-	(247,128)
Adjustment of capital surplus due to associates' adjustment of capital surplus		-	(21)	-	-	-	-	(21)
Profit for the year		-	-	-	9,836,690	-	-	9,836,690
Other comprehensive loss for the year	6(17)	-	-	-	(180,722)	(395,554)	(25,393)	(601,669)
Balance at December 31, 2016		<u>\$ 10,396,223</u>	<u>\$ 1,158</u>	<u>\$ 8,208,064</u>	<u>\$ 9,839,244</u>	<u>(\$ 186,228)</u>	<u>\$ 357,817</u>	<u>\$ 28,616,278</u>
<u>For the year ended December 31, 2017</u>								
Balance at January 1, 2017		\$ 10,396,223	\$ 1,158	\$ 8,208,064	\$ 9,839,244	(\$ 186,228)	\$ 357,817	\$ 28,616,278
Distribution of 2016 earnings:	6(16)							
Legal reserve		-	-	983,669	(983,669)	-	-	-
Cash dividends		-	-	-	(8,316,978)	-	-	(8,316,978)
Profit for the year		-	-	-	31,017,094	-	-	31,017,094
Other comprehensive income (loss) for the year	6(17)	-	-	-	(174,401)	(720,080)	149,632	(744,849)
Adjustment of capital surplus due to associates' adjustment of capital surplus		-	(164)	-	-	-	-	(164)
Adjustment to capital surplus due to non-proportional investment accounted for using equity method		-	42,881	-	-	-	-	42,881
Balance at December 31, 2017		<u>\$ 10,396,223</u>	<u>\$ 43,875</u>	<u>\$ 9,191,733</u>	<u>\$ 31,381,290</u>	<u>(\$ 906,308)</u>	<u>\$ 507,449</u>	<u>\$ 50,614,262</u>

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Lo, Chih-Hsien

President: Chen, Jui-Tang

Accounting Manager: Kuo, Ying-Chih

PRESIDENT CHAIN STORE CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31	
	Notes	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before income tax for the year		\$ 36,501,051	\$ 11,112,701
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Provision for doubtful accounts	6(2)	422	8,798
Depreciation on property, plant and equipment	6(7)(21)	1,936,919	2,109,877
Amortization	6(9)(21)	99,475	96,858
Finance costs		30,491	30,755
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(26,930,861)	(3,316,251)
Depreciation on investment property	6(8)	7,414	7,908
Gain on disposal of investments accounted for using equity	6(6)(20)	(2,099,503)	-
Interest income	6(19)	(104,826)	(98,695)
Dividend income	6(19)	(17,311)	(26,669)
Impairment loss on property, plant and equipment	6(7)	10,110	68,099
Impairment loss on investment property	6(8)	3,813	-
Loss on disposal of property, plant and equipment, net	6(20)	14,868	14,157
Gain on disposal of investments in subsidiaries	6(20)	-	(114,212)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		-	4,400,000
Accounts receivable	(	87,903)	(47,344)
Other receivables	(	834,668)	(380,864)
Inventory	(	1,190,980)	(125,298)
Prepayments	(	71,222)	(6,684)
Other current assets	(	24,690)	(388,422)
Other non-current assets		75,819	(147,507)
Net changes in liabilities relating to operating activities			
Notes payable		106,249	1,256,853
Accounts payable	(	446,872)	508,735
Other payables		3,824,312	1,784,823
Advance receipts		38,009	452,537
Net defined benefit liability - non-current	(	11,581)	(29,609)
Other non-current liabilities	(	147,704)	13,752
Cash generated from operations		10,680,831	17,434,894
Interest received		104,826	84,855
Income tax paid	6(23)	(1,109,634)	(1,360,880)
Interest paid	(	20,645)	(21,311)
Dividends received		2,003,782	1,364,693
Net cash provided by operating activities		11,659,160	17,502,251

(Continued)

PRESIDENT CHAIN STORE CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	<u>For the years ended December 31</u>	
		<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for using equity method	6(6)	(\$ 1,065,434)	(\$ 1,143,181)
Return of capital from available-for-sale financial assets - non-current		116	151
Acquisition of property, plant and equipment	6(26)	(2,279,236)	(1,859,540)
Proceeds from disposal of property, plant and equipment		44,579	77,838
Acquisition of intangible assets	6(9)	(33,020)	-
Proceeds from disposal of investments in subsidiaries	6(6)	<u>-</u>	<u>238,032</u>
Net cash used in investing activities		(<u>3,332,995</u>)	(<u>2,686,700</u>)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payment of cash dividends	6(16)	(8,316,978)	(7,485,280)
Increase in guarantee deposit received		<u>121,625</u>	<u>122,841</u>
Net cash flows used in financing activities		(<u>8,195,353</u>)	(<u>7,362,439</u>)
Increase in cash and cash equivalents		130,812	7,453,112
Cash and cash equivalents at beginning of year		<u>22,292,169</u>	<u>14,839,057</u>
Cash and cash equivalents at end of year		<u>\$ 22,422,981</u>	<u>\$ 22,292,169</u>

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Lo, Chih-Hsien

President: Chen, Jui-Tang

Accounting Manager: Kuo, Ying-Chih

PRESIDENT CHAIN STORE CORP.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED 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 Company is primarily engaged in the investment and operation of convenience store chains. Business items included sales of food, beverages, coffee, daily commodities of cosmetics and health care products. The common shares of the Company have been listed on the Taiwan Stock Exchange since August 22, 1997.
- (2) The Group’s ultimate parent company is Uni-President Enterprises Corp., which holds 45.4% equity interest in the Company.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
IFRIC 21, ‘Levies’	January 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 Company's financial condition and financial performance based on the Company'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 Company's financial condition and operating results based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity

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

- (b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses (‘ECL’) or lifetime expected credit losses ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- C. When adopting the new standards endorsed by the FSC effective from 2018, the Company will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Company expects to adopt IFRS 15 using the modified retrospective approach. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

Balance sheet	2017 version	Effect of	2018 version	
<u>Affected items</u>	<u>IFRSs amount</u>	<u>adoption of</u>	<u>IFRSs amount</u>	<u>Remark</u>
<u>January 1, 2018</u>				
Accounts receivable, net	\$ 600,671	\$ 327	\$ 600,998	(a)
Other current assets	39,088,330	-	39,088,330	
Financial assets at fair value through profit or loss				
- non-current	-	85,833	85,833	(b)
Financial assets at fair value through other comprehensive income - non-current	-	788,463	788,463	(c)
Available-for-sale financial assets - non-current	848,575	(848,575)	-	(b)(c)
Financial assets at cost				
- non-current	25,721	(25,721)	-	(b)
Investments accounted for using equity method	47,983,892	(3,990)	47,979,902	(d)
Other non-current assets	<u>12,205,824</u>	<u>-</u>	<u>12,205,824</u>	
Total affected assets	<u>\$ 100,753,013</u>	<u>(\$ 3,663)</u>	<u>\$ 100,749,350</u>	

Balance sheet		Effect of		
<u>Affected items</u>	<u>2017 version</u>	<u>adoption of</u>	<u>2018 version</u>	<u>Remark</u>
	<u>IFRSs amount</u>	<u>new standards</u>	<u>IFRSs amount</u>	
<u>January 1, 2018</u>				
Advance receipts	\$ 2,459,527	(\$ 2,393,630)	\$ 65,897	(e)
Contract liabilities - current	-	2,393,630	2,393,630	(e)
Refund liabilities	-	327	327	(a)
Other current liabilities	38,501,187	-	38,501,187	
Contract liabilities - non-current	-	150,611	150,611	(e)
Other non-current liabilities	<u>9,178,037</u>	<u>(150,611)</u>	<u>9,027,426</u>	(e)
Total affected liabilities	<u>50,138,751</u>	<u>327</u>	<u>50,139,078</u>	
Share capital	10,396,223	-	10,396,223	
Capital surplus	43,875	-	43,875	
Retained earnings	40,573,023	25,463	40,598,486	(b)(d)
Other equity interest	<u>(398,859)</u>	<u>(29,453)</u>	<u>(428,312)</u>	(b)(d)
Total affected equity	<u>50,614,262</u>	<u>(3,990)</u>	<u>50,610,272</u>	
Total affected liabilities and equity	<u>\$ 100,753,013</u>	<u>(\$ 3,663)</u>	<u>\$ 100,749,350</u>	

Explanation:

- (a) Under IFRS 15, if the customer returns a product, the Company is obliged to refund the purchase price. Therefore, a gross contract liability (refund liability) for the expected refunds to customers is recognized as adjustment to revenue. At the same time, the Company has a right to recover the product from the customer where the customer exercises his right of return and recognizes an asset and a corresponding adjustment to cost of sales. The asset is measured by reference to the former carrying amount of the product as the products are not material.
Liabilities in relation to expected sales discounts and allowances were previously presented as accounts receivable - allowance for sales discounts in the balance sheet. As a result of these changes in accounting policies, accounts receivable will have to be increased by \$327, and refund liability increased by \$327 on January 1, 2018.
- (b) In accordance with IFRS 9, the Company expects to reclassify available-for-sale financial assets and financial assets at cost in the amounts of \$60,112 and \$25,721, respectively, by increasing financial assets at fair value through profit or loss and retained earnings in the amounts of \$85,833 and \$22,498, respectively and decreasing other equity interest in the amount of \$22,498.
- (c) In accordance with IFRS 9, the Company expects to reclassify available-for-sale financial assets in the amount of \$788,463 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 \$788,463.
- (d) The Company's investee accounted for using equity method expects to make certain reclassifications in accordance with IFRS 9. Accordingly, the Company expects to decrease investments accounted for using equity method and other equity interest in the amounts of \$3,990 and \$6,955, respectively and increase retained earnings in the amount of \$2,965 on January 1, 2018.

(e) Presentation of contract assets and contract liabilities

In line with IFRS 15 requirements, the Company 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 receipts in the balance sheet. As of January 1, 2018, the balance would amount to \$2,393,630.
- (ii) Under IFRS 15, liabilities in relation to the customer loyalty program are recognized as contract liabilities, but were previously presented as deferred revenue in the balance sheet. As of January 1, 2018, the balance would amount to \$150,611.

(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, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and jointly

arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(4) Classification of current and non-current items

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

classification.

(5) Cash equivalents

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

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

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

(7) Available-for-sale financial assets

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

(8) Loans and receivables

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

(9) Impairment of financial assets

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

impairment loss is as follows:

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

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

- (a) Financial assets measured at amortized cost

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

- (b) Financial assets measured at cost

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

- (c) Available-for-sale financial assets

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

(10) Leases (lessor)

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

(11) Inventories

- A. Purchases are initially recorded at cost. Cost is determined using the retail inventory method.
- B. Ending inventories are stated at the lower of cost and net realizable value, and the item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of

completion and applicable variable selling expenses.

(12) Investments accounted for using equity method – subsidiaries, associates and joint ventures

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owner. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

- I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- K. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- L. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- M. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- N. The Company accounts for its interest in a joint venture using equity method. Unrealized profits and losses arising from the transactions between the Company and its joint venture are eliminated to the extent of the Company's interest in the joint venture. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. However, when the transaction provides evidence of a reduction in the net realizable value of current assets or an impairment loss, all such losses shall be recognized immediately. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.
- O. According to "Rules Governing the Preparation of Financial Statements by Securities Issuers", profit for the year and other comprehensive income for the year reported in the parent company only financial statements, shall be equal to profit for the year and other comprehensive income attributable to owners of the parent reported in the consolidated financial statements, equity reported in the parent company only financial statements shall be equal to equity attributable to owners of parent reported in the consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment are measured subsequently using the cost model. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	50 years
Office equipment	4~7 years
Leasehold improvements	7 years

(14) Leases (Lessee)

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

(15) Investment property

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

(16) Intangible assets

Computer software and copyright are stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 15 years.

(17) Impairment of non-financial assets

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

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

(18) Notes and accounts payable

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.

(19) Provisions

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

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

currency and term of the employment benefit obligations.

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

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

C. Termination benefits

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

D. Employees', directors' and supervisors' remuneration

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

(21) Income tax

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

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(22) Revenue recognition

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

(23) Business Combination

- A. The Company 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 Company 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.

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash on hand and petty cash	\$ 1,310,407	\$ 1,422,430
Checking accounts and demand deposits	9,543,575	4,703,621
Cash equivalents		
Time deposits	6,380,000	9,880,000
Short-term financial instruments	<u>5,188,999</u>	<u>6,286,118</u>
	<u>\$ 22,422,981</u>	<u>\$ 22,292,169</u>

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

B. The Company has no cash and cash equivalents pledged to others.

(2) Accounts receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable	\$ 607,324	\$ 588,264
Less: Allowance for sales returns and discounts	(327)	(788)
Allowance for doubtful accounts	<u>(6,326)</u>	<u>(74,286)</u>
	<u>\$ 600,671</u>	<u>\$ 513,190</u>

A. The sales revenue of the Company is mainly received in the form of cash. Accounts receivable mainly consist of payments due from banks and operating income from department stores.

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

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

(a) As of December 31, 2017 and 2016, the Company's accounts receivable that were impaired amounted to \$6,326 and \$74,286, respectively.

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

	<u>For the year ended December 31, 2017</u>	<u>For the year ended December 31, 2016</u>
At January 1	\$ 74,286	\$ 66,434
Provision for impairment	422	8,798
Factoring or write-offs during the year	<u>(68,382)</u>	<u>(946)</u>
At December 31	<u>\$ 6,326</u>	<u>\$ 74,286</u>

(3) Inventories

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 7,220,698	(\$ 25,991)	\$ 7,194,707
	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 6,049,780	(\$ 46,053)	\$ 6,003,727

The cost of inventories recognized as expense:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Cost of goods sold	\$ 92,101,994	\$ 90,467,007
Gain on valuation of inventory	(20,062)	(38,427)
Spoilage	1,540,954	1,424,661
Others	217,697	210,143
	<u>\$ 93,840,583</u>	<u>\$ 92,063,384</u>

The Company reversed a previous inventory write-down because the Company sold certain inventories which were previously provided with allowance during the years ended December 31, 2017 and 2016, respectively.

(4) 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
Subtotal	307,569	307,685
Valuation adjustment	541,006	388,820
	<u>\$ 848,575</u>	<u>\$ 696,505</u>

The Company recognized \$152,186 and (\$23,625) in other comprehensive income (loss) in relation to fair value changes for the years ended December 31, 2017 and 2016, respectively.

(5) Financial assets measured at cost - non-current

	December 31, 2017	December 31, 2016
Unlisted stocks	\$ 237,399	\$ 237,399
Accumulated impairment	(211,678)	(211,678)
	<u>\$ 25,721</u>	<u>\$ 25,721</u>

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

B. As of December 31, 2017 and 2016, no financial assets measured at cost held by the Company were pledged to others.

(6) Investments accounted for using the equity method

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
At January 1	\$ 22,286,379	\$ 19,943,038
Addition of investments accounted for using equity method	6,391,743	1,143,181
Disposal of investments accounted for using equity method	- (	123,820)
Share of profit or loss of investment accounted for using equity method	26,930,861	3,316,251
Earnings distribution of investment accounted for using equity method	(6,926,632)	(1,338,024)
Changes in other equity items	(741,176)	(407,098)
Changes in other items	<u>42,717</u>	<u>(247,149)</u>
At December 31	<u>\$ 47,983,892</u>	<u>\$ 22,286,379</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Subsidiaries</u>		
President Chain Store (BVI) Holdings Ltd.	\$ 24,607,905	\$ 5,053,883
President Starbucks Coffee Corp.	5,809,284	-
President Transnet Corp.	1,438,218	1,454,357
President Drugstore Business Corp.	1,419,062	1,051,796
President Pharmaceutical Corp.	728,214	656,852
Mech-President Corp.	681,820	680,703
Uni-President Cold-Chain Corp.	617,057	615,562
Uni-President Department Store Corp.	530,833	462,771
President Information Corp.	506,567	527,301
Uni-President Superior Commissary Corp.	456,939	434,869
Wisdom Distribution Service Corp.	433,012	354,821
Books.com. Co., Ltd.	420,255	387,436
Q-ware Systems & Services Corp.	356,381	341,897
ICASH Corp.	352,272	369,989
President Yilan Art and Culture Corp.	231,906	235,650
Duskin Serve Taiwan Co.	197,140	186,682
Retail Support International Corp.	195,525	164,723
President Collect Services Co., Ltd., etc.	<u>345,780</u>	<u>234,082</u>
	<u>39,328,170</u>	<u>13,213,374</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Associates</u>		
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
President Organics Corp., etc.	<u>64,989</u>	<u>61,403</u>
	<u>8,558,490</u>	<u>8,531,031</u>

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<u>Joint ventures</u>		
President Starbucks Coffee Corp.	-	450,659
Mister Donut Taiwan Co., Ltd.	<u>97,232</u>	<u>91,315</u>
	<u>97,232</u>	<u>541,974</u>
	<u>\$ 47,983,892</u>	<u>\$ 22,286,379</u>

A. Information about the subsidiaries of the Company is provided in Note 4(3), "Basis of preparation" of the consolidated financial statements as of and for the year ended December 31, 2017.

B. The Company originally held 30% shares of its joint venture using the equity method - President Starbucks Coffee Corp. In December 2017, the Company 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..

(a) The acquisition of additional shares in President Starbucks Coffee Corp. was in accordance with International Financial Reporting Standards ("IFRS") 3 "Business Combinations". The Company recognized a gain of \$2,099,503 (shown as 'gain on disposal of investments') as a result of measuring at fair value its 30% equity interest in President Starbucks Coffee Corp. held before the business combination. Please refer to Note 6(20).

(b) For others information, please refer to Note 6(31) Business combinations to the consolidated financial statements.

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

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

	<u>For the year ended December 31, 2017</u>	<u>For the year ended December 31, 2016</u>
Total comprehensive income	<u>\$ 368,535</u>	<u>\$ 260,024</u>

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

	<u>For the year ended December 31, 2017</u>	<u>For the year ended December 31, 2016</u>
Total comprehensive income	<u>\$ 252,743</u>	<u>\$ 242,503</u>

D. No impairment loss was recognized on investments accounted for using equity method for the years ended December 31, 2017 and 2016, respectively.

(7) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2017</u>						
Cost	\$ 1,535,401	\$ 969,608	\$ 12,633,382	\$ 7,381,536	\$ 9,529	\$ 22,529,456
Accumulated depreciation and impairment	(16,520)	(295,688)	(8,668,206)	(4,932,724)	(7,623)	(13,920,761)
	<u>\$ 1,518,881</u>	<u>\$ 673,920</u>	<u>\$ 3,965,176</u>	<u>\$ 2,448,812</u>	<u>\$ 1,906</u>	<u>\$ 8,608,695</u>
<u>2017</u>						
Opening net book amount as of January 1	\$ 1,518,881	\$ 673,920	\$ 3,965,176	\$ 2,448,812	\$ 1,906	\$ 8,608,695
Additions	-	-	1,464,557	834,505	-	2,299,062
Disposals	-	-	(18,504)	(40,943)	-	(59,447)
Transfer	28,822	3,393	116	12,847	-	45,178
Depreciation charge	-	(19,604)	(1,322,405)	(594,281)	(629)	(1,936,919)
Impairment loss and reversal of impairment loss	153	(11,122)	7,252	(6,393)	-	(10,110)
Closing net book amount as of December 31	<u>\$ 1,547,856</u>	<u>\$ 646,587</u>	<u>\$ 4,096,192</u>	<u>\$ 2,654,547</u>	<u>\$ 1,277</u>	<u>\$ 8,946,459</u>
<u>At December 31, 2017</u>						
Cost	\$ 1,564,223	\$ 973,001	\$ 13,119,148	\$ 7,789,418	\$ 9,529	\$ 23,455,319
Accumulated depreciation and impairment	(16,367)	(326,414)	(9,022,956)	(5,134,871)	(8,252)	(14,508,860)
	<u>\$ 1,547,856</u>	<u>\$ 646,587</u>	<u>\$ 4,096,192</u>	<u>\$ 2,654,547</u>	<u>\$ 1,277</u>	<u>\$ 8,946,459</u>

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2016</u>						
Cost	\$ 1,535,401	\$ 946,371	\$ 12,442,240	\$ 7,149,307	\$ 9,192	\$ 22,082,511
Accumulated depreciation and impairment	<u>-</u>	<u>(278,279)</u>	<u>(8,110,124)</u>	<u>(4,733,283)</u>	<u>(7,274)</u>	<u>(13,128,960)</u>
	<u>\$ 1,535,401</u>	<u>\$ 668,092</u>	<u>\$ 4,332,116</u>	<u>\$ 2,416,024</u>	<u>\$ 1,918</u>	<u>\$ 8,953,551</u>
<u>2016</u>						
Opening net book amount as of January 1	\$ 1,535,401	\$ 668,092	\$ 4,332,116	\$ 2,416,024	\$ 1,918	\$ 8,953,551
Additions	-	-	1,116,254	768,439	-	1,884,693
Disposals	-	(12,462)	(22,379)	(57,154)	-	(91,995)
Transfer	-	39,679	-	-	743	40,422
Depreciation charge	-	(19,940)	(1,410,685)	(678,497)	(755)	(2,109,877)
Impairment loss and reversal of impairment loss	<u>(16,520)</u>	<u>(1,449)</u>	<u>(50,130)</u>	<u>-</u>	<u>-</u>	<u>(68,099)</u>
Closing net book amount as of December 31	<u>\$ 1,518,881</u>	<u>\$ 673,920</u>	<u>\$ 3,965,176</u>	<u>\$ 2,448,812</u>	<u>\$ 1,906</u>	<u>\$ 8,608,695</u>
<u>At December 31, 2016</u>						
Cost	\$ 1,535,401	\$ 969,608	\$ 12,633,382	\$ 7,381,536	\$ 9,529	\$ 22,529,456
Accumulated depreciation and impairment	<u>(16,520)</u>	<u>(295,688)</u>	<u>(8,668,206)</u>	<u>(4,932,724)</u>	<u>(7,623)</u>	<u>(13,920,761)</u>
	<u>\$ 1,518,881</u>	<u>\$ 673,920</u>	<u>\$ 3,965,176</u>	<u>\$ 2,448,812</u>	<u>\$ 1,906</u>	<u>\$ 8,608,695</u>

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

(8) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>2017</u>			
January 1, 2017	\$ 805,515	\$ 222,862	\$ 1,028,377
Additions	132,700	15,619	148,319
Transfer	28,047	3,303	31,350
Depreciation charge	-	(7,414)	(7,414)
Impairment loss	(3,479)	(334)	(3,813)
December 31, 2017	<u>\$ 962,783</u>	<u>\$ 234,036</u>	<u>\$ 1,196,819</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>2016</u>			
January 1, 2016	\$ 805,515	\$ 270,449	\$ 1,075,964
Reclassification	-	(39,679)	(39,679)
Depreciation charge	-	(7,908)	(7,908)
December 31, 2016	<u>\$ 805,515</u>	<u>\$ 222,862</u>	<u>\$ 1,028,377</u>

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

	<u>For the year ended December 31, 2017</u>	<u>For the year ended December 31, 2016</u>
Rental income from investment property	<u>\$ 54,704</u>	<u>\$ 56,000</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 8,566</u>	<u>\$ 8,232</u>

B. The fair value of the investment property held by the Company as at December 31, 2017 and 2016 ranged from \$2,601,540 to \$2,875,538, which was assessed based on recent settlement prices of similar and comparable properties, as well as the reports of independent appraisers.

(9) Intangible assets

	<u>Software and copyright</u>
<u>2017</u>	
January 1, 2017	\$ 278,320
Additions	33,020
Amortization	(99,475)
December 31, 2017	<u>\$ 211,865</u>
<u>2016</u>	<u>Software and copyright</u>
January 1, 2016	\$ 356,179
Additions	18,999
Amortization	(96,858)
December 31, 2016	<u>\$ 278,320</u>

Amortization on intangible assets are recognized as operating expenses.

(10) Other non-current assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Guarantee deposits paid	\$ 1,174,967	\$ 1,142,237
Others	<u>1,755</u>	<u>110,304</u>
	<u>\$ 1,176,722</u>	<u>\$ 1,252,541</u>

(11) Other payables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Store collections	\$ 11,947,975	\$ 9,591,133
Payables for equity investments (See Note 6(6)B)	3,226,806	-
Wages, salaries and bonus payable	2,154,349	2,047,111
Employees' compensation and remuneration for directors and supervisors	1,534,216	687,907
Incentive bonus payable to franchisees	931,016	853,448
Rent payable	484,075	482,586
Payables for acquisition of property, plant and equipment	407,065	387,239
Payables for system development and maintenance expenses	254,803	86,061
Payables for labor and health insurance	67,579	63,447
Others	<u>1,278,880</u>	<u>1,007,042</u>
	<u>\$ 22,286,764</u>	<u>\$ 15,205,974</u>

(12) Advance receipts

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Advance receipts for gift certificates	\$ 1,240,616	\$ 1,200,808
Advance receipts for gift cards	737,431	697,721
Advance receipts for franchise fee	231,312	233,901
Others	<u>250,168</u>	<u>289,088</u>
	<u>\$ 2,459,527</u>	<u>\$ 2,421,518</u>

(13) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 4.51% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method

of the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	(\$ 4,248,125)	(\$ 4,043,240)
Fair value of plan assets	<u>1,405,745</u>	<u>1,369,491</u>
Net defined benefit liability	<u>(\$ 2,842,380)</u>	<u>(\$ 2,673,749)</u>

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

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>For the year ended December 31, 2017</u>			
Balance at January 1	(\$ 4,043,240)	\$ 1,369,491	(\$ 2,673,749)
Current service cost	(46,902)	-	(46,902)
Past service cost	(519)	-	(519)
Interest (expense) income	(60,035)	<u>20,576</u>	(39,459)
	(4,150,696)	<u>1,390,067</u>	(2,760,629)
Remeasurements:			
Return on plan assets	-	(7,147)	(7,147)
Change in demographic assumptions	(4,556)	-	(4,556)
Change in financial assumptions	(133,625)	-	(133,625)
Experience adjustments	(34,884)	-	(34,884)
	(173,065)	(7,147)	(180,212)
Pension fund contribution	-	86,263	86,263
Paid pension	<u>75,636</u>	(63,438)	<u>12,198</u>
Balance at December 31	<u>(\$ 4,248,125)</u>	<u>\$ 1,405,745</u>	<u>(\$ 2,842,380)</u>

	<u>Present value of defined benefit obligation</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	(\$ 3,858,181)	\$ 1,357,003	(\$ 2,501,178)
Current service cost	(48,307)	-	(48,307)
Past service cost	(1,095)	-	(1,095)
Interest (expense) income	(57,240)	20,361	(36,879)
	(3,964,823)	1,377,364	(2,587,459)
Remeasurements:			
Return on plan assets	-	(10,789)	(10,789)
Change in demographic assumptions	(7,231)	-	(7,231)
Change in financial assumptions	(128,291)	-	(128,291)
Experience adjustments	(55,869)	-	(55,869)
	(191,391)	(10,789)	(202,180)
Pension fund contribution	-	86,219	86,219
Paid pension	112,974	(83,303)	29,671
Balance at December 31	(\$ 4,043,240)	\$ 1,369,491	(\$ 2,673,749)

- (c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 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 December 31, 2017	For the year ended December 31, 2016
Discount rate	<u>1.25%</u>	<u>1.50%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</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 is as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	(\$ <u>133,587</u>)	\$ <u>139,547</u>	\$ <u>136,524</u>	(\$ <u>131,421</u>)
	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>

December 31, 2016

Effect on present value of defined benefit obligation	(\$ <u>130,456</u>)	\$ <u>136,403</u>	\$ <u>133,804</u>	(\$ <u>128,673</u>)
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The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remained unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The method and assumption used in the current sensitivity analysis are the same as prior year.

(e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2018 are \$77,528.

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

Within 1 year	\$ 85,334
1-2 year(s)	113,973
2-5 years	408,284
Over 5 years	<u>4,363,505</u>
	<u>\$ 4,971,096</u>

- B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the Company’s defined contribution pension plan for the years ended December 31, 2017 and 2016 were \$189,546 and \$185,158, respectively.

(14) 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 2016.

(15) Capital surplus

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

(16) Retained earnings

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

D. The appropriations for 2016 and 2015 were resolved by the shareholders on June 13, 2017 and June 15, 2016, respectively, as follows:

	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 983,669		\$ 823,899	
Cash dividends - retained earnings	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 is as follows:

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

F. Information about employees' compensation and directors' and supervisors' remuneration is provided in Note 6(22).

(17) Other equity items

	For the year ended December 31, 2017		
	Exchange differences from translation of foreign operations	Unrealized gains/(losses) on available-for-sale financial assets	Total
At January 1, 2017	(\$ 186,228)	\$ 357,817	\$ 171,589
Revaluation:			
–The Company	-	152,186	152,186
–Subsidiaries	- (933)	(933)	(933)
–Associates	-	4,662	4,662
–Revaluation - tax	- (6,283)	(6,283)	(6,283)
Currency translation differences:			
–The Company	(697,337)	- (697,337)	(697,337)
–Subsidiaries	(2,361)	- (2,361)	(2,361)
–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 <u>foreign operations</u>	Unrealized gains/(losses) on available-for-sale <u>financial assets</u>	<u>Total</u>
At January 1, 2016	\$ 209,326	\$ 383,210	\$ 592,536
Revaluation:			
–The Company	- (	23,625)	(23,625)
–Subsidiaries	-	30	30
–Associates	-	1,339	1,339
–Revaluation - tax	- (	3,137)	(3,137)
Currency translation differences:			
–The Company	(381,870)	- (	381,870)
–Subsidiaries	(9,883)	- (	9,883)
–Associates	(3,801)	- (	3,801)
At December 31, 2016	<u>(\$ 186,228)</u>	<u>\$ 357,817</u>	<u>\$ 171,589</u>

(18) Operating revenue

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Sales revenue	\$ 135,032,826	\$ 132,628,763
Other operating revenue	<u>9,447,054</u>	<u>7,518,372</u>
	<u>\$ 144,479,880</u>	<u>\$ 140,147,135</u>

(19) Other income

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Grants income	\$ 480,437	\$ 485,198
Dividend income	17,311	26,669
Rental revenue	76,794	74,533
Interest income	104,826	98,695
Other income	<u>694,824</u>	<u>477,473</u>
	<u>\$ 1,374,192</u>	<u>\$ 1,162,568</u>

(20) Other gains and losses

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Impairment loss	(\$ 13,923)	(\$ 68,099)
Gain on disposal of investments (See Note 6(6)B)	2,100,386	121,440
Loss on disposal of property, plant and equipment	(14,868)	(14,157)
Others	(91,831)	(48,123)
	<u>\$ 1,979,764</u>	<u>(\$ 8,939)</u>

(21) 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	\$ 92,081,932	\$ 90,428,580
Incentive bonuses for franchisees	19,604,749	18,106,047
Employee benefit expense	7,841,832	6,882,169
Operating lease payments	6,376,434	6,120,667
Utilities expense	2,172,928	2,201,934
Depreciation and amortization	2,036,394	2,206,735
Other costs and expenses	<u>8,118,886</u>	<u>7,527,427</u>
Total operating costs and operating expenses	<u>\$ 138,233,155</u>	<u>\$ 133,473,559</u>

(22) Employee benefit expense

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Wages and salaries	\$ 6,789,931	\$ 5,883,514
Labor and health insurance fees	437,886	386,467
Pension costs	276,426	271,439
Other personnel expenses	<u>337,589</u>	<u>340,749</u>
	<u>\$ 7,841,832</u>	<u>\$ 6,882,169</u>

Note: As of December 31, 2017 and 2016, the Company had 7,877 and 8,200 employees (including part-timers), respectively.

- A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 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 as resolved by the Board of Directors were \$985,057 and \$549,159, respectively, 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 will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) 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	\$ 2,123,673	\$ 1,303,929
Tax on undistributed surplus earnings	35,532	-
Under (over) provision of prior year's income tax	<u>6,430</u>	<u>(10,166)</u>
Total current tax	2,165,635	1,293,763
Deferred tax:		
Origination and reversal of temporary differences	<u>3,318,322</u>	<u>(17,752)</u>
Income tax expense	<u>\$ 5,483,957</u>	<u>\$ 1,276,011</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	<u>(30,636)</u>	<u>(34,371)</u>
	<u>(\$ 24,353)</u>	<u>(\$ 31,234)</u>

B. Reconciliation between income tax expense and accounting profit

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 6,205,179	\$ 1,889,159
Expenses disallowed by tax regulation	(159,717)	(169,228)
Capital reduction plan to offset accumulated deficit by subsidiaries	(151,165)	(14,670)
Tax on profit for using equity method by domestic subsidiaries	(452,152)	(417,855)
Additional 10% tax on undistributed earnings	35,532	-
Under (over) provision of prior year's income tax	6,430	(10,166)
Investment tax credits	(150)	(1,229)
Income tax expense	<u>\$ 5,483,957</u>	<u>\$ 1,276,011</u>

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

	<u>2017</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
<u>Deferred tax assets:</u>				
Allowance for doubtful accounts	\$ 12,555	(\$ 11,553)	\$ -	\$ 1,002
Unrealized sales allowance	134	(78)	-	56
Unrealized expenses	131,706	7,597	-	139,303
Deferred revenues	13,678	12,086	-	25,764
Remeasurements of defined benefit obligation	408,020	-	30,636	438,656
Others	<u>38,158</u>	<u>18,506</u>	<u>12,514</u>	<u>69,178</u>
	<u>604,251</u>	<u>26,558</u>	<u>43,150</u>	<u>673,959</u>
<u>Deferred tax liabilities</u>				
Unrealized gain	(\$ 9,413)	\$ -	(\$ 18,797)	(\$ 28,210)
Foreign investment income	<u>-</u>	<u>(3,344,880)</u>	<u>-</u>	<u>(3,344,880)</u>
	<u>(9,413)</u>	<u>(3,344,880)</u>	<u>(18,797)</u>	<u>(3,373,090)</u>
	<u>\$ 594,838</u>	<u>(\$ 3,318,322)</u>	<u>\$ 24,353</u>	<u>(\$ 2,699,131)</u>

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

- D. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.
- E. All unappropriated earnings were generated on and after January 1, 1998.
- F. The balance of the imputation tax credit account was \$748,620 and \$1,125,612 as of December 31, 2017 and 2016, respectively. The creditable tax rate was 20.73% for 2016.

(24) 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)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 31,017,094	1,039,622	\$ 29.83
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 31,017,094	1,039,622	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	3,848	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 31,017,094	1,043,470	\$ 29.72

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

(25) Operating leases

Lessor

- A. The Company leases its investment property and shopping centres to others under operating lease agreements on terms between 2 and 12 years. The future aggregate minimum lease payments receivable under non-cancellable operating leases 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>
Less than one year	\$ 58,193	\$ 49,581
Over one year but less than five years	225,428	121,296
Over five years	30,324	60,648
	<u>\$ 313,945</u>	<u>\$ 231,525</u>

Lessee

- A. The Company leases business premises for its stores. The lease terms are between 1 and 10 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:

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Rental expenses	\$ <u>6,138,050</u>	\$ <u>5,987,155</u>
Contingent rents	\$ <u>238,384</u>	\$ <u>133,512</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	\$ 6,014,560	\$ 5,812,473
Over one year but less than five years	20,158,903	19,571,965
Over five years	<u>9,999,009</u>	<u>9,450,914</u>
	<u>\$ 36,172,472</u>	<u>\$ 34,835,352</u>

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

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Sublease revenues	\$ <u>149,827</u>	\$ <u>144,783</u>
Contingent rents	\$ <u>357,378</u>	\$ <u>342,356</u>

In accordance with non-cancellable sub-lease agreements as of December 31, 2017, sub-lease payments totalling \$353,424 are expected to be collected between 2018 and 2028.

(26) Supplemental cash flow information

Investing activities with partial cash payments

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Purchase of property, plant and equipment	\$ 2,299,062	\$ 1,884,693
Add: Opening balance of payable on equipment	387,239	362,086
Less: Ending balance of payable on equipment	(<u>407,065</u>)	(<u>387,239</u>)
Cash paid during the year	<u>\$ 2,279,236</u>	<u>\$ 1,859,540</u>

(27) Acquisition of additional equity interest in a subsidiary

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

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

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's 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 Company
Uni-President Enterprises Corp.	Ultimate parent company
21 Century Enterprise Co., Ltd.	Subsidiary
Books.com. Co., Ltd.	"
Capital Inventory Services Corp.	"
Duskin Serve Taiwan Co.	"
ICASH Corp.	"
President Chain Store (BVI) Holdings Ltd.	"
President Information Corp.	"
President Logistics International Corp.	"
Uni-President Superior Commissary Corp.	"
President Pharmaceutical Corp.	"
President Transnet Corp.	"
Retail Support International Corp.	"
Uni-President Cold-Chain Corp.	"
Vision Distribution Service Corp.	"
Q-ware Systems & Services Corp.	"
Wisdom Distribution Service Corp.	"
President Starbucks Coffee Corp.	Originally held 30% shares of President Starbucks Coffee Corp. in joint venture accounted for using the equity method. The Company acquired additional 30% shares of President Starbucks Coffee Corp., and accordingly, the latter was included as a subsidiary starting from December 2017. Please refer to Note 6(6).
Tung Ang Enterprises Corp.	Sister company
President Baseball Team Corp.	"
Presco Netmarketing Inc.	"

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Tait Marketing & Distribution Co., Ltd.	Sister company
President Packaging Ind. Corp.	"
Lien-Bo Enterprises Corp.	"
President Organics Corp.	Investee of the Company accounted for under the equity method
Mister Donut Taiwan Co., Ltd.	"
Kuang Chuan Dairy Co.,Ltd	Investee of ultimate parent company accounted for under the equity method
Wei Lih Food Industrial Co., Ltd.	"

(3) Significant related party transactions and balances

A. Operating revenue

	<u>For the year ended December 31, 2017</u>	<u>For the year ended December 31, 2016</u>
<u>Commission revenue from collection services</u>		
Subsidiaries	\$ 373,475	\$ 354,337
Sister companies	<u>2,763,654</u>	<u>1,726,494</u>
	<u>\$ 3,137,129</u>	<u>\$ 2,080,831</u>

B. Purchases (net of purchase rebate)

	<u>For the year ended December 31, 2017</u>	<u>For the year ended December 31, 2016</u>
Ultimate parent	\$ 14,628,726	\$ 14,236,472
Subsidiaries	4,835,388	4,832,433
Sister companies	3,389,670	3,784,582
Associates	259,831	260,990
Other related parties	<u>541,462</u>	<u>511,639</u>
	<u>\$ 23,655,077</u>	<u>\$ 23,626,116</u>

- (a) The purchases above is a net amount after deducting the replacement for defects and rebate.
- (b) The Company's purchases from the related parties are priced in accordance with the agreed terms that are generally not different from general vendors. The payment terms are net 10-60 days from the end of the month when invoice is issued and is generally not different from the general vendors.

C. Promotion income (recorded as deduction to “operating costs”)

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Ultimate parent	\$ 574,658	\$ 572,443
Subsidiaries	219,998	204,865
Sister companies	186,022	195,964
Associates	12,384	11,195
Other related parties	<u>56,619</u>	<u>42,714</u>
	<u>\$ 1,049,681</u>	<u>\$ 1,027,181</u>

The promotion income includes shelf display fee, advertising sponsorship and performance incentives, which are calculated and collected in a manner equivalent to the general suppliers.

D. Non-operating income

	For the year ended <u>December 31, 2017</u>	For the year ended <u>December 31, 2016</u>
Ultimate parent	\$ 30,115	\$ 29,309
Subsidiaries	856,266	780,116
Sister companies	4,181	7,285
Associates	19,084	55,466
Other related parties	<u>6</u>	<u>28</u>
	<u>\$ 909,652</u>	<u>\$ 872,204</u>

E. Receivables (payables) from related parties

<u>Other receivables</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Ultimate parent	\$ 72,563	\$ 54,954
Subsidiaries	6,475,700	1,010,251
Sister companies	71,301	51,507
Associates	<u>24,230</u>	<u>23,931</u>
	<u>\$ 6,643,794</u>	<u>\$ 1,140,643</u>
<u>Payables</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Ultimate parent	\$ 376,500	\$ 348,753
Subsidiaries	10,891,796	11,216,026
Sister companies	9,281	12,101
Associates	64,730	58,266
Other related parties	<u>8,569</u>	<u>1,473</u>
	<u>\$ 11,350,876</u>	<u>\$ 11,636,619</u>

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

(4) Key management compensation

	For the year ended December 31, 2017	For the year ended December 31, 2016
Other short-term employee benefits	\$ <u>659,498</u>	\$ <u>283,091</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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 Company, effective from January 1, 2018:

- (1) The Company's applicable income tax rate will be raised from 17% to 20%. The Company'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 Company's objectives in this area are to retain the confidence of investors and the market, to fund future capital expenditures and stable dividend flows for ordinary shares, and to maintain the most appropriate capital structure to maximize the equity interest of shareholders.

(2) Financial instruments

A. Fair value information of financial instruments

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

	<u>December 31, 2017</u>	
	<u>Book value</u>	<u>Fair value</u>
Financial assets:		
Financial assets measured at cost - non-current	\$ 25,721	\$ 25,721
Guarantee deposit paid	<u>1,174,967</u>	<u>1,161,218</u>
	<u>\$ 1,200,688</u>	<u>\$ 1,186,939</u>
Financial liabilities:		
Guarantee deposit received	<u>\$ 2,435,662</u>	<u>\$ 2,409,648</u>

	<u>December 31, 2016</u>	
	<u>Book value</u>	<u>Fair value</u>
Financial assets:		
Financial assets measured at cost - non-current	\$ 25,721	\$ 25,721
Guarantee deposit paid	<u>1,142,237</u>	<u>1,124,775</u>
	<u>\$ 1,167,958</u>	<u>\$ 1,150,496</u>
Financial liabilities:		
Guarantee deposit received	<u>\$ 2,314,037</u>	<u>\$ 2,288,865</u>

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

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

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

- i. The Company's businesses involve some non-functional currency operations. The assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

December 31, 2017			
(Foreign currency: functional currency)	Foreign currency		
	amount	Exchange	Book value
	<u>(In thousands)</u>	<u>rate</u>	<u>(NTD)</u>
<u>Financial assets</u>			
<u>Non-monetary items</u>			
JPY: NTD	\$ 891,900	0.2642	\$ 235,640
<u>Investments accounted for using equity method</u>			
USD: NTD	829,060	29.760	24,672,816
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 96,634	29.760	\$ 2,875,828
December 31, 2016			
(Foreign currency: functional currency)	Foreign currency		
	amount	Exchange	Book value
	<u>(In thousands)</u>	<u>rate</u>	<u>(NTD)</u>
<u>Financial assets</u>			
<u>Non-monetary items</u>			
JPY: NTD	\$ 720,900	0.2756	\$ 198,680
<u>Investments accounted for using equity method</u>			
USD: NTD	158,800	32.250	5,121,300

- ii. The total exchange gain (loss), including realized and unrealized gain (loss) from significant foreign exchange variation on the monetary items held by the Company amounted to (\$927) and (\$994) for the years ended December 31, 2017 and 2016, respectively.

Price risk

- i. The Company is exposed to price risk on its equity securities investments, which are classified on the parent company only balance sheet as either available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage price risk on its equity securities investments, the Company seeks to maintain diversified portfolio in line with set policy.
- ii. The Company's equity securities investments comprise domestic listed stocks. The prices of equity securities may change due to changes in the future value of investee companies. If the prices of these equity securities increase or decrease by 5%, with all other variables held constant, 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

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

(b) Credit risk

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

(c) Liquidity risk

- I. Cash flow forecasting is performed by the operating entities of the Company and aggregated by the Company's finance department. It monitors rolling forecasts of liquidity requirements to ensure the Company has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.
- II. The Company invests surplus cash in interest bearing current accounts, time deposits, money market fund and marketable securities, and chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the aforementioned forecasting. The Company didn't hold any money market funds as of December 31, 2017 and 2016, respectively.
- III. The Company has undrawn borrowing facilities beyond one year of \$7,932,175 and \$5,871,456 as of December 31, 2017 and 2016, respectively.
- IV. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
<u>December 31, 2017</u>				
Notes payable	\$ 5,739,310	\$ -	\$ -	\$ -
Accounts payable	8,761,922	-	-	-
Other payables	22,286,764	-	-	-

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
<u>December 31, 2016</u>				
Notes payable	\$ 5,633,061	\$ -	\$ -	\$ -
Accounts payable	9,208,794	-	-	-
Other payables	15,205,974	-	-	-

(3) Fair value information

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2). Details of the fair value of the Company's investment property measured at cost are provided in Note 6(8).

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

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

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

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

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

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	<u>\$ 784,115</u>	<u>\$ -</u>	<u>\$ 64,460</u>	<u>\$ 848,575</u>
<u>December 31, 2016</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	<u>\$ 631,928</u>	<u>\$ -</u>	<u>\$ 64,577</u>	<u>\$ 696,505</u>

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

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

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

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

E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

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

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

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

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

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 64,577	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value

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

None.

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 ended	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Footnote
					December 31, 2017	December 31, 2017							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				Footnote
				Number of shares	Book value (Note)	Ownership (%)	Fair value	
	Stock:							
President Chain Store Corp.	President Securities Corp.	Investees of Uni-President Enterprises Corp. under the equity method	Available-for-sale financial assets - non-current	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)

					Balance as at January 1, 2017		Addition		Disposal				Other increase (decrease)		Balance as at December 31, 2017	
Investor	Type and name of securities	General ledger account	Counterparty	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: 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 (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	\$ 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)

							Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term					
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	No significant differences	No significant differences	(\$ 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)

							Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term					
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	No significant differences	No significant differences	(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	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					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)

				Transaction			
							Percentage of consolidated total operating revenues or total assets
Number	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction terms	
0	President Chain Store Corp.	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)

				Transaction			
							Percentage of consolidated total operating revenues or total assets
Number	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction terms	
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			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
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.	Presicarre 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, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	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)	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	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	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	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	Note 1
Books.com. Co., Ltd.	Books.com. (BVI) Ltd.	British Virgin Islands	Professional investment	1,478	1,478	500	100.00	590	(4)	(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	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)	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	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	Subsidiary of a subsidiary
President Chain Store (BVI) Holdings Ltd.	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	Subsidiary of a subsidiary
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corp.	Philippines	Operation of chain stores	867,067	867,067	394,970,516	52.22	1,920,960	795,567	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	Subsidiary of a subsidiary
President Pharmaceutical Corp.	President Pharmaceutical (Hong Kong) Holdings Limited	Hong Kong	Sales of various health care products, cosmetics, and pharmaceuticals	89,415	89,415	3,000,000	100.00	8,532	(65,239)	(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	\$ -	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, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
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	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	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	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	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	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	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	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	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	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	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	
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Remitted to Mainland China								
													Remitted back to Taiwan
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 Yinzuo 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	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			
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

PRESIDENT CHAIN STORE CORP.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2017

Statement 1

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand and petty cash		\$ 1,310,407
Demand deposits and checking accounts		9,543,575
Cash equivalents		
Time deposits – New Taiwan dollar	Due dates are during January 2018 and June 2018, and interest rates are at 0.15%~0.93%.	6,380,000
Short-term financial instruments	Due dates are within one month, interest rates are at 0.32%~0.42%.	<u>5,188,999</u>
		<u>\$ 22,422,981</u>

Statement 1

PRESIDENT CHAIN STORE CORP.
STATEMENT OF INVENTORIES
DECEMBER 31, 2017

Statement 2

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>		<u>Footnote</u>
		<u>Cost</u>	<u>Market value</u>	
Merchandise		<u>\$ 7,194,707</u>	<u>\$ 7,320,126</u>	The net realizable value is the market value.

PRESIDENT CHAIN STORE CORP.
STATEMENT OF CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2017

Statement 3

Expressed in thousands of NTD

Name	Balance as of January 1, 2017		Additions		Decreases (Note)		Balance as of December 31, 2017		
	Number of shares	Book value	Number of shares	Amount	Number of shares	Amount	Number of shares	Book value	Collateral
Listed stocks									
President Securities Corp.	36,715,907	\$ 140,534	1,505,352	\$ -	-	\$ -	38,221,259	\$ 140,534	None
Duskin Co., Ltd.	300,000	125,072	-	-	-	-	300,000	125,072	"
Unlisted stocks									
President Investment Trust Corp., etc.	-	<u>42,079</u>	-	<u>-</u>	-	<u>(116)</u>	-	<u>41,963</u>	"
		307,685		-		(116)		307,569	
Valuation adjustment		<u>388,820</u>		<u>152,186</u>		<u>-</u>		<u>541,006</u>	
		<u>\$ 696,505</u>		<u>\$ 152,186</u>		<u>(\$ 116)</u>		<u>\$ 848,575</u>	

Note: The amount decreased this year due to cash dividends paid from share premium and distributed by investees.

PRESIDENT CHAIN STORE CORP.
STATEMENT OF CHANGES IN FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2017

Statement 4

Expressed in thousands of NTD

Name	<u>Balance as of January 1, 2017</u>		<u>Additions</u>		<u>Decreases</u>		<u>Balance as of December 31, 2017</u>		
	<u>Number of shares</u>	<u>Book value</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Book value</u>	<u>Collateral</u>
Unlisted stocks									
PK Venture Capital Corp.	321,300	\$ 33,685	-	\$ -	-	\$ -	321,300	\$ 33,685	None
Kaohsiung Rapid Transit Corp.	2,572,127	<u>203,714</u>	-	<u>-</u>	-	<u>-</u>	2,572,127	<u>203,714</u>	"
		237,399		-		-		237,399	
Accumulated impairment		(<u>211,678</u>)		<u>-</u>		<u>-</u>		(<u>211,678</u>)	
		<u>\$ 25,721</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ 25,721</u>	

PRESIDENT CHAIN STORE CORP.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2017

Statement 5

Expressed in thousands of NTD

Name	Balance as of January 1, 2017		Additions (Note 1)		Decreases (Note 2)		Other Adjustments (Note 3)	Balances as of December 31, 2017			Market price or Equity of subsidiaries and Associates		
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Amount	Number of shares	Percentage of ownership	Amount	Unit Price	Total price	Collateral
President Chain Store (BVI) Holdings Ltd.	140,384,307	\$ 5,053,883	31,205,279	\$25,196,196	-	\$ -	(\$ 5,642,174)	171,589,586	100.00	\$ 24,607,905	\$143.41	\$ 24,607,905	None
President Drugstore Business Corp.	40,000,000	1,051,796	38,520,000	349,196	-	-	18,070	78,520,000	100.00	1,419,062	18.07	1,419,062	"
President Transnet Corp.	103,496,399	1,454,357	-	274,686	-	-	(290,825)	103,496,399	70.00	1,438,218	13.71	1,419,375	"
Mech-President Corp.	55,858,815	680,703	-	78,522	-	-	(77,405)	55,858,815	80.87	681,820	12.21	681,820	"
President Pharmaceutical Corp.	22,121,962	656,852	-	147,973	-	-	(76,611)	22,121,962	73.74	728,214	25.74	569,415	"
Uni-President Department Store Corp.	27,999,999	462,771	-	217,001	-	-	(148,940)	27,999,999	70.00	530,833	18.96	530,833	"
Uni-President Superior Commissary Corp.	48,519,890	434,869	-	24,206	-	-	(2,136)	48,519,890	90.00	456,939	9.42	456,939	"
Uni-President Cold-Chain Corp.	23,605,042	615,562	-	193,001	-	-	(191,506)	23,605,042	60.00	617,057	25.62	604,732	"
President Information Corp.	25,714,475	527,301	-	73,678	-	-	(94,412)	25,714,475	86.00	506,567	15.47	397,726	"
Q-ware Systems & Services Corp.	24,382,921	341,897	-	56,844	-	-	(42,359)	24,382,921	86.76	356,381	14.08	343,229	"
Wisdom Distribution Service Corp.	10,847,421	354,821	-	220,300	-	-	(142,108)	10,847,421	100.00	433,012	39.92	433,012	"
Books.com. Co., Ltd.	9,999,999	387,436	-	212,543	-	-	(179,724)	9,999,999	50.03	420,255	42.03	420,255	"
President Yilan Art and Culture Corp.	20,000,000	235,650	-	1,349	-	-	(5,094)	20,000,000	100.00	231,906	11.60	231,906	"
Duskin Serve Taiwan Co.	10,199,999	186,682	-	65,819	-	-	(55,361)	10,199,999	51.00	197,140	19.33	197,140	"
ICASH Corp.	50,000,000	369,989	-	-	-	(16,049)	(1,669)	50,000,000	100.00	352,272	7.05	352,272	"
Uni-President Development Corp.	72,000,000	819,847	-	22,367	-	-	(91,440)	72,000,000	20.00	750,774	10.43	750,774	"
President Starbucks Coffee Corp.	10,691,337	450,659	10,691,337	5,566,121	-	-	(207,496)	21,382,674	60.00	5,809,284	45.17	965,950	"
Retail Support International Corp.	6,429,999	164,723	-	52,499	-	-	(21,697)	6,429,999	25.00	195,525	29.01	186,538	"
PresiCarre Corp.	130,801,027	5,142,151	-	338,417	-	-	(282,319)	130,801,027	19.50	5,198,249	17.44	2,280,851	"

Name	Balance as of January 1, 2017		Additions (Note 1)		Decreases (Note 2)		Other Adjustments (Note 3)	Balances as of December 31, 2017			Market price or Equity of subsidiaries and Associates		
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Amount	Number of shares	Percentage of ownership	Amount	Unit Price	Total price	Collateral
President Fair Development Corp.	263,387,500	\$ 1,952,428	-	\$ 1,661	(73,387,500)	\$ -	\$ -	190,000,000	19.00	\$ 1,954,089	9.38	\$ 1,781,556	"
President International Development Corp.	44,100,000	466,663	-	30,925	-	-	(30,703)	44,100,000	3.33	466,885	10.85	478,465	"
Tung Ho Development Corp.	19,930,000	88,539	-	-	-	(7,795)	42,760	19,930,000	12.46	123,504	6.20	123,504	"
Mister Donut Taiwan Corp., Ltd., etc.	-	<u>386,800</u>	-	<u>278,272</u>	-	<u>(55,128)</u>	<u>(101,942)</u>	-	-	<u>508,001</u>	-	<u>508,001</u>	"
		<u>\$22,286,379</u>		<u>\$33,401,576</u>		<u>(\$78,972)</u>	<u>(\$7,625,091)</u>			<u>\$47,983,892</u>		<u>\$39,741,260</u>	

Note 1: The additions this year includes recognized gains on investments of \$27,009,833 and acquisition of investments of \$6,391,743.

Note 2: The decreases this year includes recognized losses on investments of \$78,972.

Note 3: Other adjustments are cash dividends of (\$6,926,632), exchange differences from translation of foreign operations of (\$720,080), actuarial loss on measurement of defined benefit plan of (\$24,825), unrealized gain on valuation of available-for-sale financial assets of \$3,729 and others of \$42,717.

PRESIDENT CHAIN STORE CORP.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

Statement 6

Expressed in thousands of NTD

Item	Balance as of January 1, 2017	Additions	Disposals	Reclassifications	Balance as of December 31, 2017	Collateral
<u>Cost</u>						
Land	\$ 1,535,401	\$ -	\$ -	\$ 28,822	\$ 1,564,223	None
Buildings	969,608	-	-	3,393	973,001	"
Office equipment	12,633,382	1,464,557 (	978,916)	125	13,119,148	"
Leasehold improvements	7,381,536	834,505 (	439,461)	12,838	7,789,418	"
Others	<u>9,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,529</u>	"
	<u>22,529,456</u>	<u>\$ 2,299,062 (</u>	<u>\$ 1,418,377)</u>	<u>\$ 45,178</u>	<u>23,455,319</u>	
<u>Accumulated depreciation</u>						
Buildings	(294,239)	(\$ 19,604)	\$ -	\$ -	(313,843)	"
Office equipment	(8,430,978)	(1,322,405)	960,412 (	9)	(8,792,980)	"
Leasehold improvements	(4,932,724)	(594,281)	398,518	9	(5,128,478)	"
Others	(<u>7,623</u>)	(<u>629</u>)	<u>-</u>	<u>-</u>	(<u>8,252</u>)	"
	(<u>13,665,564</u>)	(<u>\$ 1,936,919</u>)	<u>\$ 1,358,930</u>	<u>\$ -</u>	(<u>14,243,553</u>)	
<u>Accumulated impairment</u>	(<u>255,197</u>)	(<u>\$ 10,110</u>)	<u>\$ -</u>	<u>\$ -</u>	(<u>265,307</u>)	
Book value	<u>\$ 8,608,695</u>				<u>\$ 8,946,459</u>	

Statement 6

PRESIDENT CHAIN STORE CORP.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017

Statement 7

Expressed in thousands of NTD

<u>Item</u>	<u>Amount</u>	<u>Footnote</u>
Merchandise sales	\$ 135,032,826	Sales of food, cans, beverages and daily commodities, etc.
Other operating revenue	<u>9,447,054</u>	Commission revenue from collection services, etc.
	<u>\$ 144,479,880</u>	

PRESIDENT CHAIN STORE CORP.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Statement 8

Expressed in thousands of NTD

<u>Item</u>	<u>Amount</u>
Inventory at beginning of the year	\$ 6,003,727
Inventory purchased	93,085,307
Compensation for damaged merchandise	(321,862)
Promotion income	(503,016)
Inventory at end of the year	(7,194,707)
Others	<u>2,771,134</u>
Operating costs	<u>\$ 93,840,583</u>

PRESIDENT CHAIN STORE CORP.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Statement 9

Expressed in thousands of NTD

<u>Item</u>	<u>Amount</u>
Incentive bonuses for franchisees	\$ 19,604,749
Operating lease payments	6,226,951
Wages and salaries	3,383,525
Utilities expense	2,167,554
Depreciation	1,961,871
Other expenses	<u>5,848,687</u>
	<u>\$ 39,193,337</u>