

PRESIDENT CHAIN STORE CORPORATION



2017 ANNUAL REPORT

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7-ELEVEN X-store, Taipei



New Look Unique Experience



7-ELEVEN Dream Mall Store, Kaohsiung





7-ELEVEN Teng Da Store, HsinChu



7-ELEVEN Chang Ye Store, Taoyuan



7-ELEVEN Ming Bao Store, Taipei



7-ELEVEN Long Yao Store, Miaoli





Choice Products Diversified Services







Seafood Omelette Rice

Fresh Food Safe and Tasty



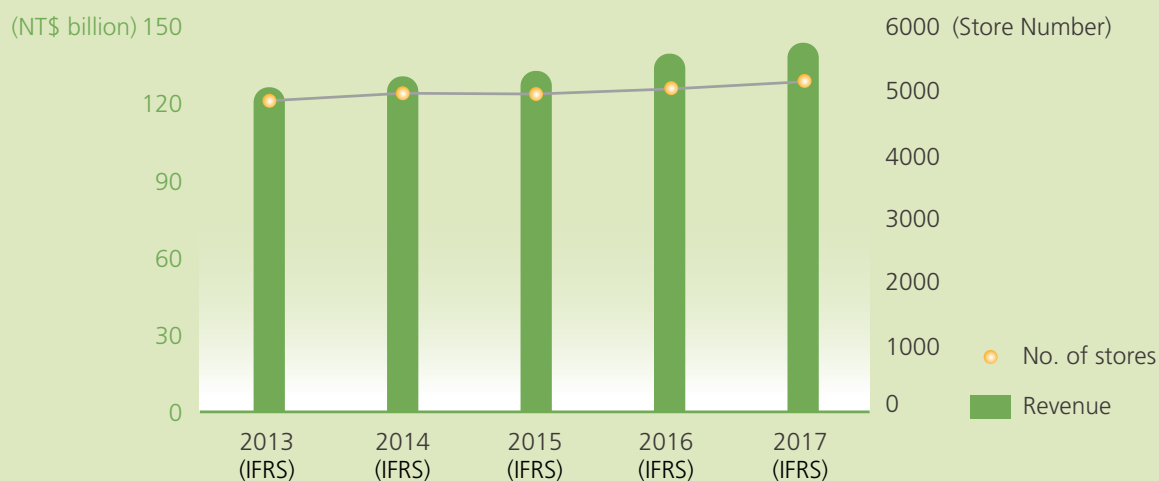
Noodles with sesame paste and fried sauce

Overall Performance (non-consolidated)

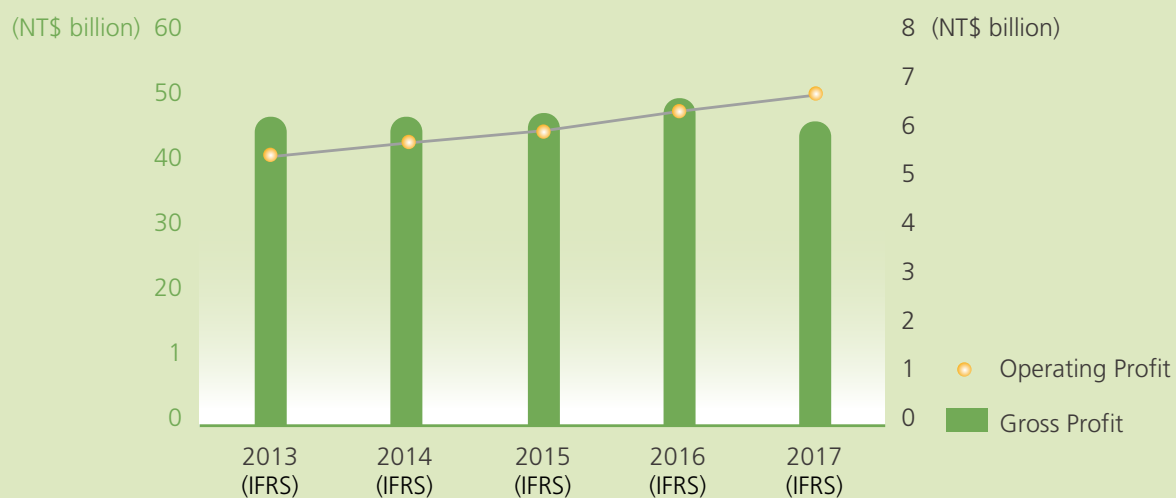
Item / Year (NT\$1,000)	2017	2016	YoY
Revenue	144,479,880	140,147,135	3.09%
Gross Profit	50,639,297	48,083,751	5.31%
Operating Profit	6,246,725	6,673,576	-6.40%
Pre-tax Profit	36,501,051	11,112,701	228.46%
Net Profit	31,017,094	9,836,690	215.32%
EPS(NT\$)	29.83	9.46	—
Weighted Average Outstanding Shares	1,039,622,255	1,039,622,255	—

Financial Ratios	2017	2016
Gross Margin	35.05%	34.31%
Operating Expense Ratio	30.73%	29.55%
Operating Margin	4.32%	4.76%
Net Margin	21.47%	7.02%
ROA	36.97%	15.34%
ROE	78.30%	35.30%
Inventory Turnover	14.22times	15.18times
Fixed Asset Turnover	16.46times	16.28times

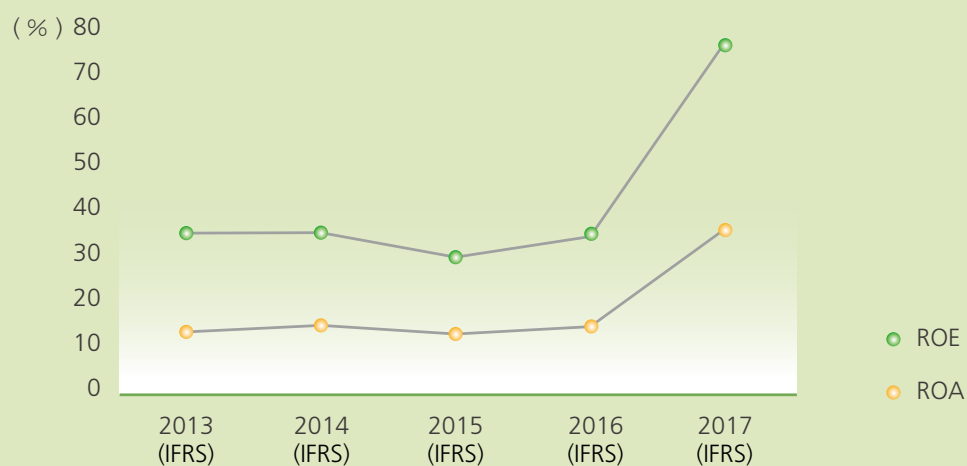
Total No. of Stores & Revenue



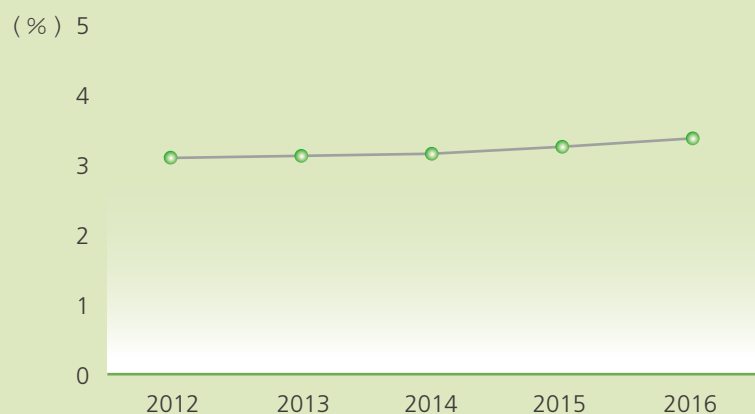
Gross Profit & Operating Profit



ROE & ROA



Cash Dividend Yield



*The above-mentioned 2017 performance includes the Starbucks Transaction.

1 Letter to Shareholders



Chairman:
Lo, Chih-Hsien



President:
Chen, Jui-Tang

Dear Shareholders,

In 2017, the global economy continued its slow recovery. In Taiwan, the government substantially adjusted labor laws and businesses still face significant challenges. Despite an unstable external operating environment, President Chain Store Corporation (PCSC) continues to serve as a convenient, safe, welcoming community center that offers consumers innovative and convenient services. Through the combined efforts of our diverse businesses in Taiwan and overseas, PCSC achieved consolidated revenue of NT\$221.13 billion and net profits of NT\$32.32 billion in 2017. Even excluding gains from disposal of long-term investment, PCSC still set a new record and was once again ranked among Forbes Global 2000.

Operating Performance

PCSC aims to provide customers with an ever more comfortable, friendly shopping space at its 7-ELEVEN convenience stores. Bigger stores and featured stores give customers an unique, fun, and educational shopping experience. The company incorporate its "future lifestyle" concept with each store's design to reflect the personality of the surrounding neighborhood. To ensure food safety, PCSC sources directly from contract farms and employs in-field management. PCSC also implements a food traceability system, hierarchical supplier management and field evaluation system, regular inspections of logistic centers and retail locations, and random lab testing of raw materials and products. Together, these initiatives enable PCSC to control the supply chain and create a rigorous food safety net for our customers. 7-ELEVEN, in technical cooperation with Japanese vendors, launched a diverse selection of delicious new fresh food products to meet our customers' needs. PCSC has continued to develop CITY CAFE brand by improving coffee quality and flavor and for the first time began offering bubble tea, which together drove turnover growth. PCSC imports premium products from Japanese, Korean, and other international countries, while our iseLect and UNIDESIGN brands joined strategic partnerships with notable domestic and overseas brands. By offering these premium foods, beverages, and daily necessities, we can attract customers seeking products that reflect their personal style. In addition to physical products, PCSC has also leveraged the intensive store network and comprehensive logistics system to strengthen applicable services of digital platform. In 2017, we handled pickup and delivery of more than 150 million packages, providing customers with reliable, convenient delivery services. We constantly upgrades ibon kiosks and have developed digital service platforms such as the ibon smartphone app. In response to recent consumer trends, PCSC has worked with financial organizations to offer a variety of convenient, time-saving payment options. The icasH card has gained presence in the transportation system since 2016 and PCSC has launched a variety of OPENPOINT programs create a more convenient lifestyle for the customers.

In addition to 7-ELEVEN Taiwan, PCSC has also expanded into other retail businesses both locally and overseas. As of the end of 2017, PCSC operates a total of 8,900 stores. For overseas businesses, 7-ELEVEN Philippines has more than 2,200 stores. In addition to enhancing in-store product offerings, the company also actively strengthening digital services. Overseas operations achieved another milestone in 2017 when PCSC received official authorization to operate 7-ELEVEN in China's Zhejiang Province. In Taiwan, Starbucks continued to build diversified featured stores and enhanced the customer experience through offering selective and exclusive beverages in Starbucks Reserve stores. In recent years, Books.com has actively

expanded non-book category offerings. Moreover, the company launched e-book services as an exciting new option for customers in 2017. In order to meet rapidly growing e-commerce related distribution and warehousing needs, Wisdom Distribution Service Corp. continued to improve efficiency through warehouse integration and concurrent software and hardware upgrades. PCSC and our subsidiaries strive for continued improvement and to meet customers' needs through outstanding service. In 2017, Commonwealth Magazine's Gold Medal Service Awards named PCSC, Taiwan Starbucks, and Books.com top of their respective categories, while PCSC, President Transnet Corp. (Takkyubin), Taiwan Starbucks all earned gold medals in Next Magazine's Next Top Service Awards.

Social Responsibilities

For many years PCSC has worked tirelessly to achieve sustainable operations and fulfill our responsibilities in the areas of corporate governance, social engagement, and environmental protection. For the third year running, PCSC ranked among the top 5% of all TWSE-/TPEX-listed companies in the annual Corporate Governance Evaluation. PCSC was also selected as a constituent stock of the MSCI Global Sustainability Indices, FTSE4Good Emerging Index, and FTSE4Good TIP Taiwan ESG Index. As part of our community outreach efforts, PCSC OPEN! Children's Reading Spaces have been set up in more than 100 stores to promote reading habit in their communities. The President Chain Store Good Neighbor Foundation also launched the Community Youth Roots Project to leverage company resources and the power of our local stores to revitalize rural communities with local youth. Working with the makers of the film "Turn Around" about an educator at a school in rural Taiwan, we make an effort to improve education in remote areas. In addition, since 2014 PCSC has worked with the Mennonite Social Welfare Foundation and Kernel of Wheat Foundation to expand rural meal delivery services through good neighbor food delivery teams. Taipei City Government recognized our environmental protection efforts by naming PCSC among its 2017 Outstanding Green Procurement Enterprises.

Business Prospects

Economic uncertainties both domestically and abroad will continue into 2018. Nevertheless, PCSC will maintain integrity and honesty in our business operations, while continuing to develop the seven key building elements of our company: people, store, product, system, logistics, policy, and culture. Through structural changes, PCSC expects to create sustainable growth. 7-ELEVEN Taiwan will utilize ever-changing technology to provide customers with a convenient, safe, and welcoming shopping experience.

Through a focus on operations and consolidation of company resources, PCSC's affiliates will also continue to achieve outstanding performance. In 2018, the total number of 7-ELEVEN Philippines stores is expected to exceed 2,600. President Transnet Corp. will upgrade cold chain logistics operations to provide even more outstanding logistics and delivery services. COSMED will introduce an even wider variety of innovative products and high quality services to ensure an interesting shopping experience. Through an exceptional selection of fresh food and services, 7-ELEVEN Shanghai and Zhejiang will provide consumers with a convenient, varied shopping experience.

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

2 Corporate Overview

1.Date of Incorporation: June 10, 1987

2.Company History

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| <p>1987 Formerly part of Uni-President Enterprises, President Chain Store Corporation (PCSC) was established as an independent entity.</p> <p>1988 The Electronic Order System (EOS) gradually rolled out to enhance distribution efficiency and increase sales opportunities.</p> <p>1989 PCSC became the third largest 7-ELEVEN chain in the world with the opening of our 300th store.</p> <p>1990</p> <ul style="list-style-type: none"> Established Retail Support International Corp. Held the first franchisee seminar, thereby launching the 7-ELEVEN franchise system in Taiwan. <p>1991 100th franchise store opened.</p> <p>1994 Established the joint venture Duskin Serve Taiwan Co.</p> <p>1995</p> <ul style="list-style-type: none"> 1000th store opened. Established President Drugstore Business Corp <p>1996 First generation of POS (Point-of-Sales) implemented to fully understand customers' demands and gather market intelligence.</p> <p>1997</p> <ul style="list-style-type: none"> PCSC listed on the Taiwan Stock Exchange Established the joint venture President Coffee Corp. (renamed Uni-Wonder Corp.) <p>1999</p> <ul style="list-style-type: none"> Expanded into offshore islands such as Penghu and Kinmen to provide convenient services to local residents. 2000th store opened. Established Wisdom Distribution Corp., Uni-President Cold Chain Corp., President Musashino Corp.(renamed Uni-President Superior Commissary Corp.), and President Transnet Corp. <p>2000</p> <ul style="list-style-type: none"> Signed perpetual area licensing agreement with 7-ELEVEN Inc. Acquired Philippine Seven Corp., extending operations to overseas. <p>2002</p> <ul style="list-style-type: none"> Issued the company's first secured corporate bond in the amount of NT\$700 million. 3000th store opened. 7-ELEVEN lunch box meals certified by the Chinese Frozen Food Institute to meet CAS standards, making it the first lunch box in Taiwan certified to be stored at 18°C. <p>2003</p> <ul style="list-style-type: none"> 7-ELEVEN's lunch box awarded the International Marketing Communications Excellence Award 2002. PCSC opened our first retail stores in large shopping complexes. PCSC issued a second secured corporate bond in the amount of NT\$1.5 billion. <p>2004</p> <ul style="list-style-type: none"> Second generation of POS implemented. Launch of 7-ELEVEN icash stored-value card. 7-ELEVEN's lunch box products became the first convenience store boxed meals to meet national standards as confirmed by Consumers' Foundation health inspection. Established Mister Donut Taiwan Corp., and President Cosmed Chain Store (Shen Zhen) Co., Ltd. <p>2005</p> <ul style="list-style-type: none"> 4000th store opened. Officially expanded into the hypermarket business in China with the establishment of Shan Dong President Yinzuo Commercial Limited. Honored with the Executive Yuan's 2005 Taiwan Sustainable Development Award and the Ministry of Economic Affairs' first Green Accounting Award. <p>2006</p> <ul style="list-style-type: none"> With the launch of the ibon multimedia kiosk with eight major functions, including ticket sales, bill payments and mobile office services, PCSC achieved our vision of 7-ELEVEN as a community service center. Established subsidiaries UNI-PRESIDENT Department Store Corp., Cold Stone Creamery Taiwan Ltd., and Cold Stone (Shanghai) Corp. Received Global Views Magazine's Excellence in Corporate Social Responsibility Award and Outstanding Service Award, as well as NextMedia's Top Service Award. We were also conferred with Commonwealth Magazine's first Corporate Citizen Award and ranked as one of the magazine's Top 10 Benchmark Enterprises for the 12th consecutive year. <p>2007</p> <ul style="list-style-type: none"> With 7-ELEVEN Light Down Eco-Campaign, over 4,000 stores shut off store lights during designated times in the summer months in a pioneering effort to fight global warming. The number of 7-ELEVEN CITY CAFÉ machines reached 1,000, making it the largest coffee chain in Taiwan. PCSC was named among Commonwealth Magazine's Top 10 Benchmark Enterprises, while also receiving the Top Service Award by NextMedia. Global Views Magazine awarded PCSC its 2007 Top 10 Service Enterprises in the convenience chain store category for the second consecutive year. | <p>2008</p> <ul style="list-style-type: none"> 7-ELEVEN entered the NT\$10 billion mobile telecommunications market by launching "OPEN Talk" prepaid cards. PCSC won the 2008 Commonwealth Corporate Citizenship Award and Global Views Magazine's Corporate Social Responsibility Award. As part of our ongoing efforts to promote environmental protection and energy conservation, PCSC began switching off all outdoor lighting at Taiwan 7-ELEVEN stores during the daytime, effectively reducing carbon emissions. <p>2009</p> <ul style="list-style-type: none"> Established President Chain Store (Shanghai) Corporation and signed a licensing agreement with 7-ELEVEN (China) Business Corporation, launching 7-ELEVEN stores in Shanghai. Conferred with the Top 10 Benchmark Enterprises Award for the 15th consecutive year; NextMedia's Top Service Award for the 6th consecutive year; winner of the 7th Global Views Magazine's Outstanding Service Award in the convenience store category; winner of 2009 Commonwealth Magazine's Corporate Citizen Award; recognized by United Way Worldwide with the Outstanding Corporate Social Innovation Award. Such honors demonstrate how the Company is using our core competencies to excel in public service. <p>2010</p> <ul style="list-style-type: none"> Jointly launched "Easy Delivery" service, the first of its kind, with Ruten.com, which has become Taiwan's largest online auction marketplace. In an innovative move, "7Mobile" monthly rental service was officially launched with an eye towards customers looking for a minimum level of service or as a second mobile number. 7-ELEVEN was accredited as a "green store" by the Environmental Protection Administration and was awarded first place in the Taipei Gold Energy Saving Awards as we continue to strive towards becoming a green enterprise. <p>2011</p> <ul style="list-style-type: none"> Following the devastating earthquake in Japan, PCSC and 16 affiliated companies launched a fundraising campaign to collect donations in our stores. 7-ELEVEN introduced the "ibon convenient purchasing" service, creating a new wholesale shopping platform via the ibon kiosk and ibon Mart online website. 7-ELEVEN opened a 2,640-square meter international food court in Taoyuan International Airport's Terminal 2, marking a new era in airport dining. Taking the lead in the convenience store industry, 7-ELEVEN introduced the E-Invoice in stores throughout Taiwan. <p>2012</p> <ul style="list-style-type: none"> 7-ELEVEN became the largest transportation ticket platform in Taiwan, with ibon offering tickets from the three major domestic carriers. Ninety percent of domestic air tickets can be purchased and paid for by credit card through ibon. Third generation of POS gradually implemented, accurately capturing customer trends and optimizing retail sales efficiency. Introduced "Taiwan's New Agriculture" program, establishing the 7-ELEVEN Photosynthetic Farm to provide farm-to-table traceability management, food safety transparency, and show our commitment to offering delicious food customers can trust. In a pioneering move, PCSC established a distribution industry quality-testing lab, resulting in an even more rigorous food safety mechanism for customers. For the 18th year in a row, PCSC was named one of Commonwealth Magazine's Top 10 Benchmark Enterprises. PCSC was also awarded the 2012 Digital Service Benchmark Enterprise Award by Business Next Magazine. In Global Views Magazine's Excellence in Corporate Social Responsibility Awards, the only company to be recognized in all of the following categories: Community Involvement, Promotion of Public Interest, and Overall Performance. <p>2013</p> <ul style="list-style-type: none"> Third generation of POS fully implemented across the Taiwan 7-ELEVEN network of stores. 7-ELEVEN began selling premium fruit and fresh produce in 1,000 stores. 7-ELEVEN product quality inspection labs received three different international certifications, further raising the bar on product inspection. President Transnet Corp. established the Comprehensive Distribution Center in Zhongli, gearing up for rapidly expanding market needs with the new center's large-scale, automated, highly efficient facilities. Released the film, "Bridge Over Troubled Water," nominated for Best Documentary in the 50th Golden Horse Film Festival. In recognition of efforts to implement corporate social responsibility, PCSC and Starbucks Taiwan once again received the Excellent Green Retail Business Award from the Taipei City Government. Both enterprises were recognized as green brands in the Food and Beverage, Retail, and Food Services categories by Business Next Magazine. |
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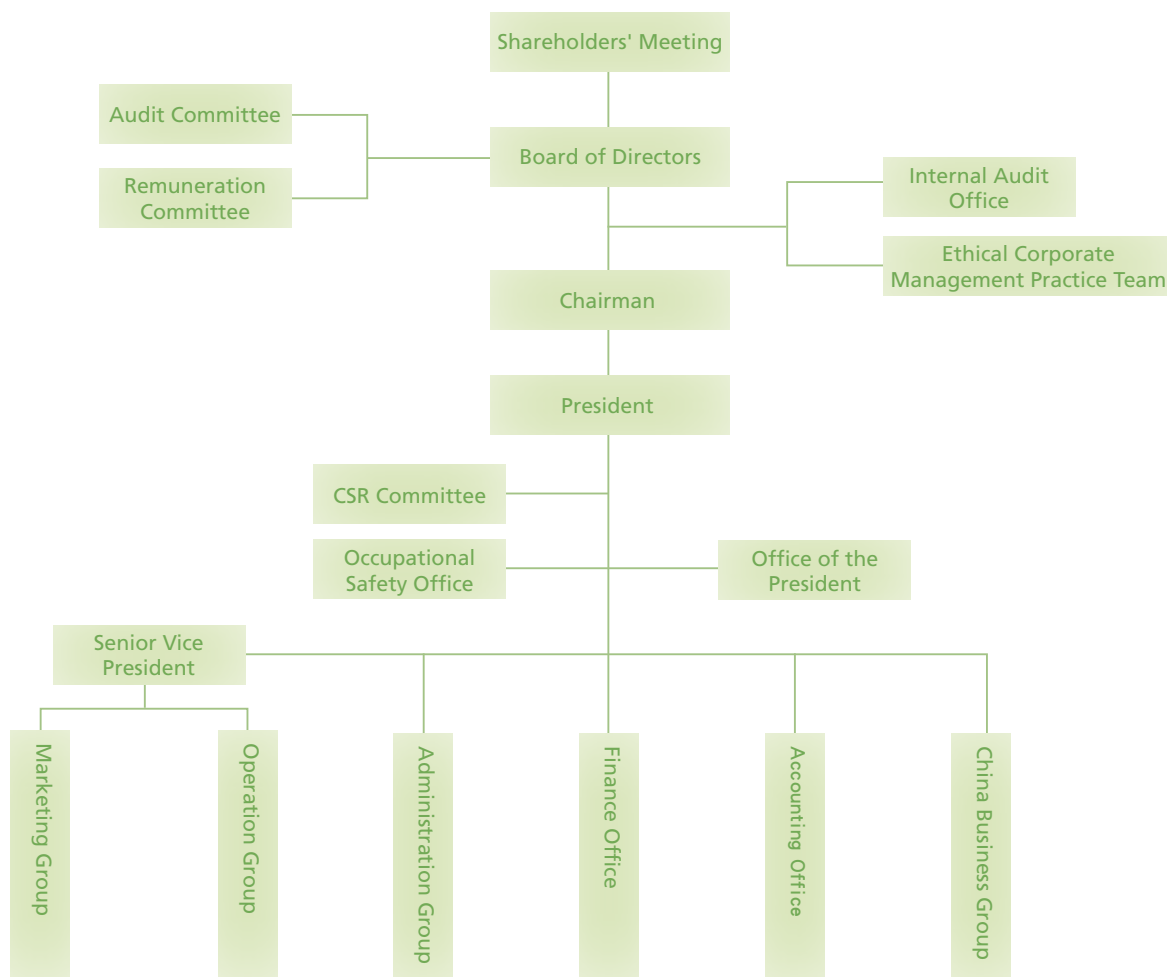
- 2014**
- 5000th store opened.
 - Zhongli Fresh Food Commissary completed; together with Kaohsiung's Taisha Fresh Food Commissary, these facilities play an important role as regional distribution centers, efficiently handling the rising demand for takeout food.
 - Established icasH Corp., wholly undertaking the icasH trademark's proprietary and management rights. icasH proved itself as a versatile payment method applicable across different channels.
 - Mister Donut received a perpetual license to operate in the Taiwan market
- 2015**
- 7-ELEVEN joined hands with Formosa Vegetable Organic Farm to offer "organic produce boxes" for preorder and sale at store branches.
 - PCSC launched the internally-developed Material and Quality Assurance System and Laboratory Management System to keep track of information regarding suppliers, upgrade quality assurance management, and build a complete food security network.
 - To capitalize on the B2C market for small value gifts, 7-ELEVEN launched iGift, enabling users to send electronic gift certificates through ibon kiosks and the ibon app.
 - 7-ELEVEN Philippines opened its first store in the archipelago's southernmost island of Mindanao thereby becoming a truly national chain of 1,600 stores.
 - Subsidiary President Chain Store (Taizhou) Ltd. was officially established to support the Company's medium and long-term logistic needs in eastern China.
 - PCSC received the top A++ score from 12th Publicly Traded and OTC Company Information Disclosure and Transparency Evaluation. PCSC also ranked among the top 5% in the 1st Taiwan Corporate Governance Evaluation System and was named to the Taiwan Corporate Governance 100 Index.
 - Commonwealth Magazine awarded PCSC its 2015 CSR Corporate Citizen Award in the Large Enterprise Category. The President Chain Store Good Neighbor Foundation was recognized by the Taiwan Events Association with the 2015 Gold Award for Event Excellence. PCSC's efforts to save energy and reduce carbon emissions paid off as the Company received ISO50001 Energy Management certification.
- 2016**
- The introduction of CITY Fresh expanded the CITY CAFE brand into the tea market, providing customers more variety.
 - PCSC opened its first OPEN! Children's Reading Space. To encourage reading as it gives back to the local community, it has been working with 24 publishing companies and has brought in over 600 children's titles.
 - PCSC's own brands, iselect and UNIDESIGN, were repositioned and relaunched and new high quality products were rolled out, provide our consumers a tasteful choice.
 - PCSC and President Transnet Corp. began a technical collaboration with the Industrial Technology Research Institute, promoting iPickup Station, an intelligent self-pickup station in 7-ELEVEN store where packages are delivered and held, so recipients pick them up at their own convenience.
 - icasH2.0 was officially incorporated into the mass transportation payment system. OPENPOINT's range of applications increased, making life more convenient for customers.
 - Uni-President Hankyu Department Store was renamed Uni-President Ustyle Department Store with a focus on "style", consumers can expect a fresh new look and commitment to outstanding service.
 - Wisdom Distribution Service Corp.'s third phase plant came online, allowing it to make full use of its logistics capabilities and further increasing its service efficiency and quality.
 - Shanghai 7-ELEVEN opened its 100th store.
 - Uni-President Cold Chain Corp. and Uni-President Superior Commissary Corp. are working together to set up the New Hualien Distribution Center, which is scheduled to be completed and come online in 2018 to provide consumers in Eastern Taiwan safe, delicious, and fresh products.
 - PCSC was ranked in the top 5% in the 2nd Taiwan Corporate Governance Evaluation System and selected for the Taiwan Corporate Governance 100 Index. It was selected for FTSE4Good Emerging Index for the first time and had continued to be selected among the stocks making up the MSCI Global sustainability Indices. PCSC won Commonwealth Magazine's Excellence in Corporate Citizenship Award and the top prize in the public interest promotion category in Global Views Monthly's Corporate Social Responsibility Awards. PCSC selected for Forbes' The World's 2000 Largest Public Companies 2016, the only retailer in Taiwan.
- 2017**
- Over 100 7-ELEVEN stores have set up OPEN! Children's Reading Spaces to encourage the community and families to read together and build a 24-hour reading city.
 - CITY CAFE Fresh Tea brand offered the first convenience store fresh brewed bubble tea series.
 - 7-ELEVEN introduced steamed Japanese oden, which preserves nutrition and flavor, to provide customers even more delicious and diverse food choices.
 - 7-ELEVEN and Cathay United Bank joined hands to launch credit card payment options in all stores.
 - PCSC opened our first "Store of the Future" at the Changye location.
 - PCSC, Wisdom Distribution Service Corp., and President Logistics International Corp. together built key delivery and logistics infrastructure and processes. By establishing sub-warehouses, adding routes, strengthening employee training, and implementing labor saving measures at stores, we have achieved multi-faceted operation optimizations.
 - Starbucks opened Taiwan's first Starbucks Reserve Bar in the Taipei 101 building.
 - Books.com officially began offering e-books, welcoming in a new era in reading.
 - Icash 2.0 continues to expand its mass transit footprint and is now accepted by Taiwan Railways, Kaohsiung MRT, Taipei Metro, Taipei Joint Bus System, Taoyuan Airport MRT, and the Kaohsiung Ferry. Working with Hami Wallet, Icash 2.0 entered the exciting mobile payment market. Over 17 million cards have been issued.
 - Received official authorization to operate 7-ELEVEN in China's Zhejiang Province. We will bring a convenient shopping experience for local residents and achieve new milestones for our overseas business operations.
 - 7-ELEVEN Philippines opened our 2000th outlet, the LV Locsin store.
 - PCSC was ranked in the top 5% in the Taiwan Corporate Governance Evaluation System for the third year running and was again selected as a constituent stock of the FTSE4Good Emerging Index and MSCI Global Sustainability Indices. TCSA awarded PCSC with the Corporate Sustainability Report Gold Award. PCSC was the only Taiwanese retailer listed among the Forbes Global 2000 in 2017.
 - PCSC's ibon APP earned Business Next's 2017 Future Commerce Awards Silver Medal for Best Product Innovation; At the ECI Awards, ibon and the ibon APP received the Business Model Innovation Gold Award in the Brick-and-Mortar Economy – Consumer category.
 - Twelve of our businesses, including PCSC, President Transnet Corp., Cosmed, Starbucks Taiwan were listed in the Commonwealth Magazine Top 2000 enterprises. Business Weekly Magazine's Taiwan Top 100 Most Influential Brands Survey included PCSC, Uni-President, Starbucks Taiwan, Takkyubin, and Cosmed. While PCSC, Starbucks Taiwan, and Books.com topped their respective categories in the Commonwealth Magazine Gold Medal Service Awards Survey. PCSC, President Transnet Corp., and Starbucks Taiwan each earned gold medals in Next Magazine's 14th Next Top Service Awards for Drug and Convenience Stores, Domestic Delivery and Courier Services, and Coffee Chains respectively. Manager Today named 7-ELEVEN, Starbucks, Books.com, Cosmed, and Uni-President among their Brand Asia - Influential Asian Brands 2017.
- 2018**
- 7-ELEVEN launched the X Store, Taiwan's first convenience store to integrate cutting edge technology into the retail space. Trial operations are now underway, offering valuable services and customer experiences that allow us to strengthen the warmth and human touch in Taiwan's convenience store sector.
 - PCSC was the only Taiwanese company listed among the Deloitte Global Powers of Retailing Top 250 and our ranking has improved for each of the last three years.

3 Corporate Governance

1. Organization

(1) Organization Chart

Date: 15 March 2018



(2) Responsibilities of Key Groups

- China Business Group: Development and management of investment in China.
- Office of the President: Administration of strategic planning, corporate management, human resources, public relations, and system planning.
- Senior Vice President: Operation and management of Taiwan 7-ELEVEN and vertical subsidiaries.
- Marketing Group: Taiwan 7-ELEVEN product development and marketing strategy planning.
- Operation Group: Operation and planning of Taiwan 7-ELEVEN stores.
- Administration Group: Management and planning of back office resource integration.

- Finance Office: Management and planning of financial affairs and investor relations.
- Accounting Office: Management and planning of accounting and taxation.
- Internal Audit Office: Management and implementation of internal auditing and the internal control system.
- Occupational Safety Office: Management of staff safety and health.
- Ethical Corporate Management Practice Team: Promotion of ethical policies and preventative measures.
- CSR Committee: Planning and Implementation of Corporate Social Responsibility Policies.

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

(1) Information on directors

1. Information on directors:

15 March 2018

Title	Nationality or Place of Registration	Name	Gender	Date Elected to the Board	Term (years)	Date of Initial Election	Shares Held at Time of Election		Current Shareholdings		Shares Held by Spouse or Minor Children		Shareholding by Nominee Arrangements		Education and Experience (Note 3)	Positions Held Concurrently at PCSC and Other Companies	Spouse or Relatives Within the Second-Degree of Consanguinity also Holding Management, Directorial, or Supervisory Positions		
							Shares	%	Shares	%	Shares	%	Shares	%		Other Companies	Title	Name	Relationship
Director Institutional Shareholder	Taiwan	Uni-President Enterprises Corp.	-	2015.06.18	3	1987.06.10	471,996,430	45.40%	471,996,430	45.40%	-	-	-	-	-	-	-	-	
Chairman (Representative)	Taiwan	Lo, Chih-Hsien (Note 1)	Male	2015.06.18	3	2000.06.15	1,032,215	0.10%	1,032,215	0.10%	1,014,315	0.10%	-	-	MBA, UCLA, USA	(Note 4)	Director	Kao, Shioh-Ling	Spouse
Director Institutional Shareholder	Taiwan	Kao Chyuan Investment Co. Ltd	-	2015.06.18	3	2009.06.10	4,876,775	0.47%	5,176,775	0.50%	-	-	-	-	-	-	-	-	
Director (Representative)	Taiwan	Kao, Shioh-Ling (Note 2)	Female	2015.06.18	3	2010.03.20	1,014,315	0.10%	1,014,315	0.10%	1,032,215	0.10%	-	-	Marymount College,USA	(Note 4)	Chairman	Lo, Chih-Hsien	Spouse
Director (Representative)	Taiwan	Su, Tsung-Ming (Note 1)	Male	2015.06.18	3	2008.02.14	-	-	10,000	-	-	-	-	-	MBA, University of Iowa, USA	(Note 4)	-	-	-
Director (Representative)	Taiwan	Chen, Jui-Tang (Note 1)	Male	2015.06.18	3	2012.06.21	13,652	-	13,652	-	-	-	-	-	BA, Dept of Economics, National Taiwan University	(Note 4)	-	-	-
Director (Representative)	Taiwan	Huang, Jui-Tien (Note 1)	Male	2015.06.18	3	2015.06.18	391	-	391	-	-	-	-	-	Master Degree in Marketing, National Kaohsiung First University of Science and Technology	(Note 4)	-	-	-
Director (Representative)	Taiwan	Wu, Liang-Feng (Note 1) (Note 5)	Male	2018.02.24	3	2018.02.24	-	-	-	-	-	-	-	-	BA in Japanese, Tamkang University	-	-	-	-
Director (Representative)	Taiwan	Wu, Kun-Lin (Note 1) (Note 5)	Male	2017.11.02	3	2017.11.02	-	-	-	-	-	-	-	-	BBA in Business Administration, National Cheng Kung University	(Note 4)	-	-	-
Director (Representative)	Taiwan	Hwang, Jau-Kai (Note 1)	Male	2015.06.18	3	2015.06.18	-	-	-	-	-	-	-	-	Accounting, Shih Chien University	(Note 4)	-	-	-
Director (Representative)	Taiwan	Wu, Tsung-Ping (Note 1)	Male	2015.06.18	3	2012.06.21	-	-	-	-	-	-	-	-	Accounting, Chung Yuan Christian University	(Note 4)	-	-	-
Director (Representative)	Taiwan	Wu, Wen-Chi (Note 1)	Female	2015.06.18	3	2015.06.18	556	-	556	-	737	-	-	-	BA, School of Accountancy, University of Missouri at Columbia, USA	(Note 4)	-	-	-
Director (Representative)	Taiwan	Yang, Wen-Lung (Note 1) (Note 5)	Male	2015.06.18	3	2003.06.24	-	-	-	-	-	-	-	-	BA, Dept. of Sociology, National Chung Hsing University MBA, National Cheng Kung University	(Note 4)	-	-	-
Director (Representative)	Taiwan	Lu, Long-Hong (Note 1) (Note 5)	Male	2015.06.18	3	2015.06.18	-	-	-	-	-	-	-	-	Food Science, National Chung Hsing University MBA, National Cheng Kung University	(Note 4)	-	-	-
Independent director	Taiwan	Wang, Wen-Yeu	Male	2015.06.18	3	2012.06.21	-	-	-	-	20,000	-	-	-	PhD, Stanford Law School	(Note 4)	-	-	-
Independent director	Taiwan	Chen, M. David	Male	2015.06.18	3	2012.06.21	-	-	-	-	-	-	-	-	PhD, Accounting, University of Illinois at Urbana-Champaign, USA	(Note 4)	-	-	-
Independent director	Taiwan	Shu, Pei-Gi	Male	2015.06.18	3	2012.06.21	-	-	-	-	-	-	-	-	PhD, Management, National Chenchi University	-	-	-	-

Note 1: Representative of Uni-President Enterprises Corp.

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

Note 3: For more information on the experience of directors (including independent directors), please refer to the Positions Concurrently Held by Directors (including Independent Directors) in Other Companies table on page 76 of this report.

Note 4: For more information on the positions held by directors (including independent directors), please refer to the Positions Concurrently Held by Directors (including Independent Directors) in Other Companies table on page 76 of this report.

Note 5: Due to new appointment of representative of juristic person director, Lu, Long-Hong ceased to hold this position in November 2017; Yang, Wen-Lung ceased to hold this position in February 2018; Wu, Kun-Lin began his term in November 2017; Wu, Liang-Feng began his term in February 2018.

Note 6: As of 15 March 2018, average tenure of incumbent directors is 5 years and 7 months.

2. Independence and Professional Expertise of Board Members:

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

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

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

(2) Not a director or supervisor of Company's affiliates. (However, this does not apply to the independent directors of the Company, its parent company or any of the Company's subsidiaries in which the Company holds directly and indirectly over 50% stake.).

(3) Not an individual shareholder who holds, or whose spouse or minor children hold, or who uses nominee accounts to hold over 1% of the Company's issued shares or is one of the top 10 shareholders.

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

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

(6) Not a director, supervisor, or manager of any company or organization that has business or financial relations with the Company and does not own over 5% of such a company's shares.

(7) Not an owner, partner, director, supervisor, manager, or spouse of any of such individual whose sole proprietorship, partnership, company, or institution provides services or consulting advice in business, law, finance and accounting to the Company or the Company's affiliates. (However, this does not apply to members of remuneration committees carrying out their duties in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.)

(8) Not a spouse or a relative within two degrees of consanguinity to any director.

(9) Does not meet any of the criteria described in Article 30 of the Company Act.

(10) Not the proxy of any government agency, juridical person, or their representative that is a shareholder in the Company as outlined in Article 27 of the Company Act.

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

31 December 2017

Name of Institutional Shareholder	Principal Shareholders in PCSC Institutional Shareholders
Uni-President Enterprises Corp.	Kao Chyuan Investment Co. Ltd. (4.91%); BNP Paribas Wealth Management Singapore Branch (3.04%); Hou, Po-Ming (2.60%); JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency(2.36%); Hou, Po-Yu (2.27%); Government of Singapore(1.86%); Kao, Shioh-Ling (1.64%); First State Investments ICVC-Stewart Investors Global Emerging Markets Leaders Fund (1.55%); Cathay Life Insurance Co., Ltd. (1.55%); Vanguard Emerging Markets Stock Index Fund (1.46%)
Kao Chyuan Investment Co. Ltd.	Kao, Shioh-Ling (62.20%); Lo, Chih-Hsien (20.71%); Kao, Han-Di (5.70%); Kao, Tsu-Yi (5.26%); Lo, Hsi-Ai (5.16%); Kao, Chin-Yen (0.97%)

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

31 December 2017

Name of Institutional Shareholder	Principal Shareholders in Institutional Shareholders
Kao Chyuan Investment Co. Ltd.	Kao, Shiow-Ling (62.20%); Lo, Chih-Hsien (20.71%); Kao, Han-Di (5.70%); Kao, Tsu-Yi (5.26%); Lo, Hsi-Ai (5.16%); Kao, Chin-Yen (0.97%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd. (100%)

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

15 March 2018

Title	Nationality	Name	Gender	Date Assumed Current Position	Current Shareholdings		Shares Held by Spouse or Minor Children		Shareholding by Nominee Arrangements		Education and Experience (Note 1)	Positions Held Concurrently at Other Companies	Spouse or Relatives Within the Second-Degree of Consanguinity also Holding Management, Directorial, or Supervisory Positions		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President	Taiwan	Chen, Jui-Tang	Male	2012.06.21	13,652	--	--	--	--	--	BA, Dept of Economics, National Taiwan University	(Note 2)	--	--	--
Senior Vice President	Taiwan	Wu, Kuo-Hsuan	Male	2012.08.01	--	--	--	--	--	--	BA, Marketing & Distribution Management, Fortune Institute of Technology	(Note 2)	--	--	--
Senior Vice President	Taiwan	Huang, Jui-Tien	Male	2016.07.01	391	--	--	--	--	--	Master Degree in Marketing, National Kaohsiung First University of Science and Technology	(Note 2)	--	--	--
Vice President	Taiwan	Hsieh, Lien-Tang	Male	2012.08.01	--	--	113	--	--	--	BA, Business Administration, Chinese Culture University	(Note 2)	--	--	--
Vice President	Taiwan	Tzeng, Fan-Bin	Male	2013.01.01	--	--	--	--	--	--	BA, International Trade, Soochow University	(Note 2)	--	--	--
Vice President	Taiwan	Lin, Chi-Chang	Male	2013.01.01	717	--	--	--	--	--	BA, Social Work, Soochow University	(Note 2)	--	--	--
Chief Auditor (Vice President)	Taiwan	Hsieh Hong, Hui-Tzu	Female	2014.06.19	282	--	--	--	--	--	MBA, National Cheng Kung University	(Note 2)	--	--	--
Chief Financial Officer (Vice President)	Taiwan	Wu, Wen-Chi	Female	2010.04.01	556	--	737	--	--	--	BA, Accounting, University of Missouri, USA	(Note 2)	--	--	--
Vice President	Taiwan	Lin, Hung-Chun	Male	2014.10.15	1,129	--	--	--	--	--	BA, Electrical Engineering, Southern Taiwan University of Science and Technology	(Note 2)	--	--	--
Chief Accounting Officer (Vice President)	Taiwan	Kuo, Ying-Chih (Note 3)	Female	2017.09.01	--	--	--	--	--	--	MA, Business Management, National Kaohsiung University of Science and Technology	(Note 2)	--	--	--
Vice President	Taiwan	Hsieh, Kuan-Hung (Note 3)	Male	2018.02.23	1,838	--	38,285	--	--	--	BA, Earth Sciences, Fu Jen University	--	--	--	--
Vice President	Taiwan	Hsu, Guang-Yu (Note 3)	Male	2018.02.23	17,890	--	--	--	--	--	BA, Journalism, Chinese Culture University	--	--	--	--
Vice President	Taiwan	Hsieh, Ching-Hsun (Note 3)	Male	2015.03.19	1,251	--	--	--	--	--	MA, Labor Relations, Chinese Culture University	(Note 2)	--	--	--
Finance Division Manager	Taiwan	Tsung, Hsi-Yung	Male	2016.05.01	--	--	--	--	--	--	BA, Accounting, Chinese Culture University	(Note 2)	--	--	--
Accounting Division Manager	Taiwan	Chang, Li-Ling	Female	2014.11.06	--	--	--	--	--	--	BA, Accounting, Ming Chuan University	(Note 2)	--	--	--

Note 1: For more information on the background of Company management, please refer to the Positions Concurrently Held by Management in Other Companies table on page 78 of this report.

Note 2: For the list of positions held by the management team in other companies, please refer to the Positions Concurrently Held by Management in Other Companies table on page 78 of this report.

Note 3: Kuo, Ying-Chih began her term in September 2017; Hsieh, Kuan-Hung and Hsu, Guang-Yu began their term in February 2018; Hsieh, Ching-Hsun was dismissed in March 2018.

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

1. Directors and Independent Directors remuneration:

31 December 2017 / Unit: NT\$1000

Title	Name	Director Remuneration								Summation of A, B, C, and D as a % of After-Tax Income		Compensation to Directors Also Serving as Company Employees								Summation of A, B, C, D, E, F and G as a % of After-Tax Income		Compensation from Affiliates Other than Subsidiaries (Note 6)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
		Remuneration (A)		Pensions (B)		Director Earnings Distribution (C)		Business Expenses (D)				Salary, Bonuses, and Special Allowance (E) (Note 4)		Pensions (F)		Employee Earnings Distribution (G) (Note 5)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
		PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	Cash	Stock	Cash	Stock	PCSC	All consolidated companies																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
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※ In addition to above information, remuneration to Directors who provide services to PCSC or consolidated companies: None.

Note 1: Representative of Uni-President Enterprises Corp.

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

Note 3: Lu, Long-Hong ceased to hold this position in November 2017; Wu, Kun-Lin began his term in November 2017.

Note 4: Includes car leasing expenses for managers.

Note 5: Earnings distribution for 2017 has not yet been approved by general shareholders meeting. These figures are based on the proposal approved by the Board.

Note 6: Compensation received for directors and supervisors of affiliated enterprises that are not consolidated into the financial statement.

Compensation Level	Names of Directors			
	A+B+C+D		A+B+C+D+E+F+G	
	PCSC	All consolidated companies	PCSC	All consolidated companies
Less than NT\$2,000,000	Lo, Chih-Hsien; Kao, Shiow-Ling; Su, Tsung-Ming; Wu, Tsung-Ping; Yang, Wen-Lung; Lu, Long-Hong; Hwang, Jau-Kai; Wu, Kun-Lin; Chen, Jui-Tang; Huang, Jui-Tien; Wu, Wen-Chi; Wang, Wen-Yeu; Chen, M. David; Shu, Pei-Gi	Lo, Chih-Hsien; Kao, Shiow-Ling; Su, Tsung-Ming; Wu, Tsung-Ping; Yang, Wen-Lung; Lu, Long-Hong; Hwang, Jau-Kai; Wu, Kun-Lin; Chen, Jui-Tang; Huang, Jui-Tien; Wu, Wen-Chi; Wang, Wen-Yeu; Chen, M. David; Shu, Pei-Gi	Lo, Chih-Hsien; Kao, Shiow-Ling; Su, Tsung-Ming; Wu, Tsung-Ping; Yang, Wen-Lung; Lu, Long-Hong; Hwang, Jau-Kai; Wu, Kun-Lin; Wang, Wen-Yeu; Chen, M. David; Shu, Pei-Gi	Lo, Chih-Hsien; Kao, Shiow-Ling; Su, Tsung-Ming; Wu, Tsung-Ping; Yang, Wen-Lung; Lu, Long-Hong; Hwang, Jau-Kai; Wu, Kun-Lin; Wang, Wen-Yeu; Chen, M. David; Shu, Pei-Gi
NT\$2,000,000 (incl.)~NT\$5,000,000	—	—	—	—
NT\$5,000,000 (incl.)~ NT\$10,000,000	—	—	—	—
NT\$10,000,000 (incl.)~ NT\$15,000,000	—	—	—	—
NT\$15,000,000 (incl.)~ NT\$30,000,000	—	—	Huang, Jui-Tien; Wu, Wen-Chi	Huang, Jui-Tien; Wu, Wen-Chi
NT\$30,000,000 (incl.)~ NT\$50,000,000	Kao Chyuan Investment Co. Ltd.	Kao Chyuan Investment Co. Ltd.	Kao Chyuan Investment Co. Ltd.; Chen, Jui-Tang	Kao Chyuan Investment Co. Ltd.; Chen, Jui-Tang
NT\$50,000,000 (incl.)~NT\$100,000,000	—	—	—	—
NT\$100,000,000 and above	Uni-President Enterprises Corp.	Uni-President Enterprises Corp.	Uni-President Enterprises Corp.	Uni-President Enterprises Corp.
Total	16	16	16	16

2. President and senior vice president remuneration:

31 December 2017 / Unit: NT\$1000

Title	Name	Salary (A)		Pensions(B)		Bonus and Special Allowance (C) (Note 1)		Earnings Distribution to Employees (D) (Note 2)				Summation of A, B, C, and D as a % of After-Tax Income		Compensation from Affiliates Other than Subsidiaries
		PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC		All consolidated companies		PCSC	All consolidated companies	
								Cash	Stock	Cash	Stock			
President	Chen, Jui-Tang	19,315	21,584	862	862	60,781	61,021	6,137	-	6,137	-	0.28%	0.29%	300
Senior Vice President	Wu, Kuo-Hsuan													
Senior Vice President	Huang, Jui-Tien													

Note 1: Includes car leasing expenses for managers.

Note 2: Earnings distribution for 2017 has not yet been approved by general shareholders meeting. These figures are based on the proposal approved by the Board.

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

3. Earnings distribution as remuneration to Company management:

31 December 2017/ Unit: NT\$1000

	Title	Name	Stock	Cash	Total	Total as a % of After-Tax Income
Management	President	Chen, Jui-Tang	—	16,357	16,357	0.05%
	Senior Vice President	Wu, Kuo-Hsuan				
	Senior Vice President	Huang, Jui-Tien				
	Vice President	Hsieh, Lien-Tang				
	Vice President	Tzeng, Fan-Bin				
	Vice President	Lin, Chi-Chang				
	Chief Auditor (Vice President)	Hsieh Hong, Hui-Tzu				
	Chief Financial Officer(Vice President)	Wu, Wen-Chi				
	Vice President	Lin, Hung-Chun				
	Chief Accounting Officer(Vice President)	Kuo, Ying-Chih (Note 2)				
	Vice President	Hsieh, Ching-Hsun				
	Vice President	Lee, Chi-Ming (Note 2)				
	Finance Division Manager	Tsung, Hsi-Yung				
	Accounting Division Manager	Chang, Li-Ling				

Note 1: Earnings distribution for 2017 has not yet been approved by general shareholders meeting. These figures are based on the proposal approved by the Board.

Note 2: Lee, Chi-Ming was dismissed in March 2017; Kuo, Ying-Chih began her term in September 2017.

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

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

Title		Directors	President and Senior Vice Presidents
2017(Note)	PCSC	2.07%	0.28%
	All consolidated companies	2.09%	0.29%
2016(Note)	PCSC	2.37%	0.95%
	All consolidated companies	2.47%	0.97%

Note: PCSC's net income after tax in 2017 was NT\$31,017,094,000. PCSC's net income after tax in 2016 was NT\$9,836,690,000.

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

- (1) PCSC's remuneration policy is based on the Company's business strategy, human resource policy, and financial capability. Every year, the Company participates in salary surveys undertaken by specialist salary survey organizations; the company's remuneration levels are then reviewed based on the results of these surveys.
- (2) The standards of remuneration for directors are clearly specified in the company's Article of Incorporation. ("Employee, director, and supervisor remuneration" on page 47.)
- (3) Remuneration paid to the PCSC President and Senior Vice Presidents is set according to their individual performance and their contribution to the company's operations. Said remuneration shall also conform to PCSC's remuneration regulations and take into consideration typical remuneration levels paid by other companies (using data compiled by market research firms). Bonuses shall be awarded based on PCSC's performance management regulations and take into consideration both PCSC's operating performance and the individual's own performance.

3. Implementation of Corporate Governance

(1) Operations of the Board of Directors:

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

Title	Name	Meetings Attended Personally (B)	Meetings Attended by Proxy	Personal Attendance Rate (B/A)	Remarks
Chairman	Uni-President Enterprises Corp. Lo, Chih-Hsien	8	1	89%	—
Director	Kao Chyuan Investment Co. Ltd. Kao, Shiow-Ling	8	1	89%	—
Director	Uni-President Enterprises Corp. Su, Tsung-Ming	9	0	100%	—
Director	Uni-President Enterprises Corp. Chen, Jui-Tang	9	0	100%	—
Director	Uni-President Enterprises Corp. Huang, Jui-Tien	8	1	89%	—
Director	Uni-President Enterprises Corp. Wu, Liang-Feng	—	—	—	Newly appointed as director (representative) for a term beginning on February 24, 2018
Director	Uni-President Enterprises Corp. Wu, Kun-Lin	3	0	100%	Newly appointed as director (representative) for a term beginning on November 2, 2017
Director	Uni-President Enterprises Corp. Hwang, Jau-Kai	9	0	100%	—
Director	Uni-President Enterprises Corp. Wu, Tsung-Ping	9	0	100%	—
Director	Uni-President Enterprises Corp. Wu, Wen-Chi	9	0	100%	—
Director	Uni-President Enterprises Corp. Yang, Wen-Lung	9	0	100%	Former director (representative) whose term ended on February 23, 2018
Director	Uni-President Enterprises Corp. Lu, Long-Hong	5	1	83%	Former director (representative) whose term ended on November 1, 2017
Independent Director	Wang, Wen-Yeu	9	0	100%	—
Independent Director	Chen, M. David	9	0	100%	—
Independent Director	Shu, Pei-Gi	9	0	100%	—

Other issues to be noted:

1. In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted:
 - (1.) Issues specified in Article 14-3 of the Securities and Exchange Act: The company had set up the Audit Committee, so it is not applicable of Article 14-3 of the Securities and Exchange Act. Please refer to page 22 " Operations of the Audit Committee " for more information regarding to Article 14-5 of the Securities and Exchange Act.
 - (2.) Other issues opposed by independent directors or about which said directors have reservations should be recorded in writing in the meeting minutes of the Board: None.
2. Should a director recuse him or herself from a decision about which he or she has a conflict of interest, the name of the director, contents of the resolution, reasons for recusal, and the results of the vote should be noted: If a director has a stake in any issue brought before the Board, he or she shall provide their opinion and submit to inquiry. Said director may not participate in discussion or vote on the issue. Due to Starbucks Transaction, the Company's Board passed a resolution to offer Comfort Letter to Uni-President Enterprises Corp. at the meeting held on July 27, 2017. As many non-independent directors are legal representatives or directors of the contract counterparty, they recused themselves. The resolution was adopted unanimously by all independent directors in attendance.

3. During this and recent past fiscal years, PCSC has worked to strengthen the function of the Board (e.g., establishing the Audit Committee and enhancing information transparency) and evaluate the implementation of such measures: On March 8, 2005, in accordance with the Company's Corporate Governance Code of Practice, PCSC established Rules of Procedure for Board Meetings, which was reported to the General Shareholder's Meeting held on June 14, 2005. In accordance with the addition of independent directors and regulations issued by the Financial Supervisory Commission R.O.C., during the Board meetings held on March 21, 2012 and December 19, 2012, PCSC revised the functions of independent directors and regulations governing director recusal due to conflict of interest. To ensure even stronger supervisory capabilities of the Company's Board, on August 19, 2011 PCSC established the Remuneration Committee and then on June 21, 2012 further established the Audit Committee.

(2) Operations of the Audit Committee:

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

Title	Name	Meetings Attended (B)	Meeting attend by Proxy	Attendance Rate (%) [B/A]	Remarks
Independent Director	Wang, Wen-Yeu	8	0	100 %	—
Independent Director	Chen, M. David	8	0	100 %	—
Independent Director	Shu, Pei-Gi	8	0	100 %	—

Other issues to be noted:

- In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted:
 - Issues specified in Article 14-5 of the Securities and Exchange Act: Please refer to page 38 "Major resolutions voted on at Shareholder, Board Meetings, and the Audit Committee during the most recent year and as of the date of publication of the Annual Report". All the resolutions were approved by the majority of the Audit Committee members and then were approved by the Board meetings.
 - Other matters not passed by the Audit Committee, which were then agreed upon by two-thirds of the entire membership of the Board of Directors: None.
- In situations where independent directors recuse themselves due to conflict of interest, the independent director's name, content of the resolution, reason for recusal, and his or her voting participation should be properly recorded: None.
- Communication between independent directors and internal audit managers and external auditors (regarding issues such as Company financial and operational status, procedures, and results):
 - The Company's internal audit managers provide Audit Committee members with regular updates on audit report results and follow-up during the Audit Committee Meeting. If a special situation should arise, internal audit managers shall immediately report to the Audit Committee. Items that the Audit Committee and internal audit manager discussed in 2017 are as follows, all independent directors had no opinion:

Date	Items Discussed
02/21/2017	November 2016- January 2017 audit execution report
05/02/2017	February -March 2017 audit execution report
08/01/2017	May -June 2017 audit execution report
10/31/2017	July -September 2017 audit execution report
12/05/2017	1. October 2017 audit execution report 2. 2018 Audit Plan
02/22/2018	November -December 2017 audit execution report

- The Company retains external auditors who, after auditing the financial statement, report their findings to the Audit Committee and discuss any additional matters as required by law. If a special situation should arise, external auditors shall immediately report to the Audit Committee. In 2017, the Audit Committee and the independent auditors retained by the Company discussed the following items, all independent directors had no opinion:

Date	Items Discussed
02/21/2017	The independent auditors discussed the 2016 financial report.
10/31/2017	The independent auditors discussed the Q3 of the 2017 financial report.
02/22/2018	The independent auditors discussed the 2017 financial report

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

Items Evaluated	Status		Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	
1. Did PCSC establish its Corporate Governance Best Practice Principles in accordance with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and disclose those Principles?	V		In order to establish a sound corporate governance system, the Company considered regulations set forth in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies coproduced by TWSE and GTSM and passed the Corporate Governance Best Practice Principles at the meeting of the Board on 19 December 2014. In addition, to meet with requirements as stipulated in regulations at the meeting of the Board on 7 December 2016. For more information regarding the Company's Corporate Governance Best Practice Principles, please go to the Company website or Taiwan Stock Exchange Market Observation Post System.
2. Company ownership structure and shareholder rights			
(1) Did PCSC establish internal operational procedures for dealing with shareholder suggestions, questions, disputes, and lawsuits and put these procedures into practice?	V		In addition to authorizing a share transfer agent to handle related affairs, PCSC has also established a comprehensive spokesperson system and investor relations team to deal with shareholder issues.
(2) Does PCSC keep maintain a list of the major Company shareholders and the ultimate owners of these shareholders?	V		Through the assistance of the share transfer agent, PCSC remains fully aware of its major shareholders and regularly reports any changes in shareholding by directors or PCSC management. Apart from natural person shareholders, PCSC maintains a relationship with its major institutional shareholders. If necessary, PCSC can obtain the list of their ultimate owners from these institutional shareholders.
(3) Did PCSC establish and implement risk control mechanisms and firewalls at the Company and affiliated enterprises?	V		In accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, PCSC has defined Procedures Governing the Monitoring of Subsidiaries to establish a risk management mechanism at its subsidiaries.
(4) Did PCSC establish internal standards to prevent Company personnel from using market information not yet made public to purchase securities?	V		<p>1. In accordance with article 157-1 of the securities laws, PCSC has specified the object of the specification and the conditions that constitute the insider transaction in the operation procedures of insider trading prevention in the internal control system. If the personnel's intention or action constitutes as insider trading, company will be dealt with according to the internal control system and regulations.</p> <p>2. In accordance with article 17 in Ethical Corporate Management Best Practice Principles, article 15 in Ethical Corporate Management Operating Procedures and Code of Conduct, and article 46 in Corporate Governance Best Practice Principles, PCSC regulates its personnel to follow the regulations of securities exchange act. the personnel is not allowed to use non-public information to engage in insider trading, nor leak to others to prevent others constitute insider trading through the non-public information.</p> <p>3. In order to make sure newly insider is aware of the regulations, PCSC will also provide the insider trading related standards for newly insider and request the newly insider to sign on the statement.</p>
3. Structure and responsibilities of the Board of Directors			
(1) Has PCSC established policies calling for diversity among members of the Board of Directors and put said policies into practice?	V		<p>1. In accordance with PCSC's Corporate Governance Best Practice Principles and the director election guidelines, the composition of the members of the Board of Directors emphasizes diversity. The number of directors who also serve as managers of the company should not take up more than one-third of the Board seats. Also, the Company formulates appropriate policies on diversity based on the Company's business operations, operating dynamics, and development needs which include, but are not limited to, the following two major standards:</p> <p>(1) Basic conditions: gender, age, etc.</p> <p>(2) Professional knowledge and skills: background, skills, and industry experience.</p> <p>2. The Company's current 13 directors include three independent directors. Two directors are female. The directors generally have the specialized knowledge, skills and accomplishments which are necessary to perform their duties. (Note 1)</p>

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
(2) In addition to the establishment of the Remuneration Committee and Audit Committee as required by law, did PCSC establish committees with other functions of its own accord?	V		In addition to establishing the Remuneration and Audit Committees as required by law, Company also have cross-sectoral CSR Committee and Ethical Corporate Management Practice Team which reports the status and achievements of their work to the Board on a regular basis. The Company will take into consideration the legal environment, Company operations, and management needs in deciding whether or not to establish additional functional committees in the future.	Compliant
(3) Has PCSC established performance evaluation guidelines and evaluation methods for the Board of Directors and does it evaluate its performance regularly each year?		V	PCSC currently does not have guidelines or methods for evaluating the performance of the Board of Directors in place. It will evaluate the feasibility of doing so in the future based on the legal environment, Company operations, and management needs.	Not Compliant
(4) Does PCSC periodically assess the independence of external auditors?	V		1. PCSC's Audit Committee and Board of Directors annually evaluate accountants based on standards derived from the Certified Public Accountant Act and the 10th Code of Ethics for Professional Accountants and reports the result to PCSC's Audit Committee and Board of Directors so that they evaluate the independence of its certified accountants. After being reviewed by the Company, it was determined that Hsiao, Chun-Yuan and Chou, Chien- Hung, CPAs with PricewaterhouseCoopers, met with the Company's independent evaluation standards (Note 2) and could assume the position of retained external auditors for the Company. 2. PCSC's external auditors provide PCSC with a Statement of Independence. The external auditing firm also complies with rules for rotating external auditors.	Compliant
4. Has PCSC designated personnel to implement corporate governance related businesses(including but not limited to, providing information needed by directors or supervisors to execute their duties, matters related to meetings of the Board and shareholder meetings held in accordance to legal requirements, registering and changing the registration of the Company, and producing proceedings for the meetings of the Board and shareholders)?	V		1. The finance, accounting, operational planning departments, and professional stock agency are responsible for executing the corporate governance related businesses. The heads of the related departments are responsible for supervising the execution. The corporate governance related businesses include company registration, board meeting and shareholders' meeting , making the minutes of board meeting and shareholders' meeting, providing the necessary information and updated regulations to board members, investor relations, and other matters as prescribed in the Article of Incorporation or contracts. 2. 2017 business execution explained below: (1) Assisted directors and independent directors carry out their duties, providing them with the materials they needed and made arrangements for directors to receive continuing education. (2) Assisted the Board of Directors and the shareholders' meetings to ensure that the proceedings and resolutions adhere to relevant laws and regulations; reported the status of PCSC's corporate governance to the Board of Directors, independent directors, and the audit committee, ensured that PCSC's shareholder and board meetings were carried out in accordance with relevant laws and the corporate governance rules. Reviewed major announcements pertaining to important resolutions of the Board of Director to ensure that the legality and accuracy of the information and to guarantee investors receive equal transaction information. (3) Maintained relations with investors, ensuring that investors received ample information to assess and decide the Company's reasonable capital market value and ensure that shareholder rights are adequately protected. (4) Notified directors seven days prior to drawing up the agenda for Board of Directors meetings, convened meetings, and provided meeting materials. Issued reminders in advance when issues required the use of recusal. Provided complete meeting minutes after meetings. (5) Registered dates for shareholders' meetings, produced meeting notifications, handbooks, and minutes within the statutory period, and made and registered changes made to revised articles of incorporation or Company director elections in accordance with the law.	Compliant

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

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
8. Does PCSC have other important information to facilitate better understanding of the Company's corporate governance practices (including, but not limited to current status of employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor training regimes, risk management policies, and risk measurement standards as well as the implementation of client policies and the Company's purchase of liability insurance for its directors and supervisors)?	V		<p>1. There is no spousal relationship between PCSC's chairman and president, and they are not relatives within one degree of consanguinity. The president and chairman as well as managers responsible for finance and accounting at PCSC have not worked for the Company's currently designated accounting office or affiliated enterprises within the past year.</p> <p>2. The learning classes of the management team in 2017 are as follows:</p> <p>(1) President Chen, Jui-Tang, Senior Vice President Huang, Jui-Tien, Chief Financial Officer Wu, Wen-Chi, and Financial Division Manager Tsung, Hsi-Yung took classes entitled "Changes and Development Trends in Global Politics, Economics, and Finances" and "Business Transformations Led by Corporate Governance in the Face of Platform and Strategic Innovation Trends" organized by the Taiwan Institute of Directors, 6 hours;</p> <p>(2) President Chen, Jui-Tang, Chief Financial Officer Wu, Wen-Chi, Vice Presidents Hsieh, Lien-Tang and Lin, Chi-Chang took part in a "Corporate Governance" course organized by SGV&Co. Philippines, 4 hours; Senior Vice President Huang, Jui-Tien attended a course on "Corporate Governance" organized by SGV&Co. Philippines, 8 hours;</p> <p>(3) Chief Auditor Hsieh Hong, Hui-Tzu attended classes entitled "Practical Applications for Risk Assessment and Auditing Skills" and "Affiliate Company Auditing Applications" offered by the Institute of Internal Auditors, 12 hours;</p> <p>(4) Accounting Division Manager Chang, Li-Ling took classes held by the Accounting Research and Development Foundation titled "Legal Responsibilities and Case Studies in Competitive Behavior over the Right to Operate a Company", "Financial Technology Development Trends and Business Countermeasures", "The Influence of Amendments to the New International Anti-Tax Avoidance Clause on the Financial and Taxes of Enterprises and Practical Countermeasures and "The Latest International Financial Reporting Standards Q&A and Analysis", 12 hours;</p> <p>(5) In 2017, a required three-hour class on Labor Law, Fair Trade Law, Intellectual Property Rights directed at all high-level managers was held.</p> <p>3. Should a proposal result in a conflict of interest between a director and the Company, said director may make comments or answer questions, but he or she is barred from the discussion and vote on the proposal.</p> <p>4. PCSC has purchased liability insurance for its directors and key personnel and submitted to Board of Directors for approval.</p> <p>5. PCSC was named to the FTSE4Good index, the MSCI Global Sustainability Index, and the FTSE4Good TIP Taiwan ESG Index.</p> <p>6. PCSC places a great deal of emphasis on the transparency and immediacy of information disclosure. It has been ranked among the top 5% in the Taiwan Corporate Governance Evaluation three years in a row.</p> <p>7. PCSC discloses financial and business information as required by relevant laws and regulations and is working to strengthen transparency on an ongoing basis. The Company has also established an investor relations team to provide direct communication between PCSC and investors.</p> <p>8. PCSC formulates strategies, procedures, and indicators and undertakes regular analysis and appraisal of changes in risk status, in accordance with relevant laws and regulations, policies, and market changes; the Company also takes appropriate measures to reduce the overall level of latent risk.</p> <p>9. PCSC complies with the Labor Act and revises work regulations in a timely manner, and uses emails, the Company's internal webpage to inform employees of their related rights.</p> <p>10. PCSC will continue to comply with all laws and regulations governing corporate governance. We will also review corporate governance developments in Taiwan and abroad in our effort to continually improve in this area.</p> <p>11. PCSC subsidiaries also follow these guidelines to gradually improve corporate governance.</p> <p>12. According to Article 29 of PCSC's Articles of Incorporation, if the current year's profit situation (pre-tax profits prior to deduction of employee compensation and director remuneration) is deducted by accumulated deficit, no more than 2% of said surplus shall be distributed as director remuneration. Reasonable compensation is given to specific directors based on PCSC's operational achievements and the director's respective contribution to the Company. In addition to PCSC's overall performance, remuneration is based on the performance of individual directors and their contributions to PCSC. Relevant performance and reasonableness of remuneration are to be assessed by PCSC's remuneration committee and the Board of Directors. The remuneration system is to be reviewed and adjusted as necessary based on actual operational status and relevant regulations as PCSC seeks to realize sustained operations and risk management.</p>	Compliant

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	

9. Please explain improvements that have been made as well as priorities to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center:

1. Improvements made: According to the results of the latest Corporate Governance Evaluation, the Company has made major improvements are explained below:

- (1) PCSC announced 2017FY financial statements by the end of February 2018, which is one month ahead of the date required by Taiwan stock exchange regulation, to gradually meet the international best practice.
- (2) None of PCSC's independent directors opposed or expressed reservations concerning Board resolutions and no matters that were not passed by the Audit Committee were passed by two-thirds of the Directors. Relevant information is disclosed in the Operations of the Board of Directors and Operations of the Audit Committee in the Annual Report.
- (3) PCSC has drawn up the Board of Directors member diversity policies and disclosed them on the company website. The information regarding the implementation of this policy is disclosed in the annual report and on the company website.

2. Priorities and measures for improvement: In response to revisions to Corporate Governance Evaluation objectives, items that PCSC has made for improvement are explained below:

- (1) PCSC has incorporated a list disclosing stakeholder communication and issues of concern into its CSR report. It will add disclosures to the company website in the future.
- (2) PCSC will evaluate to disclose its human rights policies.

3. PCSC will continue to evaluate the feasibility of future improvement on other items.

Note 1: Director Diversity

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

Note 2: External Auditor Independence Evaluation Standards

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

2017 Director Continuing Education

Name	Date(s)	Organizer	Course Name	Time
Lo, Chih-Hsien Kao, Shiow-Ling Su, Tsung-Ming Lu, Long-Hong Huang, Jui-Tien Hwang, Jau-Kai Wu, Tsung-Ping Yang, Wen-Lung Chen, Jui-Tang Wu, Wen-Chi Chen, M. David Shu, Pei-Gi	4/28	Taiwan Institute of Directors	Changes and Development Trends in Global Politics, Economics, and Finances	3 hours
Lo, Chih-Hsien Kao, Shiow-Ling Su, Tsung-Ming Lu, Long-Hong Huang, Jui-Tien Hwang, Jau-Kai Wu, Tsung-Ping Yang, Wen-Lung Chen, Jui-Tang Wu, Wen-Chi Chen, M. David Shu, Pei-Gi Wang, Wen-Yeu	10/27	Taiwan Institute of Directors	Business Transformations Led by Corporate Governance in the Face of Platform and Strategic Innovation Trends	3 hours

Name	Date(s)	Organizer	Course Name	Time
Chen, Jui-Tang Huang, Jui-Tien Wu, Wen-Chi	6/15	SGV&Co. Philippines	Corporate Governance	4 hours
Su, Tsung-Ming	4/7	Securities & Futures Institute	2017 Forum on Insider Trading and Corporate Social Responsibility	3 hours
Wang, Wen-Yeu	8/3	Taiwan Corporate Governance Association	Technological Development and Information Security Management	3 hours
Huang, Jui-Tien	12/6	SGV&Co. Philippines	Corporate Governance	4 hours
Wu, Kun-Lin	12/19~12/20	Securities & Futures Institute	Director and Supervisor (including independent) Practical Workshop	12 hours

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

1. Remuneration Committee members

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

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

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

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

(3) Not an individual shareholder who holds, or whose spouse or minor children hold, or who uses nominee accounts to hold over 1% of the Company's issued shares or is one of the top 10 shareholders.

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

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

(6) Not a director, supervisor, or manager of any company or organization that has business or financial relations with the Company and does not own over 5% of such a company's shares.

(7) Not an owner, partner, director, supervisor, manager or spouse of any of such individual whose sole proprietorship, partnership, company, or institution provides services or consulting advise in business, law, finance and accounting to the Company or the Company's affiliates.

(8) Does not meet any of the criteria described in Article 30 of the Company Act.

2. Operations of the Remuneration Committee

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

(2) The term of office for current members runs from June 18, 2015 through June 17, 2018.

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

Title	Name	Meetings Attended Personally (B)	Meetings Attended by Proxy	Personal Attendance Rate (B/A)	Remarks
Convener	Wang, Wen-Yeu	3	0	100	—
Member	Chen, M. David	3	0	100	—
Member	Shu, Pei-Gi	3	0	100	—

Other issues to be noted:

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

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

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

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

(5) Implementation of Corporate Social Responsibility

Items Evaluated	Status			Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
1. Corporate Governance				
(1) Has PCSC established corporate social responsibility policies or a CSR system and reviewed the effectiveness of implementation?	V		<p>1. PCSC has established a CSR code of conduct. In order to implement and manage CSR, PCSC established an interdepartmental CSR Committee with the president serving as chairman and a senior vice president as vice chairman. The committee is divided up into five major teams, including "Corporate Governance", "Sustainable Products and Services", "Environmentally Friendly", "Coexisting with the Community", and "Employee and Franchisee Relations", responsible for proposing and implementing concrete plans related to CSR policies, systems, or relevant management guidelines. They report to the Board on an annual basis the achievements of the current year and plans for the following next year.</p> <p>2. The main results of the implementation in CSR:</p> <p>(1) Environment: In 2017, a total of NT\$1 billion was invested in various environmental protection resources and equipment. Green procurement increased over previous year. Over NT\$100 million was invested in food safety. Electricity use in stores and headquarters reduced over previous year.</p> <p>(2) Society: In 2017, PCSC's annual charity amount stood at around NT\$260 million. Of these, NT\$170 million came from donations of spare change in stores and NT\$90 million from ibon kiosks. The Good Neighbor Foundation held more than 12,000 Good Neighbor Funfest events of various types to promote family bonding, care for the disadvantaged, education and culture, as well as promoting healthy living and environmental protection. Over one million participants have taken part in the events over the past nine years, showing PCSC's concern for the needs of the community.</p> <p>(3) Corporate governance and operations: In 2017, revenue for PCSC parent company was NT\$144.48 billion, increasing by 3.1% over the previous year. Net profit stood at NT\$31.02 billion, growing by 215%. Even if one-off long-term investment disposal gain is taken out of the equation, profits still increased over the previous year. The cash dividends were NT\$25 per share, a NT\$17 increase over the previous year. PCSC was ranked among the top 5% of all TWSE-/TPEX-listed companies for the third year in a row and was once again named to the Taiwan Corporate Governance 100 Index. Moreover, PCSC was selected for FTSE4Good Emerging Index and continued to be selected among the stocks making up the MSCI Global Sustainability Indices.</p> <p>3. Please refer to the PCSC CSR Report for a detailed description of CSR policy effectiveness.</p>	Compliant

Items Evaluated	Status			Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
(2) Does PCSC regularly give CSR education and training?	V		To educate the entire staff in regard to the law, PCSC has designed online and traditional classes for various employee levels. Classes cover such topics as personal information, labor laws, product safety, occupational safety, Gender Equality Act, Fair Trade Act, Trademark Act, and intellectual property. All upper level managers are required to take at least three hours of law education classes each year to ensure that PCSC maintains its law-abiding culture.	Compliant
(3) Has PCSC designated personnel to implement corporate social responsibility policy with senior management authorized by the Board of Directors to manage them and do they give status reports to the Board of Directors?	V		In order to implement and manage CSR, PCSC established an interdepartmental CSR Committee with the President serving as chairman and Senior Vice President Wu, Kuo-Hsuan as vice chairman. The committee is divided up into five major teams responsible for proposing and implementing concrete plans related to CSR policies, systems, or relevant management guidelines and reporting the status on a regular basis to the Board of Directors. They meet once every six months to submit reports on implementation progress. They also report to the Board of Directors once a year achievements of the current year and plans for the following next year.	Compliant
(4) Has PCSC established reasonable remuneration policies and integrated the employee performance evaluation system and CSR policies, and established a clear and effective incentive and discipline system?	V		PCSC pays employees competitive wages and reviews various salary and benefit surveys annually to ensure the starting pay offered is higher than standard starting pay around the nation. To ensure fairness, PCSC offers the same starting pay for males and females performing the same work, so that pay and benefits do not vary based on gender or age. In addition, PCSC holds quarterly labor and management meetings as required by law with five individuals representing each labor and management to negotiate issues related to benefits and systems. They work together to create a harmonious and friendly work environment. Since 2015, PCSC has added CSR indicators to manager performance thereby linking the employee performance assessment system to CSR.	Compliant
2. Sustainable Environmental Development				
(1) Has PCSC endeavored to make more efficient use of resources and use renewable materials that have a lower impact on the environment?	V		PCSC continues to introduce concrete energy conservation plans in our stores. Energy saving measures such as proper insulation, energy-efficient lighted signs, fewer light fixtures, utilizing inverter systems, outdoor energy conservation, indoor lighting management, and LED fixtures are incorporated in every new store design. Existing stores focus on phasing out inefficient equipment and investing in energy efficient options. In 2017, PCSC invested NT\$75 million to buy high-efficiency variable frequency air conditioners to replace 707 fixed-frequency air conditioners in many franchise stores and applied with the Bureau of Energy for NT\$15 million of Energy saving performance subsidies. In coordination with the government academic institutions, PCSC is working to improve stores' energy efficiency and reduce operational costs, while also introducing store energy use self-evaluations to ensure efficient operations.	Compliant
(2) Has PCSC established an environmental management system that is specifically designed with PCSC's operations in mind?	V		PCSC is committed to reducing our carbon footprint and emissions of greenhouse gasses to ensure a better living environment for the nation. For example, long before a new location opens its doors, energy saving considerations drive the design process, while existing stores focus on phasing out inefficient equipment. We have also built Taiwan's largest national recycling platform. In addition, PCSC's headquarters has implemented environmental measures to reduce electricity, water, and paper use. We continue to implement green procurement and offer high quality eco-friendly products to our customers to grow the green consumer marketplace. Through our green accounting system, we turn these concrete actions to improve the environment into financial data, which assists the Company to manage environmental costs and analyze overall effectiveness.	Compliant

Items Evaluated	Status			Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
(3) Does PCSC pay close attention to the potential impacts of climate change on operations, has it undertaken an examination of its greenhouse gas emissions, and has it established a carbon and greenhouse gas reduction strategy?	V		As we have helped make life more convenient in Taiwan, PCSC recognizes that energy conservation and carbon emissions reduction are important requirements for sustainable operations. As such, PCSC integrated seven major green engineering concepts, including power management, lighting design, air conditioning, improved ice making equipment, environmentally-friendly construction materials, better construction methods, and water saving equipment into store designs. With permission from the Equipment Procurement Committee, PCSC invested in improving energy saving equipment and worked with the government, the Industrial Technology Research Institute, and relevant academic institutions to enhance the energy efficiency of stores and reduce store operation costs. PCSC is striving to gradually integrate efficient equipment, heat and cold air emissions, and better lighting system designs into its stores. Our hope is that stores will become environmentally-friendly and sustainable shopping venues and reduce the impact of operations on the environment. In addition, we continue to perform annual greenhouse gas emissions assessments under the GHG Protocol to keep track of greenhouse gases expelled within the scope of our operations. In 2017, stores used 835,287,722 watts of electricity, 6,825,908 more than the 828,461,814 watts used in 2016. This was primarily because the Chungyi District Office used more electricity and the overall number of stores increased. On the other hand, carbon emissions in 2017 stood at 577,903.71 tons, 1,175.78 tons fewer than the 579,079.49 tons emitted in 2016. This was due primarily because increased maintenance on refrigerators and air conditioners helped reduce refrigerant released into the atmosphere. In addition, PCSC received ISO50001 Energy Management certification in 2015, 2016, and 2017. Please refer to the PCSC CSR Report for a detailed description of CSR policy effectiveness.	Compliant
3. Social Welfare				
(1) Has PCSC established management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		PCSC established the "PCSC Labor Rights Policies" based on the guidance of International Labor Conventions, the Ethical Trading Initiative, the International Labour Organization's Declaration on the Fundamental Principles and Rights at Work, as well as the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies. It covers nine areas, including right to free choice of occupation, prohibition of forced labor, restrictions on child employment, fair entitlements guarantee, work hour restrictions, employment non-discrimination, safety and health in the work environment, humanitarian treatment of employees, and ensuring the right of employees to open communication channels.	Compliant
(2) Does PCSC have an employee complaint mechanism and channels and does it take care of said complaints appropriately?	V		To encourage direct communication between employees and managers, PCSC established the Integrated Services Center, e-mailbox, and a dedicated stakeholder section of our website, which enable employees to get timely answers to their questions. In addition, the Company set up an internal suggestion system, which allows employees to bring their opinions and suggestions about company operations directly to management. Our internal communication platform also sends out important messages directly to employees.	Compliant
(3) Does PCSC provide employees with a safe and healthy work environment and regularly implement safety and health education programs for employees?	V		1. The Company provides employees with comprehensive education and training programs and an outstanding benefit regime (which includes subsidies for physical examinations and marriage) to support our employees and improve their physical and mental health. PCSC launched the "Health Management Program" to provide employees with supplementary health services and promote awareness of health-related issues. The Company also hired specialized nurse practitioners and doctors from the NTU Hospital to provide health counseling. PCSC further employed health education campaigns, such as the "Health Passport", e-newsletters, and lectures, to encourage employees to manage their personal health and create a warm, harmonious, and safe working environment. 2. In accordance with revisions to the Occupational Safety and Health Act, PCSC launched programs for maternal protection, ergonomics hazard prevention, unlawful mental or physical harassment prevention, and a physical and psychological overload prevention program. In addition, because it actively promotes physical and psychological health, in 2017, PCSC received the Excellent Breastfeeding Room Certification from the Taipei City Government's Department of Health.	Compliant
(4) Has PCSC established a mechanism enabling periodic communication with employees and a reasonable method of informing employees of those operational changes that could potentially affect their work?	V		To encourage direct communication between employees and managers, PCSC established the Integrated Services Center, e-mailbox, and dedicated stakeholder section of our website, which enable employees to get timely answers to their questions. In addition, the Company set up an internal suggestion system, which allows employees to bring their opinions and suggestions about company operations directly to management. Our internal communication platform also sends out important messages directly to employees.	Compliant

Items Evaluated	Status			Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
(5) Has PCSC established an effective career skill development training program for employees?	V		<p>PCSC attaches a great deal of importance to personnel training. We help our employees be all that they can be through job rotation, overseas experience, giving important jobs and challenges, and by broadening their horizons.</p> <ol style="list-style-type: none"> 1. Since 2016 when PCSC set up an employee career development path and management mechanism, it has continued to promote it and to set up various systems. 2. Starting in 2017, PCSC has held 11 employee orientations and produced online teaching materials and has utilized job rotation willingness surveys to determine what employees would like to do. PCSC has organized 17 company, cross group, departmental human resource development symposiums where employees and managers can engage in two-way communication. PCSC also held 10 classes teaching managers how to help employees develop. In addition to enhancing the ability of managers to train their subordinates, these classes encourage employees to think about their career objectives and to prepare themselves, so that they can grow together with the company. 3. PCSC, in accordance with the Company's core values, has clearly outlined a training program to equip employees with the skills and standards required for positions throughout the organization. Managers and employees can strengthen their abilities to achieve their career goals by participating in internal or external training courses. Together with their immediate supervisors, employees map out a "Personal Development Plan" taking into account education, experience, work requirements, performance evaluation results, and career development needs. For some key employees, PCSC has mapped out a program of training and development to help them reach their ideal position within the company. 4. PCSC also encourages employees to pursue self-enrichment in their spare time, to strengthen their foundation and professional knowledge through scholarships for outside training and language courses. 	Compliant
(6) Has PCSC established policies governing R&D, procurement, production, operations, and service processes and complaint procedures to safeguard the rights of customers?	V		<p>PCSC endeavors to provide consumers with high quality, safe, and hygienic products. For example, we have a complete source management mechanism in place for the procurement of fresh foods. All employees involved in the production process must take food safety and hygiene training classes to ensure the rigorousness of process management. The Company's fleet of dedicated delivery trucks keep foods cold and rush fresh products to stores across the country to be enjoyed by our customers. In 2013, PCSC established the Product Safety Information Collection and Inventory Tracking Operational Standards. The Product Department and the Quality Assurance Department join forces to regularly collect relevant product safety information and set up inventory and tracking procedures to ensure the safety of Company products. For a long time now, the Company has been investing resources and raising food safety standards to achieve this goal. Consumers can express their opinions through our Integrated Service Center or the dedicated stakeholder section of our website to ensure that their suggestions or concerns are handled satisfactorily.</p>	Compliant
(7) Does PCSC's product and service marketing and labeling adhere to relevant laws and regulations and international standards?	V		<p>The packaging designs for PCSC's own-brand products have all passed the packaging inspection process, and the labeling and advertising have been further checked and approved by the Company's Quality Assurance and Legal Departments, to ensure they conform to laws and guidelines set forth by regulating authorities.</p>	Compliant
(8) Prior to entering a business relationship with a supplier, does PCSC first determine whether or not the supplier has any records of negatively impacting the environment or society?	V		<p>PCSC employs a variety of methods, including contract farming and place of origin management, food traceability, hierarchical supplier management and field evaluation system, regular inspections of logistic centers and retail locations, and random lab testing of raw materials and products, to provide farm-to-table management of raw materials and ensure food quality. In addition, PCSC requires OEM factories for own-brand food products to receive domestic and international food safety certifications (such as ISO 22000 / HACCP / CAS). Non-food OEM factories that have obtained international quality certification, such as ISO9001, are given first priority. PCSC holds spot checks of raw materials suppliers and OEM factories and places them into different categories, giving them different classifications based on their evaluation scores. PCSC's evaluations vary in terms of frequency and items assessed. In addition to food and product safety issues, PCSC attaches a great deal of importance to such issues as environmentalism and corporate social responsibility. Our Internal Audit Office integrates interdepartmental evaluations and holds spot checks at raw material suppliers and OEM factories to ensure compliance with environmental safety and CSR requirements.</p>	Compliant

Items Evaluated	Status			Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
(9) Does PCSC's contracts with its major suppliers include provisions for terminating the agreement at any time in the event that the suppliers are involved in any activities that violate Company CSR policies and that significantly adversely impact the environment or society?	V		In order to ensure Company business activities are free from the taint of corruption, PCSC added an integrity and anti-bribery provision to its supplier agreements in 2013. Suppliers must maintain integrity in their interactions with PCSC and prevent dishonest business practices to protect the rights and interests of both parties to the contract. Beginning in 2016, contracts with key suppliers now include provisions regarding corporate social responsibility. If a supplier is involved in a policy violation resulting in negative impacts to the environment or local community, its contract with PCSC may be terminated or cancelled at any time.	Compliant
4. Information disclosure				
(1) Does PCSC disclose on its website and TWSE market observation post system relevant and reliable information about Company CSR?	V		1. PCSC's website features a corporate social responsibility section where CSR related information is disclosed. The Company also discloses information on greenhouse gas emissions and results of reduction efforts on the TWSE market observation post system. 2. PCSC disclosed its CSR Report on TWSE market observation post system and the Company's website.	Compliant
5. If PCSC has drawn up a code for CSR based on the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please describe any differences between said code and the Best Practice Principles:				
<p>(1) In accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies, PCSC drew up the Rules for the Practice of Corporate Social Responsibility, which govern implementation of corporate governance, development of sustainable operations, protection of public welfare, strengthening of CSR information disclosure, and protections of stakeholder rights and interests. PCSC employees follow these regulations to manage Company risks and impacts on the economy, environment, and society.</p> <p>(2) PCSC's food safety policies are based on focused operations, traceability, and winning consumer trust and include, enhancing the quality of OEM products from and food safety management of foreign factories, improving the food safety SOP of our stores, effecting spot checks and management of our suppliers, implementing raw material traceability examination and management, improving quality assurance laboratory self-examination capabilities, and establishing and implementing a complete food safety monitoring program. These measures enable PCSC to fulfil our corporate social responsibility through food safety management, thereby reducing food safety risks and potential impacts.</p>				
6. Other important information for facilitating the understanding of CSR and its implementation:				
<p>(1) To respond to the issue of food safety, PCSC formulated the Product Safety Information Gathering and Inventory Tracking Operating Procedures to strengthen crisis management capabilities and perform self-reviews of potential major product safety incidents and related regulations to discover latent food safety risks.</p> <p>(2) The PCSC quality assurance laboratory has been certified by the TFDA for ten testing areas (chloramphenicol, microorganism counts, coliform bacteria, E. coli, Salmonella, Listeria monocytogenes, eight colorants, Ochratoxin A, Patulin, nitrofurantol metabolites, and testing for residues of 48 veterinary drugs) and TAF certification for four testing areas (microorganism counts, coliform bacteria, E. coli). In addition, we independently test for 625 chemicals and 13 microorganisms. In 2014, PCSC received TFDA Certification for the first time. The validity period is three year. In May of 2017, we passed the extension application of our creditation, once again recognizing the management quality of our laboratories. In 2017, the quality assurance laboratory performed testing on over 900 raw materials and products to maintain strict control on the safety of food products.</p> <p>(3) PCSC has optimized the own-brand product raw material management system to strengthen traceability management mechanism.</p> <p>(4) PCSC adopted fresh food product ingredient labeling simplification standards that meet with government standards and allow consumers to more easily determine the ingredients of the food products.</p> <p>(5) In order to realize our "Franchise Utopia", PCSC has established a comprehensive franchise system, paying particular attention to responding to questions posed by franchisees and solving problems as quickly as possible. On 6 June 2016, PCSC set up a "franchisee question and complaint hotline". Franchisees' issues are dealt with as special projects and follow-ups made to determine how the solutions are progressing. This has served to enhance franchisee confidence and satisfaction.</p> <p>(6) ISO14001 is not applicable to PCSC, because PCSC is not in the manufacturing industry.</p>				
7. If Company products or CSR report have received certification from relevant certification bodies, please detail below:				
PCSC began issuing its CSR Report annually and the results are also disclosed on the Company website. The 2016 PCSC CSR Report was based on the Global Reporting Initiative's G4 framework. The independent limited assurance report was compiled by PRICEWATERHOUSECOOPERS in accordance with the R.O.C. Assurance Engagement Bulletin #1 "Assurance Engagements Other than Reviews or Examination of Historical Financial Data".				

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

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

Items Evaluated	Status			Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
(4) Has PCSC implemented effective accounting and internal control systems and does it have an internal auditing unit or independent accountant periodically review them?	V		In accordance with the law, PCSC established effective accounting and internal control systems and internal auditors routinely conduct compliance tests and employ a self-check system to ensure the effectiveness of internal control mechanisms. The audit reports are prepared and submitted to the Board for approval.	Compliant
(5) Does PCSC periodically hold internal and external ethical corporate behavior training?	V		<p>1. The Company's internal website features a Policy Promotion Area to educate employees about regulations governing ethical corporate behavior. In 2015, PCSC established the Ethical Operations Case Team to promote related education among employees, and each year, PCSC establishes a training theme.</p> <p>2. In 2017, a course on "Good Faith Management and Personal Information Protection of Logistics" was incorporated into our new employees training. There are 228 employees took part in the training, spent 114 hours in total, and achieved a pass rate of 100%.</p> <p>3. In 2017, the main scheme of the legal education training is the labor law and fair trade law, which included:</p> <p>(1) Hold common education courses of law for management team: there are 208 managers took part in the training, spent 624 hours in total, and achieved a pass rate of 100%.</p> <p>(2) Education and trainings for logistic: there are 2,339 employees complete a course on "Brand usage", spent 2,401 hours and achieved a pass rate of 100%; there are 2,339 employees complete a course on "Common knowledge in Law", spent 4,002 hours and achieved a pass rate of 100%.</p> <p>(3) PCSC produced online courses for store operational training to enhance understanding of Labor Law regulations. The company also produced "7-ELEVEN brand name authorized education and training manual" to strengthen the understanding of brand names usage.</p>	Compliant
3. Operation of the Company's Violation Reporting System				
(1) Has PCSC established a concrete violation reporting and rewards system, set up convenient reporting channels, and appointed suitable personnel to handle these cases?	V		<p>1. Both PCSC's Internal Audit Office and Integrated Services Center have set up exclusive reporting hotlines. Stakeholders may also report any violations through the stakeholder section of our website. In addition, we also have a complete system and mechanisms to ensure stakeholder feedback is followed up properly. After stakeholders send their opinions by email through the website, the message is passed through the system directly to the responsible party, who is then required to update on the status of the case within a specified period of time. PCSC keeps track of the number of reports received each month and the status of each case.</p> <p>2. In 2017, 1,361 messages were received through the stakeholder feedback section of the website.</p> <p>3. The violation reporting and rewards system is implemented according to the Standards Governing Awards and Discipline and Regulations Governing Product Safety Protections set forth by human resources and quality assurance divisions. The Awards and Discipline Committee conducts deliberations according to these policies and the results of its appraisal are published on the Company's internal website.</p>	Compliant
(2) Has PCSC established an investigation SOP for violation reporting and a relevant confidentiality mechanism?	V		PCSC has established an internal investigation SOP for violation reporting and a relevant confidentiality mechanism. Information related to reported violations is only available to auditing personnel and their direct supervisors, while related documents are placed on file by the deputy chief auditor.	Compliant
(3) Does PCSC have any measures in place to protect individuals from possible mistreatment arising from reporting violations?	V		PCSC has a duty to keep information about individuals who report violations confidential. Information about such individuals cannot be released without their prior consent to keep them from being improperly punished.	Compliant

Items Evaluated	Status			Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
4. Strengthening information disclosure				
(1) Does PCSC disclose the content of our Best Practice Principles and their effectiveness on our website and the TWSE market observation post system?	V		PCSC has disclosed our Ethical Corporate Management Best Practice Principles, operating procedures, and code of conduct on our investor relations website and TWSE market observation post system.	Compliant
5. If the Company has established a code of ethical corporate management based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please discuss the specifics of the code and implementation below: On December 19, 2014, PCSC established its Ethical Corporate Management Best Practice Principles as required by the Financial Supervisory Commission. On August 4, 2015, the Board passed revisions to the Best Practice Principles and established Ethical Corporate Management Operating Procedures and Code of Conduct, implemented as written by the Ethical Operations Team. The Ethical Corporate Management Practice Team holds meetings on these issues on a regular basis.				
6. Other information that will assist in the understanding of Company ethical corporate management practices: (such as reviewing and revision of the Company's existing Ethical Corporate Management Best Practice Principles) In addition to operating according to PCSC's Ethical Corporate Management Best Practice Principles, the Company has also established the Procedures for Ethical Management and Guidelines for Conduct Bulletin that sets up standards for moral conduct, gender interaction, gift giving and meals, and behavior with outside firms. The employees of PCSC has signed a convention of self-discipline in this regard. PCSC has also established a system that implements appropriate disciplinary measure in cases of rules violations. The ethical corporate management provision is now part of all contracts with outside parties and suppliers. In order to ensure ethical operations are implemented fully, we have also set up an internal control mechanism where internal auditors perform evaluations regarding adherence to related regulations. Our subsidiaries also follow these regulations to ensure operations are conducted ethically.				

(7) Company procedures for processing material information:

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

(8) Status of internal control system implementation:

1. Internal Control Declaration: Please refer to page 79 of this report.
2. If PCSC has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed: N/A

(9) During the most recent year and as of the date of publication of the Annual Report, any disciplinary measures taken against the Company or its internal staff due to violations of legal requirements or taken by the Company against its own staff due to violations of the internal control system. The details of the disciplinary measures, major faults, and improvement measures should be noted: Please refer to page 56 of this report.

(10) Major resolutions voted on at Shareholder, Board Meetings, and the Audit Committee during the most recent year and as of the date of publication of the Annual Report:

1. Major resolutions voted on by the Shareholders' Meeting (The following resolutions have been implemented)
During 2017 and this year as of the date of publication of the Annual Report, one General Shareholders' Meeting was held. The annual General Shareholders' meeting was held on June 13, 2017. The below resolutions were approved at the meeting:

- (1) Approval of the financial report for 2016: Including business report, financial statements, and distribution of profits.
Result: Resolution passed.
- (2) Proposal on the distribution of 2016 profits: In 2016, the Company had distributable income amounting to NT\$8,855,573,561 and proposed to pay a cash dividend of NT\$8.0 per share.
Result: Resolution passed and a cash dividend of NT\$8.0 per share was paid out on September 6, 2017.
- (3) PCSC amended Articles of Incorporation: Due to operational needs, PCSC added "F208050 Retail Sale of the Second Type Patent Medicine" to the Business Scope in its Articles of Incorporation.
Result: Resolution passed and on July 10, 2017 was approved by the Ministry of Economic Affairs and was announced on the Company website.
- (4) Amendments to "Operational Procedures for Acquisitions or Disposals of Assets": Due to revisions to the law, PCSC amended its procedures for acquiring or disposing of assets.
Result: Resolution passed. It has also been implemented per resolutions arrived at in a shareholder meeting and has been announced on the Company website.
- (5) Amendments to Shareholder Meeting Rules: Due to operational needs, PCSC amended its Shareholder Meeting Rules.
Result: Resolution passed. It has also been implemented per resolutions arrived at in a shareholder meeting and was announced on the Company website.
- (6) Resolution to Remove PCSC Director Non-Competition Restrictions
Result: The above resolution was approved by the Shareholders' Meeting and implemented.

2. Major resolutions approved by Board Meetings:

(Some applications for the renewal of credit limits from financial institutions are currently being implemented, while PCSC's 2017 earnings and dividend distribution proposal, Amendment to the Articles of Incorporation, election of directors (including independent directors), and Resolution to Remove PCSC Director Non-Competition Restrictions must still be approved by the 2018 Shareholders' Meeting. All other resolutions have completed execution.)

During the fiscal year 2017 and as of the date of the publication this report, nine Board Meetings were convened. Major resolutions approved at these meetings are summarized below:

- (1) The 12th meeting of the 11th Board (Date: February 22, 2017)
 - Approved the 2016 employee and director earnings distribution proposal.
 - Approved the 2016 asset impairment.
 - Approved 2016 financial statements, consolidated financial statement, and business reports.
 - Approved the 2016 earnings distribution proposal.
 - Approved the 2016 dividend distribution proposal.
 - Presentation of the 2016 PCSC Internal Control Statement.
 - Approved the proposed agenda of 2017 Shareholders' Meeting.
 - Approved the procedures regarding the "Notice of the right of shareholders to make proposals" for the 2017 Shareholders' Meeting.
 - Approved resolution regarding the removal of non-competition restrictions for PCSC directors.
 - Approved revisions to the PCSC Articles of Incorporation.
 - Approved the motion on the application for the renewal of credit limits and new applications from financial institutions.
 - Approved proposal to invest in new business in Zhejiang, China.
 - Approved proposal to invest in new business in Hangzhou, China.
 - Approved the capital increase for Shanghai Cold Stone Creamery Corp.
 - Presentation of the resolutions approved at the 4th meeting of the 3rd Remuneration Committee.
 - Approved the proposal for Company donations.
 - Approved the establishment and removal of Company branches and stores proposal.
 - Approved the date and venue for the 13th meeting of the 11th Board.
- (2) The 13th meeting of the 11th Board (Date: May 3, 2017)
 - Approved the motion on the application for the renewal of credit limits from financial institutions.

- Approved amendments to "Operational Procedures for Acquisitions or Disposals of Assets".
 - Approved amendments to Shareholder Meeting Rules.
 - Approved the proposed agenda of 2017 Shareholders' Meeting.
 - Presentation of the resolutions approved at the 5th meeting of the 3rd Remuneration Committee.
 - Approved the establishment and removal of Company branches and stores proposal.
 - Approved the date and venue for the 14th meeting of the 11th Board.
- (3) The 14th Meeting of the 11th Board (Date: June 13, 2017)
- Approved the capital increase for Afternoon Tea Taiwan Co., Ltd.
 - Approved the resolution to renewing liability insurance for the directors and key employees.
 - Approved resolution regarding the removal of non-competition restrictions for PCSC management.
 - Approved the record date of 2016 earnings distribution.
 - Approved the motion to change the custodian of the Company's official chop.
 - Approved the establishment and removal of Company branches and stores proposal.
 - Approved the date and venue for the 15th meeting of the 11th Board.
- (4) The 15th Meeting of the 11th Board (Date: July 27, 2017)
- Approved the sale of 30% equities of President Coffee (Cayman) Holdings held by President Chain Store (Hong Kong) Holdings Limited.
 - Approved the purchase of 30% equities of President Starbucks Coffee Corp.
 - Approved the issuance of a Comfort Letter to Uni-President Enterprises Corporation.
- (5) The 16th Meeting of the 11th Board (Date: August 2, 2017)
- Approved the motion to change the custodian of the Company's official chop.
 - Approved organization adjustments and personnel changes.
 - Approved the establishment and removal of Company branches and stores proposal.
 - Approved the date and venue for the 17th meeting of the 11th Board.
- (6) The 17th Meeting of the 11th Board (Date: November 1, 2017)
- Approved amendments to the Audit Committee Organization Procedures.
 - Approved audit fee for 2017 Financial Statement and Enterprise Income Tax auditing.
 - Approved the PCSC CPA Independence Evaluation Resolution.
 - Approved the capital increase for PCSC (Chengdu) Hypermarket Limited.
 - Approved the proposal for Company donations.
 - Approved the establishment and removal of Company branches and stores proposal.
 - Approved the date and venue for the 18th meeting of the 11th Board.
- (7) The 18th Meeting of the 11th Board (Date: December 6, 2017)
- Approved the proposal for Company donations.
 - Approved the 2018 operations plan proposal.
 - Approved amendments to the Board of Directors Meeting Procedures.
 - Approved the motion on the application for the renewal of credit limits and new applications from financial institutions.
 - Approved the 2018 audit plan.
 - Approved the 2018 "7-ELEVEN Internal Control System" amendment.
 - Approved the proposal for Company donations.
 - Approved the establishment and removal of Company branches and stores proposal.
 - Approved the date and venue for the 19th meeting of the 11th Board.
- (8) The 19th Meeting of the 11th Board (Date: December 29, 2017)
- Approved changes to trading counterpart in the sale of equities in President Coffee (Cayman) Holdings held by President Chain Store (Hong Kong) Holdings Limited.
- (9) The 20th Meeting of the 11th Board (Date: February 23, 2018)
- Approved the motion regarding PCSC's response to the Hualien Earthquake and relevant corporate donations.
 - Approved the 2017 employee and director earnings distribution proposal.
 - Approved the 2017 asset impairment.
 - Approved 2017 financial statements and consolidated financial statement reports.
 - Approved the 2017 earnings distribution proposal.
 - Approved the 2017 dividend distribution proposal.
 - Presentation of the 2017 PCSC Internal Control Statement.
 - Approved the proposed agenda of 2018 Shareholders' Meeting.
 - Approved 2017 business reports.
 - Approved the re-election of directors (including independent director).
 - Approved the "Notice of the nomination of candidates of directors (including independent directors)" for the 2018 Shareholders' Meeting.
 - Approved the procedures regarding the "Notice of the right of shareholders to make proposals" for the 2018 Shareholders' Meeting.

- Approved resolution regarding the removal of non-competition restrictions for PCSC directors.
- Approved revisions to the PCSC Articles of Incorporation.
- Approved the motion on the application for the renewal of credit limits and new applications from financial institutions.
- Presentation of the resolutions approved at the 6th meeting of the 3rd Remuneration Committee.
- Approved the proposal for Company donations.
- Approved personnel appointment and removal proposal.
- Approved the establishment and removal of Company branches and stores proposal.
- Approved the date and venue for the 21th meeting of the 11th Board.

3. Major resolutions approved by Audit Committee:

During the fiscal year 2017 and as of the date of the publication this report, eight audit committee meetings were convened. Major resolutions approved at these meetings are summarized below:

- (1) The 8th meeting of the 2nd Audit Committee (Date: February 21, 2017)
 - Approved 2016 financial statements and consolidated financial statement reports.
 - Presentation of the 2016 PCSC Internal Control Statement.
 - Approved the capital increase for Shanghai Cold Stone Creamery Corp.
- (2) The 9th meeting of the 2nd Audit Committee (Date: May 2, 2017)
 - Approved the 2016 earnings distribution proposal and business reports.
 - Approved amendments to "Operational Procedures for Acquisitions or Disposals of Assets".
- (3) The 10th meeting of the 2nd Audit Committee (Date: July 27, 2017)
 - Approved the sale of 30% equities of President Coffee (Cayman) Holdings held by President Chain Store (Hong Kong) Holdings Limited.
 - Approved the purchase of 30% equities of President Starbucks Coffee Corp.
 - Approved the issuance of a Comfort Letter to Uni-President Enterprises Corporation.
- (4) The 11th meeting of the 2nd Audit Committee (Date: August 1, 2017)
 - Approved the consolidated financial statement for 2017 Q2.
 - Approved the motion regarding PCSC organizational restructuring and personnel changes.
- (5) The 12th meeting of the 2nd Audit Committee (Date: October 31, 2017)
 - Approved amendments to the Audit Committee Organization Procedures.
 - Approved the capital increase for PCSC (Chengdu) Hypermarket Limited .
 - Approved audit fee for 2017 Financial Statement and Enterprise Income Tax auditing.
 - Approved PCSC CPA Independence Evaluation Resolution.
- (6) The 13th meeting of the 2nd Audit Committee (Date: December 5, 2017)
 - Presentation of the 2018 audit plan.
 - Approved the 2018 "7-ELEVEN Internal Control System" amendment.
- (7) The 14th meeting of the 2nd Audit Committee (Date: December 29, 2017)
 - Approved changes to trading counterpart in the sale of equities in President Coffee (Cayman) Holdings held by President Chain Store (Hong Kong) Holdings Limited.
- (8) The 15th meeting of the 2nd Audit Committee (Date: February 22, 2018)
 - Approved 2017 financial statements and consolidated financial statement reports.
 - Presentation of the 2017 PCSC Internal Control Statement.

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

(12) Summary of the resignations and dismissals of the chairman, president, accountant division manager, chief financial officer, internal auditing manager, and R&D manager during the last year and up to the time of printing: None

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

Certificates	Number of employees who hold professional certificates
Certified Internal Auditor (CIA)	2
Certified Information Systems Auditor (CISA)	1(Note)
Project Management Professional (PMP)	1
Enterprise Internal Control Basic Skills Examination	14
Certified Public Accountant:	4
Certified Public Bookkeeper	4
TPIPAS Personal Information Management Professional	9
TPIPAS Personal Information Internal Assessment Professional	3

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

4. Information on Independent Auditors

(1) Audit fees

Auditing Firm	Auditor Names		Audit Period	Remarks
PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Chou, Chien-Hung	2017 Fiscal Year	-

Unit: NT\$1000

Expense Scale		Fee Category	Audit Fees	Non-Audit Related Fees	Total
1	Less than NT\$2,000,000		—	—	—
2	2,000,000 (incl.) – 4,000,000		—	—	—
3	4,000,000 (incl.) – 6,000,000		—	—	—
4	6,000,000 (incl.) – 8,000,000		—	—	—
5	8,000,000 (incl.) – 10,000,000		—	9,858	9,858
6	10,000,000 (incl.) and above		14,420	—	14,420
Total			14,420	9,858	24,278

Unit: NT\$1000

Auditing Firm	Auditor Names	Audit Fees	Non-Audit Related Fees					Audit Period	Remarks
			System Design	Business Registration	Human Resources	Other	Subtotal		
PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan Chou, Chien-Hung	14,420	—	—	—	9,858	9,858	2017 Fiscal Year	Other Non-Audit Related Fees include equity trade fees of NT\$4,825,000, CSR project NT\$2,633,000, transfer pricing NT\$800,000, DJSI service fees of NT\$650,000, tax consulting fees of NT\$600,000, and fees for other services of NT\$350,000.

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

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

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

(1) Recent changes:

Unit: Shares

Title	Name	2017		This year as of March 15	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Director and Institutional Shareholder, Major Shareholder	Uni-President Enterprises Corp.	0	0	0	0
Director and Institutional Shareholder	Kao Chyuan Investment Co. Ltd.	140,000	0	0	0
Chairman	Lo, Chih-Hsien	0	0	0	0
Director	Kao, Shiow-Ling	0	0	0	0
Director	Su, Tsung-Ming	10,000	0	0	0
Director/PCSC President	Chen, Jui-Tang	0	0	0	0
Director/PCSC Senior Vice President	Huang, Jui-Tien	0	0	0	0
Director	Wu, Liang-Feng (Note 1)	-	-	0	0
Director	Wu, Kun-Lin (Note 1)	0	0	0	0
Director	Hwang, Jau-Kai	0	0	0	0
Director	Wu, Tsung-Ping	0	0	0	0
Director/ PCSC Chief Financial Officer (Vice President)	Wu, Wen-Chi	0	0	0	0
Director	Yang, Wen-Long (Note 1)	0	0	0	0
Director	Lu, Long-Hong (Note 1)	0	0	-	-
Independent Director	Wang, Wen-Yeu	0	0	0	0
Independent Director	Chen, M. David	0	0	0	0
Independent Director	Shu, Pei-Gi	0	0	0	0
Senior Vice President	Wu, Kuo-Hsuan	0	0	0	0
Vice President	Hsieh, Lien-Tang	0	0	0	0
Vice President	Tzeng, Fan-Bin	0	0	0	0
Vice President	Lin, Chi-Chang	0	0	0	0
Chief Auditor (Vice President)	Hsieh Hong, Hui-Tzu	0	0	0	0
Vice President	Lin, Hung-Chun	0	0	0	0
Chief Accounting Officer (Vice President)	Kuo, Ying-Chih (Note 1)	0	0	0	0
Vice President	Hsieh, Ching-Hsun	0	0	0	0
Vice President	Hsieh, Kuan-Hung (Note 1)	-	-	0	0
Vice President	Hsu, Guang-Yu (Note 1)	-	-	0	0
Vice President	Lee, Chi-Ming (Note 1)	0	0	-	-
Finance Division Manager	Tsung, Hsi-Yung	0	0	0	0
Accounting Division Manager	Chang, Li-Ling	0	0	0	0

Note : Lu, Long-Hong was dismissed in November 2017 ; Yang, Wen-Long was dismissed in February 2018 ; Lee, Chi-Ming was dismissed in March 2017; Wu, Kun-Lin began his term in November 2017; Wu, Liang-Feng began his term in February 2018; Kuo, Ying-Chih began her term in September 2017; Hsieh, Kuan-Hung began his term in February 2018; Hsu, Guang-Yu began his term in February 2018.

(2) Stock transfers to related parties: None

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

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

15 March 2018

Name	Shares Held Personally		Shares Held by Spouse or Minor Children		Shares Held by Nominee Agents		Names of Spouse or other relatives within two degrees of consanguinity who are also among PCSC's top 10 largest shareholders.		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Uni-President Enterprises Corp.	471,996,430	45.40%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Lo, Chih-Hsien	1,032,215	0.10%	1,014,315	0.10%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Su, Tsung-Ming	10,000	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Chen, Jui-Tang	13,652	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Huang, Jui-Tien	391	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Wu, Liang-Feng	0	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Wu, Kun-Lin	0	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Hwang, Jau-Kai	0	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Wu, Tsung-Ping	0	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Wu, Wen-Chi	556	0.00%	737	0.00%	0	0.00%	None	None	—
First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund	27,535,208	2.65%	0	-	0	-	None	None	—
Matthews Pacific Tiger Fund	21,486,608	2.07%	0	-	0	-	None	None	—
PCSC Employees Benefits Trust account in the custody of CTBC Bank	19,295,162	1.86%	0	-	0	-	None	None	—
Government of Singapore	14,650,420	1.41%	0	-	0	-	None	None	—
Labor Insurance Fund	13,554,000	1.30%	0	-	0	-	None	None	—
Labor Pension Fund (New Scheme)	13,170,000	1.27%	0	-	0	-	None	None	—
Cathay United Bank	12,542,000	1.21%	0	-	0	-	None	None	—
Vanguard Emerging Markets Stock Index Fund	9,945,647	0.96%	0	-	0	-	None	None	—
Virtus Vontobel Emerging Markets Opportunities Fund	8,513,484	0.82%	0	-	0	-	None	None	—

Note: Excepts Uni-President Enterprises Corp., the information for other shareholders and their shareholding percentages is as of 4 August 2017.

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

31 December 2017 / Units: Shares, %

Affiliated Enterprise	Ownership by PCSC		Ownership by Directors, Managers, and directly/indirectly owned subsidiaries		Total Ownership	
	Shares	%	Shares	%	Shares	%
PCSC (BVI) Holdings Ltd.	171,589,586	100.00%	-	0.00%	171,589,586	100.00%
PCSC (China) Drugstore Ltd.	8,746,008	92.20%	740,000	7.80%	9,486,008	100.00%
President Drugstore Business	78,520,000	100.00%	-	0.00%	78,520,000	100.00%
iCASH Corp.	50,000,000	100.00%	-	0.00%	50,000,000	100.00%
President Yilan Art and Culture Corp.	20,000,000	100.00%	-	0.00%	20,000,000	100.00%
Cold Stone Creamery Taiwan Ltd.	12,244,390	100.00%	-	0.00%	12,244,390	100.00%
Wisdom Distribution Service Corp.	10,847,421	100.00%	-	0.00%	10,847,421	100.00%
21 Century Enterprise Co., Ltd.	10,000,000	100.00%	-	0.00%	10,000,000	100.00%
Uni-President Oven Bakery Corp.	6,511,963	100.00%	-	0.00%	6,511,963	100.00%
President Chain Store Tokyo Marketing Corp.	9,800	100.00%	-	0.00%	9,800	100.00%
Capital Inventory Services Corp.	2,500,000	100.00%	-	0.00%	2,500,000	100.00%
President Being Corp.	1,500,000	100.00%	-	0.00%	1,500,000	100.00%
President Chain Store Corporation Insurance Brokers Co., Ltd.	1,500,000	100.00%	-	0.00%	1,500,000	100.00%
Ren-Hui Investment Corp.	6,500,000	100.00%	-	0.00%	6,500,000	100.00%
Uni-President Superior Commissary Corp.	48,519,890	90.00%	1	0.00%	48,519,891	90.00%
Q-Ware Systems & Services Corp.	24,382,921	86.76%	1	0.00%	24,382,922	86.76%
President Information Corp.	25,714,475	86.00%	1	0.00%	25,714,476	86.00%
Mech-President Corp.	55,858,815	80.87%	13,046,359	18.89%	68,905,174	99.76%
President Pharmaceutical Corp.	22,121,962	73.74%	1	0.00%	22,121,963	73.74%
President Transnet Corp.	103,496,399	70.00%	29,570,401	20.00%	133,066,800	90.00%
President Collect Services Co., Ltd.	1,049,999	70.00%	1	0.00%	1,050,000	70.00%
Uni-President Department Store Corp.	27,999,999	70.00%	12,000,001	30.00%	40,000,000	100.00%
Uni-President Cold-Chain Corp.	23,605,042	60.00%	7,868,348	20.00%	31,473,390	80.00%
Duskin Serve Taiwan Co.	10,199,999	51.00%	1	0.00%	10,200,000	51.00%
Afternoon Tea Taiwan Co., Ltd.	14,789,999	51.00%	1	0.00%	14,790,000	51.00%
Books.com. Co., Ltd.	9,999,999	50.03%	1	0.00%	10,000,000	50.03%
Mister Donut Taiwan Corp.	7,500,049	50.00%	1	0.00%	7,500,050	50.00%
President Organic Corp.	1,833,333	36.67%	2,833,333	56.67%	4,666,666	93.34%
President Coffee Corp.	21,382,674	60.00%	14,255,116	40.00%	35,637,790	100.00%
Retail Support International Corp.	6,429,999	25.00%	5,144,001	20.00%	11,574,000	45.00%
Uni-President Development Corp.	72,000,000	20.00%	108,000,000	30.00%	180,000,000	50.00%
Tonho Development Corp.	19,930,000	12.46%	127,827,000	79.89%	147,757,000	92.35%
PresiCarre Corp.	130,801,027	19.50%	137,511,893	20.50%	268,312,920	40.00%
President Fair Development Corp.	190,000,000	19.00%	405,000,000	40.50%	595,000,000	59.50%
President Technology Corp.	750,000	15.00%	-	0.00%	750,000	15.00%
President International Development Corp.	44,100,000	3.33%	942,430,230	71.24%	986,530,230	74.57%
Grand Bills Finance Corp.	108,160	0.02%	89,574,848	16.56%	89,683,008	16.58%

4 Fund Raising

1. Capital and shares

(1) Source of Capital

a. Shares issued:

15 March 2018 / Units: NT\$; Shares

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

Note: When established in June 1987, the stated capital of the Company amounted to NT\$ 100,000,000. After several capitalizations of retained earnings, the paid-in capital as of March 15, 2017 totaled NT\$10,396,222,550.

b. Capital and shares:

Unit: Shares

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

(2) Shareholder structure

As of 4 August 2017 / Unit: Shares

Quantity	Shareholder	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions and Individuals	Total
Number of Shareholders		0	0	178	19,436	1,015	20,629
Shares Held		0	0	567,714,312	36,542,368	435,365,575	1,039,622,255
Holding Percentage		0.00%	0.00%	54.61%	3.51%	41.88%	100.00%

(3) Distribution of shareholders

As of 4 August 2017 / Par value NT\$10

Tiers of Shareholding	Number of Shareholders	Total Shares Held	Holding Percentage
1 to 999	9,972	1,857,655	0.18%
1,000 to 5,000	8,562	15,286,523	1.47%
5,001 to 10,000	725	5,346,784	0.51%
10,001 to 15,000	267	3,316,092	0.32%
15,001 to 20,000	118	2,146,548	0.21%
20,001 to 30,000	141	3,500,328	0.34%
30,001 to 50,000	183	7,181,515	0.69%
50,001 to 100,000	193	14,128,166	1.36%
100,001 to 200,000	154	22,117,682	2.13%
200,001 to 400,000	108	30,892,116	2.97%
400,001 to 600,000	47	23,810,401	2.29%
600,001 to 800,000	25	16,680,280	1.60%
800,001 to 1,000,000	20	17,960,534	1.73%
1,000,001 and above	114	875,397,631	84.20%
Total	20,629	1,039,622,255	100.00%

(4) Major shareholders:

As of 4 August 2017

Shareholders	Shares	Number of Shares Held	Holding Percentage
Uni-President Enterprises Corp.		471,996,430	45.40%
First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund		27,535,208	2.65%
Matthews Pacific Tiger Fund		21,486,608	2.07%
PCSC Employees Benefits Trust account in the custody of CTBC Bank		19,295,162	1.86%
Government of Singapore		14,650,420	1.41%
Labor Insurance Fund		13,554,000	1.30%
Labor Pension Fund (New Scheme)		13,170,000	1.27%
Cathay United Bank		12,542,000	1.21%
Vanguard Emerging Markets Stock Index Fund		9,945,647	0.96%
Virtus Vontobel Emerging Markets Opportunities Fund		8,513,484	0.82%

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

Unit: NT\$

Year			2016	2017	As of 15 March 2018
Item					
Market Price per Share	Highest		268.50	290.00	315.00
	Lowest		188.00	222.50	272.00
	Average		236.76	255.23	287.32
Net Value per Share	Before Distribution		27.53	48.69	—
	After Distribution		19.53	(Note 1)	—
Earnings per Share	Weighted Average Number of Shares (Shares)		1,039,622,255	1,039,622,255	1,039,622,255
	Earnings per Share (Undiluted)		9.46	29.83 (Note 2)	—
	Earnings per Share (Diluted)		9.46	(Note 1)	—
Dividend per Share	Cash Dividends		8.00	25.00 (Note 2)	—
	Stock Dividends	Dividends from Retained Earnings	0	(Note 1)	—
		Dividends from Capital Surplus	0	(Note 1)	—
	Accumulated Undistributed Dividends		0	(Note 1)	—
Return on Investment	Price/Earning Ratio		25.13	8.68 (Note 2)	—
	Price/Dividend Ratio		29.71	(Note 1)	—
	Cash Dividend Yield Rate		3.37%	(Note 1)	—

Note 1: The earnings distributions for 2017 have not yet been approved by the Shareholders' Meeting.

Note 2: Includes Shanghai Starbucks disposal gain.

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

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

(2) PCSC business is growing stably. Taking the capital requirements and profitability of the Company into consideration, the Company's profit distribution over the next 3 years will consist primarily of cash dividends. In accordance with the Articles of Incorporation, 50%-100% of said profits are to be issued in the form of cash dividends.

2. The proposed distribution of 2017 profit approved by the Board of Directors will be submitted to the 2018 annual Shareholders' Meeting for approval. The proposal approved by the Board of Directors on February 23, 2018 is as follows: allocating NT\$25,990,556,375 from the 2017 distributable earnings to be issued as cash dividends, distributing NT\$ 25 per share. After the approval at the Shareholder's Meeting, the Board of Directors shall set a distribution record date.

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

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

(8) Employee compensation and director remuneration:

1. According to PCSC's Articles of Incorporation, if the current year's profit situation (pre-tax profits prior to deduction of employee compensation and director remuneration) is deducted by accumulated deficit, no less than 2% of said surplus shall be distributed as employee compensation and no more than 2% as director remuneration. Staff employed at the Company or subsidiaries meeting the requirements shall be eligible for compensation, distributed in the form of stock or cash. Relevant requirements are outlined separately.
2. The Board adopted the below employee compensation and director remuneration proposal for 2017 :
 - (1) The Board proposed allocating the amount of NT\$985,057,141 as employee compensation and the amount of NT\$549,159,011 as remuneration for directors.
 - (2) The amount of employee stock compensation and their proportion of overall earnings distribution: all employee compensation will be paid in cash.

	Distribution Approved by the Board
Distribution: (Unit: NT\$1000)	
Employee Compensation	\$985,057
Director Remuneration	\$549,159

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

PCSC's distributable earnings in 2016 were distributed as employee compensation and director remuneration as follows:

	Distribution Approved by the Board and at the Shareholder's Meeting
Distribution: (Unit: NT\$1000)	
Employee Compensation	\$515,635
Director Remuneration	\$172,272

4. The estimate of employees' compensation and directors' remuneration is made by calculating Company current year's profits (pre-tax profits prior to deduction of employee compensation and director remuneration) are deducted by accumulated deficit. In case of a discrepancy between the actual amount paid out and the estimate, it will be accounted for as changes in estimates and recognized as profit or loss in the following fiscal year.
5. In the 2016 financial statement, employee compensation totaled NT\$515,634,941, while remuneration for directors totaled NT\$172,271,628. These amounts are consistent with the amounts approved by the Shareholders' Meeting.

6. The recipients of employee compensation in 2016 are listed below with the amount distributed:

Unit: NT\$1000

	Title	Name	Compensation-Stock	Compensation-Cash	Total
Managers	President	Chen, Jui-Tang	-	11,506	11,506
	Senior Vice President (Note 1)	Chang Jen, Yun-Huei			
	Senior Vice President	Wu, Kuo-Hsuan			
	Senior Vice President (Note 1)	Lai, Nan-Bey			
	Senior Vice President (Note 1)	Chung, Mao-Chia			
	Senior Vice President (Note 1)	Huang, Jui-Tien			
	Vice President	Tzeng, Fan-Bin			
	Vice President	Hsieh, Lien-Tang			
	Vice President	Lin, Hung-Chun			
	Vice President	Lin, Chi-Chang			
	Vice President	Hsieh, Ching-Hsun			
	Chief Financial Officer (Vice President)	Wu, Wen-Chi			
	Chief Auditor (Vice President)	Hsieh Hong, Hui-Tzu			
	Vice President	Lee, Chi-Ming			
	Finance Division Manager (Note1)	Tsung, Hsi-Yung			
	Finance Division Manager (Note 1)	Cheng, Yea-Yun			
	Accounting Division Manager	Chang, Li-Ling			

Note 1: Chang Jen, Yun-Huei was dismissed in January 2016; Chung, Mao-Chia was dismissed in February 2016; Lai, Nan-Bey was dismissed in June 2016; Cheng, Yea-Yun was dismissed in April 2016; Huang, Jui-Tien began his term in July 2016; Tsung, Hsi-Yung began his term in May 2016.

(9) Share buyback: None

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

(1) Issuance of corporate bonds: None

(2) Issuance of preferred shares: None

(3) Global depository receipts: None

(4) Employee stock option plan: None

(5) Employee restricted stock plan: None

(6) Issuance of new shares to merge with or acquire other companies: None

3. Status of capital utilization plan

(1) Capital projection:

Any incomplete share issuance or private placement or any completed share issuance or private placement over the past three years from which benefits have not yet been reported as of December 31, 2017: None

(2) Status of implementation:

Analysis of the purpose of each capital investment project as of December 31, 2017 and comparison of implementation with the originally anticipated benefits: None

5 Operating Highlights

1. Business activities

(1) Business scope

1. PCSC's Key Operations

- | | |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| (1) F203020 Alcohol and tobacco retailing | (30) F401161 Importing of tobacco |
| (2) F206020 Daily necessities retailing | (31) F401171 Importing of alcohol |
| (3) F203010 Food, groceries, and beverage retailing | (32) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval. |
| (4) F208040 Cosmetics retailing | (33) F301010 Department stores |
| (5) F399990 Retailing other products | (34) F301020 Supermarkets |
| (6) IZ01010 Photocopy services | (35) F399010 Convenience stores |
| (7) F201070 Floral retailing | (36) F501030 Coffee/tea shops and bars |
| (8) F209060 Educational, musical, and entertainment products retailing | (37) F501060 Restaurants |
| (9) JE01010 Leasing | (38) G902011 Type II telecommunications enterprise |
| (10) IE01010 Distribution of telecommunications contracts | (39) I301010 Software design services |
| (11) I401010 Advertising services | (40) I301030 Digital information supply services |
| (12) F207050 Fertilizer retailing | (41) IF206010 Retail sale of ironware |
| (13) F210010 Watch and clock retailing | (42) IF212011 Gasoline stations |
| (14) F210020 Eyeglass retailing | (43) IF212050 Retail sale of petrochemical fuel products |
| (15) F216010 Photographic and film equipment retailing | (44) IJA01990 Other automobile services |
| (16) JZ99030 Photography | (45) IF212061 Automobile Liquefied Petroleum Gas Station |
| (17) F204110 Cloth, clothes, shoes, hats, umbrellas, and accessories retailing | (46) I101090 Food consultancy |
| (18) A102060 Sales of staple foods | (47) I1Z09010 Management system verification |
| (19) F213010 Electronic appliance retailing | (48) IJ701020 Amusement parks |
| (20) F208031 Medical equipment retailing | (49) IF102040 Wholesale of nonalcoholic beverages |
| (21) F205040 Furniture, bedding, kitchenware, and decorative item retailing | (50) F102170 Wholesale of food and grocery |
| (22) F207030 Cleaning product retailing | (51) F106020 Wholesale of articles for daily use |
| (23) F401010 International trade | (52) I103060 Management consulting services |
| (24) JA01010 Automotive repair services | (53) J304010 Book publishers |
| (25) F214030 Automotive and motorcycle accessory retailing | (54) J303010 Magazine and periodical publication |
| (26) G202010 Operation of parking lots | (55) IZ12010 Manpower services |
| (27) IZ14011 Public welfare lottery | (56) JA03010 Laundry services |
| (28) JZ99050 Agency services | (57) F201010 Retail sale of agricultural products |
| (29) IZ99990 Other industry and commerce services not elsewhere classified | (58) F501990 Other food or beverage establishment not elsewhere classified |
| | (59) F208050 Retail sale of the second type patent medicine |

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

Unit: NT\$1,000

Major Divisions	Revenue and proportion of overall business by division			
	2016		2017	
	Revenue	%	Revenue	%
Convenience stores	139,575,426	64.81%	143,873,316	65.06%
Retail Business	63,685,723	29.57%	65,295,956	29.53%
Logistics Business	2,865,678	1.33%	2,633,747	1.19%
Other Business Divisions	9,232,262	4.29%	9,329,063	4.22%
Total Consolidated Revenues	215,359,089	100.00%	221,132,082	100.00%

3. Present and future products and services

The beverage market in Taiwan has a great potential to grow. According to MOEA figures, Taiwan's handmade drink shop and coffee shop market is worth NT\$50 billion and revenue has continued to increase steadily over the years. To battle for market shares, PCSC has been earmarking annual budgets in excess of NT\$100 million to deal with operational necessities like equipment and brands. In 2017, CITY CAFE launched its comprehensive equipment replacement program aimed at changing its coffee equipment, upgrading its coffee beans, and introducing new machine types in selected commercial areas and stores with high demand for coffee, installing automated systems to ensure consistency in coffee grinding and reduce coffee preparation time. PCSC also incorporate the latest patented rapid cooling technology for better tasting iced coffee, giving customers an all-new taste and visual experience. Last year, PCSC introduced its "Xian Zu Cha" (i.e., Freshly

Brewed Tea) series to offer customers the option of drinking tea, effectively complementing the coffee sales during the period and in the areas that it was available. In addition, the market was very receptive to the bubble tea series that was launched this year, resulting in consumers rushing to purchase bubble tea drinks and 7-ELEVEN has become the top channel of made-to-order beverages in Taiwan.

By using advanced and premium ingredients and cooperation with well-known brands, PCSC keeps upgrade its fresh food products. In addition, PCSC benchmarks Japanese food sold in specialty store, and continuously works with Japanese food manufactory and introduces new equipment and exclusive manufacturing process, providing various living proposals and delicious fresh food options. In recent years, the public becomes more health-conscious. In order to offer our customers safe, tasty, and convenient fresh foods, PCSC continuously investing in the market by strategically partnered with Formosa Vegetable Farm to promote organic vegetables and to set up a safety supply chain to meet the trend of healthy dietary habits.

To keep up with the rapidly developing mobile payments market, in 2017 icash Corp. teamed up with Chunghwa Telecom's Hami Wallet to introduce icash card mobile payments. Simply open the icash2.0 app and a mobile phone can be used to pay for public transit, small transactions, utility bills, and high-speed rail tickets. At the end of the year, PCSC and Cathay United Bank joined hands to install contactless credit card machines, making us the first convenience store to offer electronic signature credit card services. Comprehensive mobile payment options enable customers to enjoy a shopping experience of fast, convenient, and safe non-cash payment.

In addition, through the leverage with the resources and power of the Group, 7-ELEVEN launched cross-brand collaborations to offer MUJI, Mister Donut, and DUSKIN products in stores. Brand alliances not only make stores unique character but complete wider range of product-mix. At the same time, it increases the amusement while shopping in stores and meets more customers' needs.

(2) Macro-economic and industry overview

1. Macro-economic analysis

In 2017, global economic growth rose each quarter, reaching a new high not seen since 2011. Continued growth effectively drove global trade and was a shot in the arm for trade-oriented countries. However, some nations have begun enacting tax reforms resulting in a round of tax cutting competition, while oil prices and raw material indices continue to rise. Together these trends are expected to add uncertainty to the international economic environment, which will affect Taiwan's trade performance and overall economy. Domestically, the government passed Labor Standards Act revisions. While respecting employee rights and interests, the new updates give companies more flexibility, and should moderate impacts on the service and food and beverage industry.

In 2017, Taiwanese exports grew by 13.2%, an improvement over 2016, and economic growth stood at 2.53%, increasing 1.13% over 2016's 1.40%. As for commodity prices, in 2017, the Consumer Price Index (CPI) annual growth rate grew by 0.62%, while the average unemployment rate for 2017 was 3.76%, representing a small decrease over 2016's 0.16%.

2. Industry overview

In 2017, turnover in the retail sector totaled NT\$4.1451 trillion, a 1.2% increase over 2016. In the general merchandise category, turnover was NT\$1.2295 trillion, which represents a 2.06% increase over the previous year. The supermarket category saw the most growth, with a total turnover of NT\$209.6 billion, 6.22% higher than 2016. The hypermarket categories performed second best with overall turnover standing at NT\$197.1 billion, a 3.05% increase over 2016. Overall turnover for franchise convenience stores was NT\$317.3 billion, representing a 2.75% increase over 2016. The department store category saw a modest increase of 0.44%.

With increases in the tobacco tax and rising prices in the personal care services, transportation, and communication sectors, the Consumer Price Index (CPI) rose by an average of 0.62% in 2017, while the core CPI (excludes vegetables, fruit and energy that are easily affected by seasonal and unforeseen events) rose by 1.03%. Food prices decreased by 0.37%, of which eating out increased by 1.99%. In 2017, the average monthly salary for all employed workers was increased 2.46% over the same period last year. Consumers hoped to be able to receive products with better quality and more value for their money. This is a good principle to meet the needs of consumers in their daily lives. In addition, PCSC's direction for the future is to gradually focus on differentiating our products and services to enhance the shopping experience of our customers at our stores and to further satisfy their demand for high-value products.

Through the end of 2017, key players in the convenience store industry had the below numbers of stores:

	7-ELEVEN	FamilyMart	Hi-Life	OK	Total
No. of Stores	5,221	3,152	1,267	838	10,478

3. Vertical supply chain

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

first retailer to have an internationally certified quality assurance lab in Taiwan that meets ISO17025 standards as well as accreditation from both the TFDA (Taiwan Food and Drug Administration) and TAF (Taiwan Accreditation Foundation), PCSC continually expands our testing capabilities to provide customers with safer, more convenient, and more delicious food products. In our franchise operations, we will expand individual store autonomy and individual product management to ensure store sales growth. Operating efficiency of stores has increased through system optimizations and the introduction of labor-saving equipment. PCSC continues to improve our franchise system, resulting in year over year increases in franchisee compensation and the proportion of franchise outlets. In response to Labor Standards Act revisions, PCSC will assist franchisees to recruit workers and achieve legal shift scheduling. PCSC continues to build a happy company, positively impact society, and work towards environmental sustainability. By valuing our partners, expanding store locations, and developing innovative products and services, we can create a virtuous circle that benefits both the business and our community.

4. Product development trends and competitiveness

(1) Product development trends

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

(2) Product competitiveness

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

(3) Technology and R&D

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

1. E-Commerce related service: PCSC works with more than 5,000 C2C platforms and online shopping websites to capitalize the E-Commerce business through the convenient delivery and pickup services and marketing promotion in our stores. Through linking E-commerce related services with the ibon app, it can effectively enlarge the business scale and capture the new business opportunity from the trend. The exclusive products and E-commerce related promotions making 7-ELEVEN stores the first choice for our customers to do the delivery and pickup.
2. Expand Logistics capacity: In order to meet the trend of E-commerce development, PCSC keep upgrade quality of delivery through establish warehouses, delivery routes improvements, personnel training, and labor saving.
3. ibon App: In 2017, PCSC enlarge its online platforms of bill payments by cooperation with various companies. Customers can pay parking fee, insurance, cable TV, and telephone bills through ibon App. The app also sync with ibon kiosk in our 7-ELEVEN stores, making it easier and more convenient for customers to fulfill all needed for living with just a touch of the finger.
4. iCash2.0: iCash2.0 continued to expand its share of the transportation market in 2017. In addition to the MRT system both in Taipei and Kaohsiung, the card is also accepted in Keelung City Bus, the designated routes in Eastern part of Taiwan, the Kaohsiung Ferry, and nearly 60 parking lots throughout the Taiwan area. In order to meet customers need in mobile payment, iCash card also cooperate with Chunghwa Telecom to develop mobile wallet.
5. Apps connection: PCSC connects its 7-ELEVEN APP, ibon App, and OPENPOINT App through prize draw or sign up activities to improve the convenience of using the Apps. By sending the messages to users and arrange the exclusive

promotions, the activities not only increase the effectiveness of the information, but also increase the customers visits frequencies.

6. Installation Credit card machine: PCSC cooperates with Cathay United Bank to launched credit card payment. In early 2018, we completed the installation of touch-sensitive credit card machines in every stores to make our customers more convenient to do the payment.
7. Future store: In early 2018, PCSC launched the X-Store which applies 28 advanced technology and more than 100 smart devices such as facial biometric identification in self check out area and products identification application to improve stores' operation efficiency and values and provide a whole new shopping experiences for our customers.
8. In 2017, a total of NT\$172,942,000 was spent on R&D and system upgrades.

(4) Short and long-term operating strategies

1. Short-term operating strategies
 - (1) Continue to integrate stores into existing shopping districts and establish a competitive niche with large format stores.
 - (2) Strengthen store-by-store management to create advantages through differentiation.
 - (3) Further integrate virtual and brick and mortar operations to create more virtual service opportunities.
 - (4) Optimize our operational foundation to provide the strength for mid to long-term development.
2. Long-term business development plan
 - (1) Optimize the franchise model to create a win-win situation for both PCSC and franchisees.
 - (2) Implement value marketing and enhance the consumer experience.
 - (3) Implement "lean operations" to use resources to their fullest.
 - (4) Integrate the Group's resources and seek stable profits growth.
 - (5) Actively nurture talent to ensure sustainable operations.

2. Market analysis and merchandising

(1) Market analysis

1. Main product (service) sales areas:

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

As of the end of 2017, PCSC held a 49.83% share in the convenience store market in terms of store locations, which made us once again the industry leader and the top brand in the minds of consumers. In recent years, the Company has continued to strengthen the operational capacity of individual stores, while increasing their autonomy to best drive growth through efficiency. As boundaries blur in the retail industry, operations will inevitably face more difficult challenges, but as long as we can meet customers' needs for a convenient, safe, happy experience, there is still great potential in the Taiwanese convenience store sector.
3. Competitive niche:

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

 - (1) Positive corporate image and good brand reputation.
 - (2) The capacity to rapidly develop new products (services) to meet customers' changing needs and use integrated marketing techniques to promote them.
 - (3) Comprehensive channels favorable to successful product research, development, and sales.
 - (4) A comprehensive logistics support system and an ever more seamless supply chain.
 - (5) Strong IT platform and infrastructure with high potential for further development to meet the needs of consumers and effectively create new business opportunities.
 - (6) First-rate franchise model.
 - (7) The Group has significant resources that can be integrated and shared between members.
4. Positive and negative factors for future growth and strategic responses:
 - (1) Positive factors:
 - The market for readymade food continues to grow as has demand for natural, organic food and beverage options.
 - Taiwan's society is aging, while more people are having fewer children and living alone, so there are growing businesses opportunities from seniors, singles, and small families.
 - With the rapid development of a variety of smart mobile devices, online shopping, and social network platforms,

information has become highly transparent. Shoppers are seeking out entertaining, timely, and mobile shopping experiences.

- As cross-border internet transactions increase, greater opportunities will arise for business and logistics.

(2) Negative factors:

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

(3) Strategic responses:

To keep up with the ever-changing consumer marketplace and new purchasing trends, PCSC is committed to launching differentiated products and services to meet consumers' needs and enhance the enjoyment of wandering about the stores further build our competitive advantages. Through strict controls, we can offer a variety of safe, fresh food products to meet personalized ready meal and beverage needs. In response to local consumer fondness for caffeinated beverages, PCSC continues to upgrade the quality of our store-brewed tea and coffee drink offerings. By mastering new technologies, we can make our customers' lives easier through digital services.

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

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

(3) Supply of raw materials: None

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

1. List of customers that have accounted for at least 10% of sales over the past two years:
PCSC is a retailer of daily life merchandise. Our customers are the general public.
2. List of suppliers that have accounted for at least 10% of procurement over the past two years:
(1) List of suppliers that account for at least 10% of procurement:

Unit: NT\$1,000

Name	2016			Name	2017		
	Amount	Percent of Annual Net Purchase	Affiliation to the Issuer		Amount	Percent of Annual Net Purchase	Affiliation to the Issuer
Uni-President Enterprises Corp.	14,443,403	10%	Ultimate parent company	Uni-President Enterprises Corp.	14,869,457	10%	Ultimate parent company
Net Purchase	144,752,447	100%	—	Net Purchase	147,698,072	100%	—

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

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

(6) Sales over the past two years:

Unit: NT\$1,000

Major Divisions	2016	2017
	Domestic Sales Value	Domestic Sales Value
Convenience Stores	139,575,426	143,873,316
Retail Business	63,685,723	65,295,956
Logistics Business	2,865,678	2,633,747
Other Business Divisions	9,232,262	9,329,063
Total Consolidated Revenues	215,359,089	221,132,082

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

3. Human Resources:

(1) Personnel information:

Year		2016	2017	As of March 15, 2018
No. of Employees	Store Employees	14,881	17,791	17,388
	Management	6,310	6,531	6,646
	Part-Time	13,194	15,797	15,285
	Total	34,385	40,119	39,319
Average Age		31-years old	32-years old	32-years old
Average Years of Service		5.1 years	5.1 years	5.2 years
Education Level (as a % of the total)	PhD	0.01%	0.02%	0.02%
	Masters Degree	4.10%	3.79%	3.81%
	Bachelors Degree	53.41%	55.84%	55.95%
	High School	39.59%	36.82%	37.21%
	Junior High School or Below	2.89%	3.53%	2.99%

Note: The information above includes PCSC and its subsidiaries.

(2) Training and development

1. PCSC's training statistics for 2017 are as follows:

Internal Training				External Training			Online Training			Total		
Training Sessions	Number of Trainees	Hours of Training	Training Costs	Number of Trainees	Hours of Training	Training Costs	Number of Trainees	Hours of Training	Training Costs	Number of Trainees	Hours of Training	Training Costs
4,032	96,035	462,035	NT\$51.797 million	503	5,097	NT\$212,000	267,865	508,937	NT\$377,000	364,403	976,069	NT\$52.386 million

- In accordance with the Group's core values, PCSC issued "General Skills Needed by Logistics Personnel and Standards for Training Courses" covering training programs developed by PCSC for various positions within the organization to build employee skills and standards. We also issued "Training Management Regulations" to serve as guidelines for training activities. Based on their individual needs, employees can participate in internal or external training classes. In addition, they can draw up a "Personal Development Plan" together with their immediate superiors based on each employee's education, experience, work requirements, performance evaluation results, and career development needs to map out the most suitable training sequence. Giving employees a goal and a plan will encourage disciplined learning and growth to ultimately enrich their professional knowledge and skills.
- For some key employees, PCSC has mapped out a program of training and development that includes courses, mobile learning, and personal development plans to help them reach their ideal position within the company. Potential external training courses are vetted through a rigorous screening process, to ensure that all offerings are up to our exacting standards. Depending on the nature of the course and the participants, each class utilizes unique educational activities that may include case studies, group discussions, experiential activities, and mobile learning. These diverse options make learning more interesting, resulting in an ultimately more effective learning environment. In addition, utilizing the latest technology, PCSC has built a digital learning platform that empowers employees to literally take education into their own hands. These high-quality online courses, available through mobile devices, can be accessed anywhere, anytime for a more convenient way to build a competitive edge.
- Continuing education: At PCSC, employees can take charge of their own learning through the many diverse training channels available, which include guidance by supervisors and peers, knowledge management system, external and internal training programs, lectures and seminars, online learning, and on-the-job training. PCSC also encourages employees to pursue self-enrichment in their spare time, to strengthen their foundation and professional knowledge through scholarships for outside training and language courses.
- Career development:
 - Multi-channel career development opportunities
PCSC has spared no effort in the training and personal development of employees and we fully support employees' quest for knowledge and enhanced work skills. Through training programs, providing equipment, online resources, and a mentoring system, the Company assists employees to map out their career development plan and provides a diverse range of opportunities for personal growth.
 - Job rotation
We encourage our employees to try new things and expand their learning by working in various departments within the Company where they can broaden their vision and increase competence in a range of skills.

(3) Overseas appointments

The Company's overseas expansion provides a unique opportunity for employees to demonstrate their experience and individual strengths. Such an experience can expand their vision and enhance the competitiveness of both the individual and the Company.

4. Environmental protection expenditures

(1) Environmental (green) accounting:

PCSC is committed to fulfilling our corporate social responsibility (CSR) and providing customers with safe, convenient products and innovative services. At the same time, we work to reduce energy consumption and carbon emissions, and uphold our original philosophy of being there by and staying open all-day, every day to serve customers, while contributing to our community through social welfare activities in Taiwan and promoting a sustainable environment. Through our green accounting system, we turn these concrete actions into financial data and have compiled the information into an environmental expenditure table (see below). In 2017, PCSC investments and costs related to environmental protection totaled NT\$900 million, which comprises (1) environmentally-friendly packaging and testing costs of NT\$200 million (2) energy and carbon emissions reduction activities and installation of inverter air conditioning units in stores costing NT\$77 million (3) environmental cleaning, greening, and waste handling expenses of NT\$360 million (4) installation of environmentally-friendly equipment in stores and green procurement costs of NT\$200 million (5) environmental advocacy and CSR activities totaling NT\$81 million. Other ongoing initiatives include more advanced food safety management, plasticizer and pesticide testing, reduced paper use, recycling at stores, and holding Good Neighbor Club activities.

(2) Environmental-related expenditures:

1. Table of environmental-related expenditures

Unit: NT\$1,000

Category	Item	Details	Effect and Reduction in Resource Use or Greenhouse Gas Emissions	Investment	Expense	Total
Merchandise	Using environmentally friendly packaging for products, testing of fresh foods	Sourcing environmentally- friendly packaging material-PLA and coffee cup holders; refrained from using preservatives in fresh foods; tested for pesticide residues.	Protecting consumers' health, while also taking into consideration safety and the environmental impact.	—	196,607	196,607
Stores	Energy-saving measures	energy-saving equipment for stores; Installed 302 A/C circulation fans, 915 inverter A/C units, 8,234 energy saving LED lights, 3,913 sets of energy saving LED light fixtures, and turning off 931 Slurpee machines during the offseason in stores.	Saving energy and reducing carbon emissions.	75,098	1,604	76,702
Stores	Cleaning and waste disposal	Store cleanliness, greening, and disposal of waste.	Maintaining a clean environment	—	361,671	361,671
	Extending the life span of equipment and building materials	Installed steel counters in 539 stores, reclaimed and reused existing equipment.	Reducing lumber use and wasted resources	87,015	23,841	110,856
	Green procurement	Purchased energy-saving equipment, environmentally-friendly paper and building materials, and expanded e-invoice use.	Meeting European Union standards, FCS certification, saving energy and reducing	—	82,543	82,543
Delivery	Worked with President Logistics International Corp., Retail Support International, and Wisdom Distribution logistics center using reverse logistics to increase delivery efficiency and implement recycling.	Invested manpower and equipment in reverse logistics recycling operations at stores.	Recycling in stores: 263 tons of dry batteries, 57 tons of CDs, 7,000 discarded notebook computers, 90,000 cell phones, 70,000 cell phone chargers	—	3,035	3,035
Internal Environmental Education	Environmental education and office resource recycling	Promoted reduced-paper operations, environmental cleaning and greening, and recycling of waste.	Back office recycling: 2,064 kgs of plastic bottles, 10,586 kgs of paper, and 496 kgs of metal cans.	—	31,281	31,281

Category	Item	Details	Effect and Reduction in Resource Use or Greenhouse Gas Emissions	Investment	Expense	Total
Social Contributions	Community environmental awareness advocacy and holding or participation in environmental protection and social charity events	Taught energy-saving and conservation, while promoting CSR and sponsoring environmental groups	Donation collection boxes placed in 7-ELEVEN stores are helping even more charity groups. This year, some creative minds thought up an "encouragement wall" that utilizes interaction to promote discussion and increase donations. When a customer drops coins in the donation box, they trigger the encouragement wall's infrared sensors. Twelve pairs of mechanical hands begin to clap in one of four rhythms to encourage everyone to donate to public service programs.	—	50,132	50,132
Total				162,113	750,714	912,827

- Due to breaches of the Labor Standards Act, Tobacco Hazards Prevention Act, and Pharmaceutical Affairs Act, stores were fined a total of NT\$5,345,000 in 2017. In addition, in the case in which the Company was fined NT\$5 million by the Fair Trade Commission for not disclosing complete information in our franchise contract, the case is currently undergoing administrative proceedings.
- Measures taken: PCSC has already required improvements in all stores and has strengthened education regarding relevant regulations.

(3) Benefits of investments in environmental protection:

- Effects of major environmental equipment on energy savings:
 - Installation of ventilation fans in store air-conditioning systems in 2017
Ventilation fans were added to a total of 302 air conditioning systems at a cost of NT\$756,000, which helped to save 36,000 kWh of electricity / month and 440,000 kWh / year
 - Installation of energy-saving equipment in 2017
These appliances were introduced in 369 stores at a cost of NT\$30,996,000 and helped to save 484,000 kWh of electricity / month and 5,810,000 kWh / year.
 - Installation of inverter air conditioning units in 2017
Installed 915 inverter air conditioning units at a cost of NT\$38,112,000, which helped to save 363,000 kWh of electricity / month and 4,350,000 kWh / year.
 - Installation of LED light fixtures in 2017
A total of 12,147 sets of light fixtures were installed at a cost of NT\$5,234,000, which helped to save 69,000 kWh / month and 826,000 kWh / year.
 - Slurpee machine offseason shutdowns in 2017
931 Slurpee machines were turned off all day or for 6 hours each day during the four month slow season, which helped to save 1,007,000 kWh over the entire year.
 - Installation of steel counters in 2017
Installed 539 steel counters at a cost of NT\$87,015,000, which helped to prevent the felling of 2,695 trees. Wooden cabinets and counters not only require the cutting of a large number of trees, but also the life span of wooden equipment is relatively short and they cannot be refurbished. Steel cabinets and counters have much longer life spans and can be recycled or refurbished.
- Consumer food safety protections:
To ensure that customers can eat our products without worry and best protect their health, PCSC performs testing to show that goods are free from preservatives and microorganisms and that packaging meets relevant standards before they can hit our shelves. In 2017, we invested NT\$114,490,000 in product safety management.

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

5. Labor-management relations

(1) Employee benefits:

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

2. Comprehensive employee benefits:

- (1) By the decree of Official Letter Taipei City Social II No. 58459 of the Department of Social Welfare, PCSC established the Employee Benefit Committee on December 21, 1987. Members of the Committee are jointly elected by both labor and management. The Committee regularly hosts a variety of activities, organizes health check-ups for employees, and provides other benefits such as subsidies for on-the-job training.
- (2) The PCSC benefit scheme includes overseas trips for senior employees, health examinations, employee stock ownership plans, club subsidies, library centers, discount purchasing, wedding and funeral allowances, paid maternity and paternity leaves, group insurance, employee travel allowances, and other benefits provided by Employee Benefits Committee to meet the needs of employees.
- (3) In order to assist employees to effectively and efficiently manage sources of stress from work, home life, and health as well as bolster their physical and emotional health, and encourage positive interpersonal relationships, the Company commissioned the Teacher Chang Foundation starting in 2009 to provide three hours of free counselling services each year for employees.
- (4) In 2010, the Company decided to become more proactive in our care for employees, establishing the "Happy Cooperative" in May of that year. In 2017, the program assisted employees in a total of 2,801 cases.
- (5) The Company established "Operational Procedures of Employees assistance on Severe Accident", encouraging supervisors to offer employees timely concern on behalf of the Company and to take the initiative to offer them paid leave for convalescence and financial help to take care of employees in the event of severe accidents.

3. Providing entrepreneurial opportunities:

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

4. Safe and friendly workplace:

PCSC provides its employees a safe and harmonious workplace that encourages positive interaction between male and female employees and has established the Occupational Safety and Health Management Plan to realize autonomous management procedures as follows:

- (1) Establishment of a health and safety organization: The Worker Safety Office holds Health and Safety Committee meetings each quarter to review and implement health and safety affairs.
- (2) Health and safety training and drills: Both new and existing employees participate in training and we hold regular emergency evacuation drills to keep employees' skills fresh.
- (3) Implement risk assessments and safety audits:
 - Completed 2 times of safety assessments in high-risk workplaces, reviewed 19 high-risk processes and implementing improvements. In 2017, PCSC had completed 59 times of audit actions in various workplaces and brought out suggestions. Totaled 135 corrected actions had been taken and completed.
 - Tested indoor air quality, water quality, and light levels, and performed regular cleaning and disinfection.
- (4) Healthcare: As soon as employees first report for work, they are signed up for group accident insurance, life insurance, medical insurance, and we provide subsidies for physicals. PCSC also hired specialized nurse practitioners and doctors from NTU Hospital who provide health counseling services. PCSC further employed health education campaigns, such as the "Health Passport", e-newsletters, and lectures, to encourage employees to manage their personal health and create a warm, harmonious, and safe working environment.
- (5) Health and safety activities:
 - Every two months, the Company holds occupational injury advocacy sessions to remind employees of the importance of work safety and encourage them to stay aware of any potential hazards.
 - PCSC launched Family Wednesdays, to remind employees to maintain a proper work-home balance.
- (6) Event safety controls: Through safety control processes, PCSC ensure the safeness of internal and external events. In 2017, there are totaled 5 events with 620,000 participants, and no major injury happened or be fined.
- (7) Promote employee health exams: Strengthen personal health management and prevent illnesses through regular health checks.
 - Senior employee in-depth health exams: Provide full-time employees 36 years old or older with at least 5 years of service with NT\$16,000 subsidy every two years for in-depth health exams. In 2017, a total of 1,858 employees could apply for such assistance.
 - Annual health exams: Provide employees with annual standard health exams. In 2017, 6,368 people had health exams with a satisfaction score of 4.3 points and 82% participation rate.
- (8) Implement employee health management: Employ doctors and nurses to proactively provide employees with individual health care and consultations.
 - Doctors: In 2013, PCSC began inviting doctors to provide health services to employees (once every two months). By 2017, this was increased to 18 times per month, with doctor services totaling 424 hours over the entire year, providing one on one health services 328 times with an employee satisfaction score of 4.9.
 - Nurses: A team of four nurses was hired to provide employee healthcare. In 2017, the team provided treatment 942 times with employee satisfaction reaching a score of 5 points. In addition, PCSC introduced a comprehensive health

management system, to provide employees who received abnormal exam results with tiered health management, follow up treatment tracking, and individual case follow up management.

- (9) Promote occupational disease prevention and health protections for special populations: Establish maternal health protection for female workers, and prevention mechanisms for ergonomic hazards, workplace violence, and fatigue.
- (10) Workplace emergency preparedness: Automated external defibrillators (AED) are installed according to office size and number of employees and regular training is held. PCSC received the Ministry of Health and Welfare's AED Workplace Certification.
- (11) Implement health promotion activities: Encourage employee self-health management to improve health outcomes through group activities.
 - Healthcare: Established a "Health Passport" specifically designed for each employee's unique needs and characteristics to strengthen personal health management and work-life balance. Designed a variety of health promotion activities for all areas encompassed by the passport including: health exam program, health education, exercise program, BMI program, emotional growth, tourism program, and vacation program.
 - Weight management: In 2015, PCSC launched a weight management program. In 2017 a total of 1,045 employees participated and lost a combined 1,102.3 kilograms.
 - Other: Each year we invite health lecturers, issue a health e-newsletter, integrate with local hospitals, and hold vaccinations, blood drives, smoking cessation classes, and fitness events. In 2017, a total of 7 events were held with an employee satisfaction score of 4.5.
- (12) Health certifications and healthy workplace competitions:
 - Received the Health Promotion Certification in the 2016-2018 Healthy Workplace Certifications.
 - Received 3rd place in the 2016 Department of Health, Taipei City Government Outstanding Healthy Workplace Award.
 - Received the Lequn Health Award in the 2016 Ministry of Health and Welfare' Health Promotion Administration Outstanding Healthy Workplace Awards.
 - In 2017, PCSC was awarded the Department of Health, Taipei City Government's Outstanding Nursing Room Certification.

(2) Retirement plan:

1. Old system under the Labor Standards Act:

On June 1, 2014, PCSC modified its employee retirement program, applicable to all existing employees. As stipulated by law, the program calculates an employee's years of service starting with his or her hiring date. Employees who have worked for the company for less than 15 years (inclusive) shall be granted two basic units for each full year of service. From the 16th year onward, each full year of service shall be translated into one basic unit in the calculation of pensions. Any service period that is less than six month shall be calculated as half a year; while any service period that is between six months and twelve months shall be calculated as one full year. The number of basic units in the calculation of pensions is capped at 45. Pensions are calculated on the basis of years of service and the average monthly salary at the time of retirement. Calculation of average salaries shall be made in compliance with the Labor Standard Act.

2. Service year calculations under the old system for transferred employees:

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

3. New system under the Labor Pension Act:

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

(3) Labor-management relations:

1. Open communication channels:

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

2. Employee code of conduct:

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

- (1) Employees may not embezzle company funds for personal purposes, engage in unscrupulous behaviors for profit, participate in illegal acts, violate any contracts, damage public property, or otherwise jeopardize the company's reputation.
- (2) Employees shall not abuse any other individual, affect other individual's work performance or threaten to exchange the establishment of service contracts, compensations, performance reviews, promotions/demotions, rewards/disciplinary actions with any language or actions that contain sexual requests, that are sexually suggestive, or discriminate on the basis of sex.
- (3) Employees shall not give gifts to managers or treat managers for meals; however, managers may give gifts to subordinates and treat subordinates for meals as a token of gratitude for their hard work.
- (4) Employees shall not be engaged in any unofficial monetary transactions with any business-related vendors or individuals.
- (5) Employees shall not receive any benefits from business-related vendors or individuals.
- (6) Employees shall not make any publications, statements, or displays in the name of the Company without permission from the Company.
- (7) Employees should maintain complete confidentiality in all business activities for which they are responsible and shall never, under any circumstance, assist anyone with interests at odds with those of PCSC or reveal trade secrets to competing enterprises or individuals.
- (8) Employee attendance and behavior shall comply with regulations set forth by HR.

3. Labor-management negotiations:

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

4. Losses due to labor disputes:

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

6. Important Contracts

March 15, 2018

Contract Type	Contracting Party	Term of Agreement	Summary	Clauses
Regional licensing agreement	7-ELEVEN, INC.	2000.07.20 ~ Perpetuity	1. During the term of the agreement, PCSC is authorized by 7-ELEVEN Inc. to exclusively operate its convenience store chain business in the R.O.C. and has the right to use the 7-ELEVEN franchise system, logos, products, and services. 2. PCSC is required to pay royalties to 7-ELEVEN Inc. each month.	PCSC is obliged to make its best effort to manage and expand the convenience store business within the R.O.C. PCSC is not permitted to operate its convenience store business outside the R.O.C. without prior approval or to operate a convenience store business for one year following the termination of the contract in any country in which 7-ELEVEN, Inc. has registered a trademark.
Long-term loan agreement	Bank of Taiwan	2017.05.25~2019.05.25	NT\$300 million credit loan	None
Long-term loan agreement	E.SUN Commercial Bank	2018.03.22~2020.03.22	NT\$300 million credit loan	None
Long-term loan agreement	HSBC Bank	2017.07.01~2019.06.30	NT\$2 billion credit loan.	None
Long-term loan agreement	Chang Hwa Bank	2018.03.01~2020.02.28	NT\$770 million credit loan	None
Long-term loan agreement	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2017.07.31~2019.07.31	NT\$690 million credit loan	None
Long-term loan agreement	Fubon Financial	2017.11.09~2019.11.08	NT\$300 million credit loan	None
Long-term loan agreement	Bank SinoPac	2017.06.21~2019.06.30	NT\$1.5 billion credit loan	None
Long-term loan agreement	Mizuho Bank	2018.01.06~2020.01.06	NT\$2 billion credit loan	None
Long-term loan agreement	DBS Bank	2017.03.03~2022.06.02	NT\$2 billion credit loan	None
Long-term loan agreement	ANZ Bank	2017.09.21~2019.09.21	NT\$500 million credit loan	None
Long-term loan agreement	BNP Paribas	2017.06.15~2019.06.15	US\$50 million credit loan	None

6 Financial Information

1. Five year condensed balance sheet and comprehensive income statement

(1) Condensed balance sheet (non-consolidated)

Unit: NT\$1,000

Year		Financial information for the most recent five years				
		2013	2014 (Note)	2015	2016	2017
Item						
Current Assets		25,197,126	26,242,755	28,671,817	32,408,988	39,689,001
Property, Plants and Equipment		9,118,823	9,735,711	8,953,551	8,608,695	8,946,459
Intangible Assets		465,268	451,139	356,179	278,320	211,865
Other Assets		22,637,051	22,777,068	23,425,548	25,893,774	51,905,688
Total Assets		57,418,268	59,206,673	61,407,095	67,189,777	100,753,013
Current Liabilities	Before Distribution	27,872,628	27,664,928	29,156,110	33,126,538	40,960,714
	After Distribution	34,110,362	34,942,284	36,641,390	41,443,516	Not yet distributed
Non-Current Liabilities		5,805,764	5,029,271	5,137,299	5,446,961	9,178,037
Total Liabilities	Before Distribution	33,678,392	32,694,199	34,293,409	38,573,499	50,138,751
	After Distribution	39,916,126	39,971,555	41,778,689	46,890,477	Not yet distributed
Capital-Common Stock		10,396,223	10,396,223	10,396,223	10,396,223	10,396,223
Capital Surplus		890,234	7,031	7,733	1,158	43,875
Retained Earnings	Before Distribution	11,886,156	15,400,786	16,117,194	18,047,308	40,573,023
	After Distribution	5,648,422	8,123,430	8,631,914	9,730,330	Not yet distributed
Other Equity		567,263	708,434	592,536	171,589	(398,859)
Treasury Stock		—	—	—	—	—
Total Equity	Before Distribution	23,739,876	26,512,474	27,113,686	28,616,278	50,614,262
	After Distribution	17,502,142	19,235,118	19,628,406	20,299,300	Not yet distributed

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

(2) Condensed balance sheet (consolidated)

Unit: NT\$ 1,000

Item \ Year		Financial information for the most recent five years				
		2013	2014 (Note)	2015	2016	2017
Current Assets		46,451,616	47,066,566	49,022,957	54,322,992	88,404,260
Property, Plants and Equipment		21,542,772	22,107,291	22,339,376	22,329,291	24,982,342
Intangible Assets		1,205,388	1,197,505	1,150,914	1,076,176	10,656,713
Other Assets		14,298,192	15,472,864	16,869,465	17,390,058	15,837,945
Total Assets		83,497,968	85,844,226	89,382,712	95,118,517	139,881,260
Current Liabilities	Before Distribution	47,136,578	47,334,489	49,685,820	52,594,724	65,619,920
	After Distribution	53,374,312	54,611,845	57,171,100	60,911,702	Not yet distributed
Non-Current Liabilities		8,862,950	8,216,760	8,605,390	9,262,863	14,754,930
Total Liabilities	Before Distribution	55,999,528	55,551,249	58,291,210	61,857,587	80,374,850
	After Distribution	62,237,262	62,828,605	65,776,490	70,174,565	Not yet distributed
Equity Attributable to Owners of the Parent		23,739,876	26,512,474	27,113,686	28,616,278	50,614,262
Capital-Common Stock		10,396,223	10,396,223	10,396,223	10,396,223	10,396,223
Capital Surplus		890,234	7,031	7,733	1,158	43,875
Retained Earnings	Before Distribution	11,886,156	15,400,786	16,117,194	18,047,308	40,573,023
	After Distribution	5,648,422	8,123,430	8,631,914	9,730,330	Not yet distributed
Other Equity		567,263	708,434	592,536	171,589	(398,859)
Treasury Stock		—	—	—	—	—
Non-controlling Interest		3,758,564	3,780,503	3,977,816	4,644,652	8,892,148
Total Equity	Before Distribution	27,498,440	30,292,977	31,091,502	33,260,930	59,506,410
	After Distribution	21,260,706	23,015,621	23,606,222	24,943,952	Not yet distributed

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

(3) Condensed comprehensive income statement (non-consolidated)

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

Item	Year	Financial information for the most recent five years				
		2013	2014(Note)	2015	2016	2017
Operating Revenue		126,998,794	131,330,857	133,407,688	140,147,135	144,479,880
Gross Profit		41,082,720	43,179,892	45,109,265	48,083,751	50,639,297
Operating Income		6,293,799	6,300,851	6,412,115	6,673,576	6,246,725
Non-Operating Income (Expenses)		2,835,388	4,011,268	3,154,631	4,439,125	30,254,326
Net Income Before Tax		9,129,187	10,312,119	9,566,746	11,112,701	36,501,051
Net Income from Continuing Operations		8,036,752	9,090,462	8,238,993	9,836,690	31,017,094
Income (or Loss) from Discontinued Operations		—	—	—	—	—
Net Income (Loss)		8,036,752	9,090,462	8,238,993	9,836,690	31,017,094
Other Comprehensive Income (Loss)		(71,362)	(59,319)	(361,127)	(601,669)	(744,849)
Total Comprehensive Income (Loss)		7,965,390	9,031,143	7,877,866	9,235,021	30,272,245
Net Income Attributable to Owners of the Parent		—	—	—	—	—
Net Income Attributable to Non-Controlling Interests		—	—	—	—	—
Total Comprehensive Income Attributable to Owners of the Parent		—	—	—	—	—
Total Comprehensive Income Attributable to Non-Controlling Interests		—	—	—	—	—
Earnings per Share (NT\$)		7.73	8.74	7.92	9.46	29.83

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

(4) Condensed comprehensive income statement (consolidated)

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

Item	Year	Financial information for the most recent five years				
		2013	2014(Note)	2015	2016	2017
Operating Revenue		200,610,839	200,438,379	205,481,317	215,359,089	221,132,082
Gross Profit		63,422,059	62,658,847	66,280,867	70,606,642	73,434,010
Operating Income		10,196,565	9,504,879	9,609,813	10,404,620	10,422,160
Non-Operating Income (Expenses)		1,096,231	2,843,845	2,071,990	2,957,238	30,959,528
Net Income Before Tax		11,292,796	12,348,724	11,681,803	13,361,858	41,381,688
Net Income from Continuing Operations		9,242,293	10,248,160	9,442,454	11,138,569	32,318,072
Income (or Loss) from Discontinued Operations		—	—	—	—	—
Net Income (Loss)		9,242,293	10,248,160	9,442,454	11,138,569	32,318,072
Other Comprehensive Income (Loss)		(72,378)	(60,289)	(437,305)	(734,950)	(877,792)
Total Comprehensive Income (Loss)		9,169,915	10,187,871	9,005,149	10,403,619	31,440,280
Net Income Attributable to Owners of the Parent		8,036,752	9,090,462	8,238,993	9,836,690	31,017,094
Net Income Attributable to Non-Controlling Interests		1,205,541	1,157,698	1,203,461	1,301,879	1,300,978
Total Comprehensive Income Attributable to Owners of the Parent		7,965,390	9,031,143	7,877,866	9,235,021	30,272,245
Total Comprehensive Income Attributable to Non-Controlling Interests		1,204,525	1,156,728	1,127,283	1,168,598	1,168,035
Earnings per Share (NT\$)		7.73	8.74	7.92	9.46	29.83

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

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

Year	Auditing Firm	Auditor Names		Audit Opinions
2013	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Tseng, Hui-Chin	Modified Unqualified
2014	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Chou, Chien-Hung	Modified Unqualified
2015	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Chou, Chien-Hung	Modified Unqualified
2016	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Chou, Chien-Hung	Unqualified
2017	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Chou, Chien-Hung	Unqualified

(6) Changes of independent auditors in the past five years

Since the first quarter of 2014, Hsiao, Chun-Yuan and Chou, Chien-Hung have served as independent auditors.

2. Five year financial analysis**(1) Financial analysis (non-consolidated)**

Item \ Year		Financial information for the most recent five years				
		2013	2014	2015	2016	2017
Financial Structure	Debt to Assets Ratio (%)	58.65	55.22	55.85	57.41	49.76
	Long-Term Capital to Property, Plant and Equipment Ratio (%) (Note 3)	324.01	324.02	360.20	395.68	668.33
Liquidity	Current Ratio (%)	90.40	94.86	98.34	97.83	96.90
	Quick Ratio (%)	71.73	74.26	76.67	79.12	78.68
	Interest Coverage (Note 3)	291.62	366.70	282.36	362.33	1198.11
Operating Performance	Accounts Receivable Turnover (times) (Note 1)	—	—	—	—	—
	Average Collection Days (Note 1)	—	—	—	—	—
	Inventory Turnover (times)	17.53	17.07	15.19	15.18	14.22
	Accounts Payable Turnover (times)	6.73	7.28	7.03	6.60	6.40
	Average Inventory Turnover Days	20.82	21.39	24.03	24.05	25.67
	Property, Plant and Equipment Turnover (times)	13.93	13.49	14.28	16.28	16.46
	Total Assets Turnover (times)	2.21	2.22	2.21	2.09	1.72
Profitability	ROA (%) (Note 3)	14.17	15.62	13.71	15.34	36.97
	ROE (%) (Note 3)	36.06	36.16	30.73	35.30	78.30
	Ratio of Pre-tax Profit to Paid-in Capital (%) (Note 3)	87.81	99.14	92.02	106.89	351.10
	Net Margin (%) (Note 3)	6.33	6.92	6.18	7.02	21.47
	Earnings per Share (NT\$) (Note 3)	7.73	8.74	7.92	9.46	29.83

Item	Year	Financial information for the most recent five years				
		2013	2014	2015	2016	2017
Cash Flow	Cash Flow Ratio (%) (Note 3)	24.75	34.81	39.63	52.83	28.46
	Cash Flow Adequacy (%)	148.10	130.06	126.93	130.55	119.15
	Cash Flow Reinvestment Ratio (%) (Note 3)	4.69	8.02	9.86	21.74	4.63
Leverage	Operating Leverage	1.86	1.98	1.96	1.98	2.15
	Financial Leverage	1.01	1.00	1.01	1.00	1.00

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

Note 2: The calculations of the above financial ratios utilize the formulas listed on page 66, which are based on IFRS.

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

- Long-Term Capital to Property, Plant and Equipment Ratio: The change was primarily caused by increased in Equity in 2017 which mainly came from the Starbucks Transaction.
- Interest Coverage: The change was primarily caused by increased in net profit before tax which mainly came from the Starbucks Transaction.
- ROA: The change was primarily caused by increased in net income in 2017 which mainly came from the Starbucks Transaction.
- ROE: The change was primarily caused by increased in net income in 2017 which mainly came from the Starbucks Transaction.
- Ratio of Pre-tax Profit to Paid-in Capital: The change was primarily caused by increased in net income before tax which mainly came from the Starbucks Transaction.
- Net Margin: The change was primarily caused by increased in net income which mainly came from the Starbucks Transaction.
- Earnings per Share: The change was primarily caused by increased in net income which mainly came from the Starbucks Transaction.
- Cash Flow Ratio: The change was primarily caused by sales of financial assets at fair value led to a higher net cash inflow provided by operating activities in 2016.
- Cash Flow Reinvestment Ratio: The change was primarily caused by sales of financial assets at fair value led to a higher net cash inflow provided by operating activities in 2016, and by acquisition of additional shares in President Starbucks Coffee Corp. led to higher long-term investment in 2017.

(2) Financial analysis (consolidated)

Item	Year	Financial information for the most recent five years				
		2013	2014	2015	2016	2017
Financial Structure	Debt to Assets Ratio (%)	67.07	65.50	65.22	65.03	57.46
	Long-Term Capital to Property, Plant and Equipment Ratio (%) (Note 3)	168.79	168.60	177.70	190.44	297.26
Liquidity	Current Ratio (%) (Note 3)	98.55	99.11	98.67	103.29	134.72
	Quick Ratio (%) (Note 3)	74.54	73.98	72.96	77.75	112.16
	Interest Coverage (Note 3)	95.30	123.87	110.05	141.86	438.85
Operating Performance	Accounts Receivable Turnover (times)(Note 1)	—	—	—	—	—
	Average Collection Days (Note 1)	—	—	—	—	—
	Inventory Turnover (times)	13.20	13.31	12.47	12.27	11.62
	Accounts Payable Turnover (times)	6.65	6.84	6.81	6.81	6.51
	Average Inventory Turnover Days	27.65	27.42	29.27	29.74	31.41
	Property, Plant and Equipment Turnover (times)	9.31	9.07	9.25	9.64	9.35
	Total Assets Turnover (times)	2.40	2.37	2.35	2.33	1.88
Profitability	ROA (%) (Note 3)	11.27	12.05	10.88	12.16	27.57
	ROE (%) (Note 3)	35.79	35.44	30.76	34.62	69.68
	Ratio of Pre-tax Profit to Paid-in Capital (%) (Note 3)	108.62	121.29	112.37	128.53	398.05
	Net Margin (%) (Note 3)	4.61	4.92	4.60	5.17	14.61
	Earnings per Share (NT\$)	7.73	8.74	7.92	9.46	29.83
Cash Flow	Cash Flow Ratio (%) (Note 3)	27.95	32.86	32.92	44.95	31.44
	Cash Flow Adequacy (%)	136.76	131.32	121.06	128.10	125.71
	Cash Flow Reinvestment Ratio (%) (Note 3)	14.09	16.06	12.98	22.94	12.01
Leverage	Operating Leverage	2.09	2.27	2.24	2.16	2.23
	Financial Leverage	1.01	1.01	1.01	1.01	1.01

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

Note 2: The calculations of the above financial ratios utilize the formulas listed on page 66, which are based on IFRS.

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

- Long-Term Capital to Property, Plant and Equipment Ratio: The change was primarily caused by increased in Equity in 2017 which mainly came from the Starbucks Transaction.
- Current Ratio: The change was primarily caused by the Starbucks Transaction led to an increase in other receivables, so that the current assets increased.

- Quick Ratio: The change was primarily caused by the Starbucks Transaction led to an increase in other receivables, so that the current assets increased.
- Interest Coverage: The change was primarily caused by increased in net profit before tax. Which mainly came from the Starbucks Transaction.
- ROA: The change was primarily caused by increased in net income in 2017 which mainly came from the Starbucks Transaction.
- ROE: The change was primarily caused by increased in net income in 2017 which mainly came from the Starbucks Transaction.
- Ratio of Pre-tax Profit to Paid-in Capital: The change was primarily caused by increased in net income before tax. Which mainly came from the Starbucks Transaction.
- Net Margin: The change was primarily caused by increased in net income. Which mainly came from the Starbucks Transaction.
- Earnings per Share: The change was primarily caused by increased in net income. Which mainly came from the Starbucks Transaction.
- Cash Flow Ratio: The change was primarily caused by sales of financial assets at fair value led to a higher net cash inflow provided by operating activities in 2016.
- Cash Flow Reinvestment Ratio: The change was primarily caused by sales of financial assets at fair value led to a higher net cash inflow provided by operating activities in 2016, and by acquisition of additional shares in President Starbucks Coffee Corp. led to higher long-term investment in 2017.

※Calculations based on IFRS:

※Financial Structure

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

※Liquidity

- (1) Current Ratio = current assets / current liabilities
- (2) Quick Ratio = (current assets – inventory – prepaid expenses) / current liabilities
- (3) Interest Coverage = earnings before interest and taxes / interest expenses

※Operating Performance

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

※Profitability

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

※Cash Flow

- (1) Cash Flow Ratio = net cash flows from operating activities / current liabilities
- (2) Cash Flow Adequacy Ratio = five year sum of net cash flows from operating activities / five year sum of (capital expenditures+ increase in inventory + cash dividends)
- (3) Cash Flow Reinvestment Ratio = (net cash flows from operating activities – cash dividends) / (gross property, plant and equipment / long-term investments + other non-current assets + working capital)

※Leverage

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

3. The Audit Committee report regarding the most recent annual financial report: Please refer to page 80.

4. The audited consolidated financial report for the most recent fiscal year: Please refer to pages 81–142.

5. The audited parent company only financial report for the most recent fiscal year: Please refer to pages 143–202.

6. Any cash flow difficulties with the Company and its affiliates during the most recent year and as of the date of publication of the annual report: None

Financial Status, Financial Performance and Risk Management

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1. Financial position analysis (consolidated)

Unit: NT\$1,000

Item	Year	2016	2017	Variance	
				Difference	%
Current Assets		\$54,322,992	\$88,404,260	34,081,268	62.74%
Property, Plant and Equipment		22,329,291	24,982,342	2,653,051	11.88%
Intangible Assets		1,076,176	10,656,713	9,580,537	890.24%
Other Assets		17,390,058	15,837,945	(1,552,113)	-8.93%
Total Assets		95,118,517	139,881,260	44,762,743	47.06%
Current Liabilities		52,594,724	65,619,920	13,025,196	24.77%
Non-current Liabilities		9,262,863	14,754,930	5,492,067	59.29%
Total Liabilities		61,857,587	80,374,850	18,517,263	29.94%
Capital		10,396,223	10,396,223	-	0.00%
Capital Surplus		1,158	43,875	42,717	3688.86%
Retained Earnings		18,047,308	40,573,023	22,525,715	124.81%
Equity Attributable to the Parent Company		28,616,278	50,614,262	21,997,984	76.87%
Total Equities		33,260,930	59,506,410	26,245,480	78.91%

1. Reasons for variance over the past two years:

Increases in current assets: primarily due to the disposal of Starbucks Shanghai that resulted in increases in other receivables.

Increases in intangible assets: primarily due to the acquirement of more shares of President Starbucks Corp..

Increases in total assets: primarily due to increased current assets and intangible assets.

Increases in current liabilities: primarily due to the impact of the holiday in the end of 2017 making accounts payable cycle temporarily deferred and acquisition of additional shares in President Starbucks Coffee Corp. resulting in increases in other payables.

Increases in non-current liabilities: primarily due to increased estimated undistributed earnings deferred income tax from overseas and increased deferred income tax liabilities from acquisition of additional shares in President Starbucks Coffee Corp..

Increases in total liabilities: primarily due to increased current liabilities and non-current liabilities.

Increases in capital surplus: primarily due to adjustment of recognition of equity method investment.

Increases in retained earnings: primarily due to the Starbucks transaction.

Increases in equity attributable to owners of the parent: primarily due to the Starbucks transaction.

Increases in total equity: primarily due to the Starbucks transaction.

2. Effect of said variance: none

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

2. Financial performance analysis (consolidated)

Unit: NT\$1,000

Item	Year	2016	2017	Variance	
				Difference	%
Operating Revenue		\$215,359,089	\$221,132,082	\$5,772,993	2.68%
Gross Profit		70,606,642	73,434,010	\$2,827,368	4.00%
Operating Profit		10,404,620	10,422,160	\$17,540	0.17%
Total Non-operating Income (Expenses)		2,957,238	30,959,528	\$28,002,290	946.91%
Net Pre-tax Income		13,361,858	41,381,688	\$28,019,830	209.70%
Net Income		11,138,569	32,318,072	\$21,179,503	190.15%
Other consolidated profit and loss		(734,950)	(877,792)	(\$142,842)	19.44%
Total comprehensive income		10,403,619	31,440,280	\$21,036,661	202.21%
Net Income Attributable to the Parent Company		9,836,690	31,017,094	\$21,180,404	215.32%
Total Comprehensive Income Attributable to the Parent Company		9,235,021	30,272,245	\$21,037,224	227.80%

1. Explanation of variance:

Increases in non-operating income and expenses, net pre-tax income, net income, total comprehensive income, net income attributable to the parent company, and total comprehensive income attributable to the parent company: primarily due to recognizing the gains from the disposal of Starbucks Shanghai.

2. Factors that may impact the Company's sales and financial status over the coming year and proposed responses: The Company expects that by developing innovative and differentiated products and services, we can maintain steady growth.

3. Cash flow analysis

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

Unit: NT\$1,000

Cash Balance at the Beginning of 2017	Net Cash Inflow from Operating Activities in 2017	Net Cash Outflows in 2017	Cash Surplus (Shortage)	Remedies for Cash Shortage	
				Investment Plan	Financial Plan
32,003,633	20,630,859	(16,851,201)	35,783,291	-	-

- Operating activities: The net cash inflow from operating activities was NT\$20.63 billion. The cash inflow remained steady primarily due to stable profits.
- Investing activities: The net cash outflow from investing activities totaled about NT\$6.63 billion, which was primarily due to purchases of operations-related fixed assets.
- Financing activities: The net cash outflow from financing activities was about NT\$10.22 billion, mainly resulting from distribution of cash dividends.

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

(3) Cash flow analysis for the coming year:

Unit: NT\$1,000

Cash Balance at the Beginning of 2018	Estimated Yearly Net Cash Inflow from Operating Activities	Estimated Yearly Net Cash Outflow	Anticipated Cash Surplus (Shortage)	Remedies for Cash Shortage	
				Investment Plan	Financial Plan
35,783,291	14,790,108	(12,812,289)	37,683,291	-	-

- Operating activities: Stable revenue is expected in 2018, which should bring in a net cash inflow.
- Investing activities: Investing outflows will primarily include the purchase of fixed assets.
- Financing activities: Financing outflows are primarily expected to be the payment of cash dividends.

4. Major capital expenditures in recent years and their impact

(1) Major capital expenditures and sources of capital:

1. 7-ELEVEN Taiwan

Unit: NT\$1,000

Project	Actual or Planned Source of Capital	Actual or Planned Date of Project Completion	Total Capital Required	Actual or Planned Capital Expenditures				
				2015	2016	2017	2018	2019
Investments in new stores and POS Equipment	Working capital and loans	Annual	6,103,114	1,216,830	1,033,137	1,043,669	1,404,739	1,404,739
Remodeling of Existing Stores	Working capital and loans	Annual	1,973,843	693,550	294,408	518,621	233,632	233,632
Store Equipment Purchases / Replacement	Working capital and loans	Annual	4,433,083	620,588	690,239	1,218,549	951,854	951,854

2. Major subsidiaries

Unit: NT\$1,000

Project	Actual or Planned Source of Capital	Actual or Planned Date of Project Completion	Total Capital Required	Actual or Planned Capital Expenditures		
				2017	2018	2019
Investments in new stores	Working capital and loans	Annual	6,895,793	1,838,675	2,579,749	2,477,369
Remodeling of existing stores	Working capital and loans	Annual	1,684,198	423,894	597,975	662,328
Store equipment purchases / replacement	Working capital and loans	Annual	1,684,349	526,745	595,928	561,676
Investments in IT equipment (including purchases of hardware, software and POS equipment)	Working capital and loans	Annual	2,186,057	580,486	923,808	681,764
Purchase and replacement of logistics system or related equipment	Working capital and loans	Annual	3,602,366	1,548,123	1,104,589	949,655
Other (e.g., establishment of fresh food processing plants and logistics centers and distribution centers)	Working capital and loans	Annual	1,810,616	1,137,223	478,594	194,800

(2) Estimated benefits:

1. Anticipated increase in sales and gross profits:

Unit: NT\$1,000

Year	Item	Sales Value	Gross Profit
2018	Investments in new and existing stores	3,513,449	1,125,006
2019	Investments in new and existing stores	3,618,853	1,162,233
2020	Investments in new and existing stores	3,727,418	1,200,691
2021	Investments in new and existing stores	3,839,241	1,240,422
2022	Investments in new and existing stores	3,954,418	1,281,468

2. Other potential benefits:

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

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

5. Analysis of investments in subsidiaries in recent years

(1) Investment policy and plan:

PCSC invests in a wide array of business including convenience stores, food and beverages, cosmetics and pharmacies, department stores, super and hypermarkets, and an online shopping website. The Company oversees operations in Taiwan, Mainland China, the Philippines, and Japan. In order to provide customers with a rich, varied shopping experience, PCSC continually expands into new areas. At the end of 2017, PCSC and its subsidiaries boasted a total of 8,900 retail locations, 2,285 of which are 7-ELEVEN branches in the Philippines. PCSC continues to increase its presence in the nation. Starbucks Taiwan have now exceeded 427 locations. They are working hard to make their stores unique as they continue to maintain their brand name's leading position. In the future, we will continue to focus on core business operations to enhance the effectiveness of long-term investments.

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

Major long-term investments in 2017 include the following:

Unit: NT\$1,000

Company	Description	Amount of Investment in 2017	Main reasons for profit / loss
President Starbucks Coffee Corp. Ltd.		3,226,806	The number of retail locations continued to grow, resulting in steady increase in profits.
President Chain Store (Zhejiang) Ltd. (Note 1)		274,421	Newly established company.
President Chain Store (Shanghai) Ltd. (Note 1)		264,220	Currently in the development stage; the affiliate operated at a loss.
President Logistic ShanDong Co., Ltd. (Note 2)		137,210	Currently in the development stage; the affiliate operated at a loss.

Note 1: The investment path is from President Chain Store (BVI) Holdings Ltd. to Uni-President Hong Kong Holdings Ltd. Then funds were injected by Uni-President Hong Kong Holdings Ltd.

Note 2: Funded by Shanghai President Logistics Co.

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

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

The long-term investments planned for 2018 is shown in the table below:

Company	Planned investment in 2018
President Chain Store (Zhejiang) Ltd.	RMB 150 million

6. Risk management policies and organizational structure and risk assessment

(1) Risk management policies and structure

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

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

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

1. Strategic and operational risks: Each business unit and subsidiary is responsible for the planning and risk assessment of any new investments or operational decisions. PCSC's Office of the President regularly conducts related indicator analysis and tracks performance at the PCSC and affiliated enterprises quarterly meetings and regularly scheduled themed project operation reviews for key affiliated enterprises. Appropriate adjustments to operational strategy are made in accordance with changes in market competition and consumer trends to ensure each business entity's strategy is in line with its operational goals and strategic vision.
2. Financial, liquidity, and credit risks: To respond to changes in related regulations, policies, and the market, PCSC's Finance Office defines a range of strategies, procedures, and indicators to perform regularly-scheduled analysis and evaluation of changes in risk status and respond appropriately in order to mitigate potential risks for the entire company.

3. Market risks: Each business unit analyses and assesses major government policies, laws, and technological advances both in Taiwan and abroad and formulates appropriate response measures to reduce potential future risks. In addition, PCSC established an inter-division Regulation Identification Team and holds regular Regulation Identification Meetings to track the latest changes in Taiwan laws and regulations and formulate appropriate responses. Also, the Crisis Management Team, made up of division managers, was established effectively control and manage any potential or existing market risks and crises.
4. Through risk assessment and regulatory reviews, the Internal Audit Office draws up an annual audit plan and self-inspection procedures and methods, which, when implemented, help to control aforementioned risks. The results of these inspections shall be reported periodically to the Board of Directors.

(2) Risk Assessment and Analysis

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

- (1) Interest rate fluctuation:

Taking into consideration global economic uncertainties and the moderate pace of both domestic economic recovery and inflation growth, the current interest rate level is acceptable and Taiwan's Central Bank will therefore maintain a moderately loose monetary policy. It is important to note that international oil prices are rising, the Directorate General of Budget, Accounting and Statistics revised this year's inflation forecast upward to nearly 1%, and the Central Bank estimates Taiwan's economic growth rate will reach 2.35% next year, so the Central Bank is expected to raise interest rates in 2018 by at least 0.125%, possibly in the third quarter.

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

- (2) Exchange rate fluctuation:

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

- (3) Inflation:

The CPI increase rate in 2017 was 0.62%, while the Directorate-General of Budget, Accounting and Statistics predicts 2018's CPI increase rate will rise to 0.96%, less than 1% for two years in a row. Although the Directorate-General of Budget, Accounting and Statistics is not concerned about deflation, it admits that "Rising in commodity prices is not that easy."

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

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

- (1) Company policy:

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

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

a. Loans to others: In 2017, subsidiary Uni-President Department Store Corporation loaned NT\$150 million to Uni-President Superior Commissary Corporation. Subsidiary President Information Corporation loaned NT\$100 million to Uni-President Superior Commissary Corporation. The abovementioned subsidiaries made loans to others in accordance with "Procedures for Loaning of Funds". As of December 31, 2017, the loaned funds mentioned above had already been paid off.

b. Endorsements and guarantees: The Company and its subsidiaries have not offered endorsements.

c. Derivatives: The Company and its subsidiaries are not engaged in the trade of derivatives.

- (3) Future response measures:

a. The main goal of the risk control and hedging strategy implemented by PCSC is to avoid operational risks. To this end, should the Company utilize derivatives, it should be to establish a hedging position. Financial products shall be selected for the purpose of hedging operational risks resulting from interest expenses, assets, or liabilities.

b. PCSC's Finance Office is responsible for managing the Company's derivatives trading position and performs routine market evaluations. If the Finance Office discovers unusual trading or losses, it shall take necessary action and report the situation to the Board immediately. In addition, the Company also conducts routine performance evaluations of derivative trades to ensure they are in line with our operating strategy and that the risks are maintained within the Company's risk tolerance.

3. R&D Plans and Projected Investment:

- (1) Incorporating Brand Differentiation: Collaborating with the Group to combine brand differentiation will enhance brand development and incorporation into stores to satisfy the needs of more consumers.
- (2) Means of Payment Platform: To respond to changes in mobile device and payment models, PCSC shall establish systems to expand means of payment services to facilitate linkages with other platforms, thereby providing customers with convenient payment options.
- (3) R&D Plans for 2018 are expected to cost NT\$ 40.56 million and include the following:

Plan	Current Progress	Additional Funds to be Invested	Expected Date of Completion	Main Factors Determining the Success of Future R&D
Redemption of invoice lottery winnings	Process and system in development	NT\$13.38 million	2018/12	To meet the needs of invoice lottery winners to redeem lottery.
Credit card system - Phase 2	Process and system in development	NT\$11.07million	2018/9	Continue to increase payment tool by installing credit card machine in all stores to provide more convenience for customers.
Upgrading E-SERVICE	Process and system in development	NT\$10.91 million	2018/4	In response to e-commerce development trends, PCSC is enhancing current relevant trade service platforms.
Fresh food safety project	Process and system in development	NT\$3.2 million	2018/11	In coordination with the Material and Quality Assurance System (MAS), customers will be able to check more information regarding to our fresh food products.
Automatic ordering	Process and system in development	NT\$2 million	2018/10	Utilize information technology to collect and analyze big data to simplify order process and save time and energy for store staffs.

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

- (1) PCSC has already taken appropriate measures to respond to recent changes in government policies and laws in Taiwan and overseas, so these changes did not significantly impact the Company's financial operations.
- (2) In response to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter announced in March 2011 by the Securities and Futures Bureau, PCSC established the Remuneration Committee in June 2011. In June 2012, PCSC held new elections for the Company's Board of Directors, invited independent directors to the Board, and established the Audit Committee in response to the March 2011 announcement of the Applicable Scope of Appointment of Independent Directors for Publicly Traded Companies and to optimize the Company's corporate governance. In response to amendments to the Company Act, PCSC implemented electronic voting and voting by polls at the General Shareholders' Meeting in 2013. In 2014, PCSC formulated Ethical Best Practice Principles and Corporate Governance Best Practice Principles, and in 2015 further added the Ethical Operating Procedures and Behavior Guidelines and Procedures Governing Applications to Suspend and Resume Trading. In July 2015, Article 235 of the Company Act was revised, while Article 235-1 was added. In response, the General Shareholders' Meeting passed an amendment to the Articles of Incorporation in June 2016 to change the sources and order of employee and director remuneration to comply with the law. PCSC established the interdepartmental Regulations Identification Team, which issues a quarterly report and keeps up to date on the latest regulatory changes.

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

- (1) The benefits of traditional media continue to decline and more and more physical channels provide multiscreen services in an attempt to upgrade stores and equipment into new media platforms. PCSC will continue to evaluate and pay close attention to how this trend develops.
- (2) The physical financial services industry will become digitalized and physical bank branches continue to decrease in number, but consumers still need a certain degree of financial services. PCSC will continue to analyze whether or not this trend offers potential opportunities for the retail industry and develop relevant services.
- (3) With the five-day work week law now in effect, labor costs and recruiting new personnel for stores will be more of a challenge. PCSC will continue to research labor-saving operations and providing the employee work time management system needed by stores.

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

PCSC does our utmost to provide the public with safe, convenient, high-quality products and services. Our standards are higher than those required by law to best protect the interests of our customers. As a good corporate citizen, PCSC actively takes part in social welfare and environmental protection activities as we work to achieve our goal of sustainable corporate development. In 2017, PCSC was ranked among the top 5% in the 3rd Taiwan Corporate Governance Evaluation System and was, again, selected FTSE4Good. The Company was again named to the MSCI Global Sustainability Index.

Furthermore, PCSC has also implemented comprehensive disaster response measures to deal with any natural or manmade event. Should a crisis occur, PCSC headquarters will immediately convene an interdepartmental crisis management

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

7. Anticipated benefits, risks of M&A activity and appropriate responses: Not applicable
8. Anticipated benefits, risks of factory expansion and appropriate responses: Not applicable
9. Anticipated risks of concentrating purchasing and distribution and appropriate responses: Not applicable
10. Possible effects and risks caused by large transfers or changing hands of shares by directors, supervisors, or major shareholders who hold an over 10% stake in the Company and proposed responses: Not applicable
11. Possible benefits and risks to the Company due to a change in operating rights and proposed responses: Not applicable
12. All major litigation, non-litigation disputes, and administrative disputes that involve the Company, the Company's Directors, Supervisors, President, responsible parties, major shareholders with over 10% stake, or affiliated enterprises should be disclosed as long as the outcome may have a significant impact on shareholder equity or share prices, whether said dispute has been settled or is still pending. The disclosure should include the factual matters of the dispute, underlying monetary values, date actions commenced, the main parties involved, and response measures taken as of the Annual Report publication date: Not applicable
13. Other major risks and proposed responses: None

7. Other important items: None

8 Specific Notes

1. Information about affiliated companies:
2017 Consolidated Business Report of Affiliated Companies: Please refer to pages 203 – 215.
2. Private Placement of Securities: None (in the most recent fiscal year and up to the issue date of this Annual Report)
3. PCSC Securities Acquired, Disposed of, or Held by Subsidiaries: None (in the most recent fiscal year and up to the issue date of this Annual Report)
4. Other Supplementary Information Required: None
5. Situations described in Article 36, Paragraph 2, Item 2 of the Securities and Exchange Act: In the most recent fiscal year and up to the issue date of this Annual Report, PCSC has not experienced any events as described in Article 36, Paragraph 2, Item 2 of the Securities and Exchange Act that have had major impacts on shareholders' equity or share prices.

Appendix

76	1、Positions Concurrently Held by Director in Other Companies
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1 Positions Concurrently Held by Director in Other Companies

As of December 31, 2017

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

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

2 Positions Concurrently Held by Management in Other Companies

As of December 31, 2017

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

3 Statement of Internal Control System

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

Date: February 23, 2018

According to the results of a self-assessment, President Chain Store Corporation (the "Company") states the following with regard to its internal control system during the year 2017:

1. The Company acknowledges that the establishment, implementation and maintenance of internal control system are the responsibility of Board of Directors and management, and the Company has established the system. The internal control system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and safeguard of assets), the reliability, timeliness and transparency of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of achieving the aforementioned three goals. Moreover, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. Nevertheless, the internal control system has self-monitoring mechanism, and the Company will take remedial action in response to any identified deficiencies.
3. The Company evaluates the effectiveness of design and operation of its internal control system based on the judgment items ruled in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (collectively referred herein as "Regulations"). The judgment items of internal control system adopted by the Regulations are the process of management control, and there are five key components of internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes a certain number of items, and seeing the Regulation for the foregoing items.
4. The Company assessed the effectiveness of design and operation of its internal control system according to the aforementioned Regulations.
5. Based on the foregoing results of evaluation, the Company believes that the internal control system (that includes the supervision and management of subsidiaries), to provide reasonable assurance over the aforementioned goals are accomplished, including the effectiveness and the efficiency of operations, the reliability, timeliness and transparency of financial reporting and the compliance of applicable law and regulations.
6. This statement will be the main content of Annual Report and Prospectus, and will be disclosed publicly. If the above contents contain any falsehood, concealment, or illegality, it will involve in legal liability under Article 20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors held on February 23, 2018, and those 13 directors in presence all affirm at the contents of this statement.

President Chain Store Corporation

Chairman : Lo, Chih-Hsien

President : Chen, Jui-Tang

4 Audit Committee's Review Report

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

The Board of Directors has prepared the Company's 2017 Business Report, Financial Statements, and Proposal for Allocation of 2017 profits. The independent auditors, Hsiao, Chun-Yuan and Chou, Chien-Hung, of PRICEWATERHOUSECOOPERS, audited PCSC's Financial Statements and issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and Profit Allocation Proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of President Chain Store Corp.. According to Article 219 of the Company Act, we hereby submit this report.

General Shareholders' Meeting of PRESIDENT CHAIN STORE CORP. 2018

President Chain Store Corp.

Chairman of the Audit Committee Shu, Pei-Gi

Date: April 24, 2018

5 Consolidated Financial Statement and Report of Independent Accountants

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

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

Hereby declare,

PRESIDENT CHAIN STORE CORP.

February 23, 2018

REPORT OF INDEPENDENT ACCOUNTANTS

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Completeness and accuracy of retail sales revenue

Description

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

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

methods (including cash, gift certificates, credit cards and electronic payment devices, etc.) and the cash deposited to the bank.

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

How our audit addressed the matter

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

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

Cost-to-retail ratio of retail inventory method

Description

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

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

How our audit addressed the matter

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

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

Significant acquisitionDescription

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

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

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

How our audit addressed the matter

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

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

Other matter – Using the work of other auditors

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

Other matters – Parent company-only financial reports

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

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

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

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within President Chain Store Corp. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of President Chain Store Corp. and its subsidiaries audit. We remain solely responsible for our audit opinion.

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

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

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

Chun-Yuan, Hsiao

Chien-Hung, Chou

for and on behalf of PricewaterhouseCoopers, Taiwan

23 February, 2018

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

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

(Expressed in thousands of New Taiwan dollars)

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

Appendix

Consolidated Financial
Statement and
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Accountants

Assets		Notes	December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 35,783,291	26	\$ 32,003,633	34
1110	Financial assets at fair value through profit or loss - current	6(2)	1,560,025	1	847,954	1
1170	Accounts receivable, net	6(3) and 7	4,868,902	3	4,325,889	4
1200	Other receivables	6(7)	28,412,101	20	1,143,071	1
1220	Current income tax assets	6(28)	2,097	-	1,448	-
130X	Inventories, net	6(4)	13,387,122	10	12,043,420	13
1410	Prepayments		1,417,175	1	1,387,459	
1470	Other current assets		2,973,547	2	2,570,118	3
11XX	Total current assets		88,404,260	63	54,322,992	57
Non-current assets						
1523	Available-for-sale financial assets - non-current	6(5)	1,050,734	1	899,490	1
1543	Financial assets measured at cost - non-current	6(6)	25,721	-	27,494	-
1550	Investments accounted for using equity method	6(7)	8,655,722	6	11,071,449	12
1600	Property, plant and equipment, net	6(8)(24), 7 and 8	24,982,342	18	22,329,291	24
1760	Investment property, net	6(9)(32) and 7	1,519,115	1	1,359,189	1
1780	Intangible assets	6(10)(31)	10,656,713	8	1,076,176	1
1840	Deferred income tax assets	6(28)	1,409,184	1	1,208,032	1
1900	Other non-current assets	6(11) and 8	3,177,469	2	2,824,404	3
15XX	Total non-current assets		51,477,000	37	40,795,525	43
1XXX	Total assets		\$ 139,881,260	100	\$ 95,118,517	100

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

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

Items	Notes	For the years ended December 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(23) and 7	\$ 221,132,082	100	\$ 215,359,089	100
5000 Operating costs	6(4)(24) and 7	(147,698,072)	(67)	(144,752,447)	(67)
5900 Gross profit		73,434,010	33	70,606,642	33
Operating expenses	6(24)(25)				
6100 Selling expenses		(53,630,951)	(24)	(51,620,116)	(24)
6200 General and administrative expenses		(9,380,899)	(4)	(8,581,906)	(4)
6000 Total operating expenses		(63,011,850)	(28)	(60,202,022)	(28)
6900 Operating profit		10,422,160	5	10,404,620	5
Non-operating income and expenses					
7010 Other income	6(26)	2,946,735	1	1,739,886	1
7020 Other gains and losses	6(27)	26,313,566	12	(303,634)	-
7050 Finance costs	6(13)(16)	(94,511)	-	(94,859)	-
7060 Share of profit of associates and joint ventures accounted for using equity method	6(7)	1,793,738	1	1,615,845	-
7000 Total non-operating income and expenses		30,959,528	14	2,957,238	1
7900 Profit before income tax		41,381,688	19	13,361,858	6
7950 Income tax expense	6(28)	(9,063,616)	(4)	(2,223,289)	(1)
8000 Profit for the year from continuing operations		32,318,072	15	11,138,569	5
8200 Profit for the year		\$ 32,318,072	15	\$ 11,138,569	5
Other comprehensive income (loss)					
8311 Remeasurements of net actuarial loss on defined benefit plan		(175,995)	-	(198,626)	-
8320 Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(24,107)	-	(18,942)	-
8349 Income tax related to the components of other comprehensive income that will not be reclassified to profit or loss	6(28)	30,087	-	31,738	-
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		(170,015)	-	(185,830)	-
8361 Exchange differences from translation of foreign operations	6(22)	(837,027)	(1)	(519,926)	-
8362 Unrealized gain (loss) on valuation of available-for-sale financial assets	6(22)	151,253	-	(23,595)	-
8370 Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive loss that will be reclassified to profit or loss	6(22)	(15,720)	-	(2,462)	-
8399 Income tax relating to the components of other comprehensive loss that will be reclassified to profit or loss	6(22)(28)	(6,283)	-	(3,137)	-
8360 Components of other comprehensive loss that will be reclassified to profit or loss		(707,777)	(1)	(549,120)	-
8300 Total other comprehensive loss for the year		(\$ 877,792)	(1)	(\$ 734,950)	-
8500 Total comprehensive income for the year		\$ 31,440,280	14	\$ 10,403,619	5
Profit attributable to:					
8610 Owners of the parent		\$ 31,017,094	14	\$ 9,836,690	4
8620 Non-controlling interests		1,300,978	1	1,301,879	1
		\$ 32,318,072	15	\$ 11,138,569	5
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 30,272,245	13	\$ 9,235,021	4
8720 Non-controlling interests		1,168,035	1	1,168,598	1
		\$ 31,440,280	14	\$ 10,403,619	5
9750 Basic earnings per share (in dollars)	6(29)	\$ 29.83		\$ 9.46	
9850 Diluted earnings per share (in dollars)	6(29)	\$ 29.72		\$ 9.43	

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Appendix

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

PRESIDENT CHAIN STORE CORP. AND
SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

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

(Continued)

(Expressed in thousands of New Taiwan dollars)

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

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

1. HISTORY AND ORGANISATION

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

(2) The Group's ultimate parent company is Uni-President Enterprises Corp., which holds 45.4% equity interest in the Company.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on February 23, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

A. New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

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

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

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

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

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

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

IFRS 9, "Financial instruments"

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

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

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

Explanation:

- (a) Under IFRS 15, if the customer returns a product, the Group is obliged to refund the purchase price. Therefore, a gross contract liability (refund liability) for the expected refunds to customers is recognized as adjustment to revenue. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognizes an asset and a corresponding adjustment to cost of sales. The asset is measured by reference to the former carrying amount of the product as the products are not material.
- Liabilities in relation to expected sales discounts and allowances were previously presented as accounts receivable - allowance for sales discounts in the balance sheet. As a result of these changes in accounting policies, accounts receivable will have to be increased by \$80,058, refund liability increased by \$136,360 and other current assets increased by \$56,302 on January 1, 2018.
- (b) In line with the regulations of IFRS 9 on provision for impairment, accounts receivable will have to be reduced by \$10,889, retained earnings and non-controlling interests decreased by \$5,686 and \$5,203, respectively.
- (c) In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets and financial assets at cost in the amount of \$60,112 and \$25,721, respectively, by increasing financial assets at fair value through profit or loss and retained earnings in the amount of \$85,833 and \$22,498, respectively, and decreasing other equity interest in the amount of \$22,498.
- (d) In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets in the amount of \$990,662 and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amount of \$990,662.

- (e) The Group's investee accounted for using the equity method expects to make certain reclassifications in accordance with IFRS 9. Accordingly, the Group expects to increase investments accounted for using the equity method and retained earnings in the amount of \$1,696 and \$8,651, respectively, and decrease other equity interest in the amount of \$6,955.
- (f) Presentation of contract assets and contract liabilities:
In line with IFRS 15 requirements, the Group expects to change the presentation of certain accounts in the balance sheet as follows:
- (i) Under IFRS 15, liabilities in relation to sales of gift certificates and gift cards, and franchise agreements are recognized as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of January 1, 2018, the balance would amount to \$3,935,358.
- (ii) Under IFRS 15, liabilities in relation to the customer loyalty programme are recognized as contract liabilities, but were previously presented as deferred revenue in the balance sheet. As of January 1, 2018, the balance would amount to \$346,011.
- (3) IFRSs issued by IASB but not yet endorsed by the FSC
- A. New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

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

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

IFRS 16, "Leases"

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

- Financial assets and financial liabilities at fair value through profit or loss.
- Available-for-sale financial assets measured at fair value.
- Defined benefit liabilities recognized based on the net amount of pension fund assets less the present value of defined benefit obligations.

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

(3) Basis of consolidation

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

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

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

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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2017	December 31, 2016	
The Company	President Starbucks Coffee Corp.	Coffee chain store	60.00	-	(a)
The Company	Duskin Serve Taiwan Co.	Cleaning instruments leasing and selling	51.00	51.00	
The Company	Afternoon Tea Taiwan Co., Ltd.	Operation of restaurants	51.00	51.00	
The Company	Books.com. Co., Ltd.	Retail business without shop	50.03	50.03	
The Company	Retail Support International Corp.	Room-temperature logistics and warehousing	25.00	25.00	(b)
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Labuan) Holdings Ltd.	Professional investment	100.00	100.00	
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Hong Kong) Holdings Limited	Professional investment	100.00	100.00	
PCSC (China) Drugstore Limited	President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Wholesale of merchandise	100.00	100.00	
Wisdom Distribution Service Corp.	President Logistics International Corp.	Trucking	20.00	20.00	
Wisdom Distribution Service Corp.	Vision Distribution Service Corp.	Magazines and book publishing industry	60.00	60.00	
Uni-President Cold-Chain Corp.	President Logistics International Corp.	Trucking	25.00	25.00	
Uni-President Cold-Chain Corp.	Uni-President Logistics (BVI) Holdings Limited	Professional investment	100.00	100.00	
Retail Support International Corp.	Retail Support Taiwan Corp.	Room-temperature logistics and warehousing	51.00	51.00	
Retail Support International Corp.	President Logistics International Corp.	Trucking	49.00	49.00	
Retail Support Taiwan Corp.	President Logistics International Corp.	Trucking	6.00	6.00	
President Logistics International Corp.	Chieh-Shuen Logistics International Corp.	Trucking	100.00	100.00	
Duskin Serve Taiwan Co.	Duskin China (BVI) Holdings Limited	Professional investment	-	100.00	(c)
Books.com. Co., Ltd.	Books.com. (BVI) Ltd.	Professional investment	100.00	100.00	
Books.com. (BVI) Ltd.	Beijing Bokelai Customer Co.	Enterprise information consulting, network technology development and services	100.00	100.00	
Mech-President Corp.	Safety Elevator Corp.	Elevator installation, repair and maintenance	-	100.00	(d)
Mech-President Corp.	President Jing Corp.	Gas station	60.00	60.00	
President Pharmaceutical Corp.	President Pharmaceutical (Hong Kong) Holdings Limited	Sales of various health care products, cosmetics, and pharmaceuticals	100.00	100.00	
President Pharmaceutical (Hong Kong) Holdings Limited	President (Shanghai) Health Product Trading Company Ltd.	Sales of various health care products, cosmetics, and pharmaceuticals	100.00	100.00	
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corporation	Operation of chain store	52.22	52.22	
Philippine Seven Corporation	Convenience Distribution Inc.	Logistics and warehousing	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	PCSC (China) Drugstore Limited	Professional investment	7.80	7.80	
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Shanghai) Ltd.	Operation of chain store	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	Shanghai President Logistics Co., Ltd.	Logistics and warehousing	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	PCSC Restaurant (Cayman) Holdings Limited	Professional investment	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	Shan Dong President Yinzuo Commercial Limited	Supermarkets	40.00	55.00	(e)
President Chain Store (Hong Kong) Holdings Limited	PCSC (Chengdu) Hypermarket Limited	Retail hypermarket	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	Shanghai Cold Stone Ice Cream Corporation	Sales of ice cream	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Taizhou) Ltd.	Logistics and warehousing	100.00	100.00	
President Chain Store (Hong Kong) Holdings Limited	President Chain Store (Zhejiang) Ltd.	Operation of chain store	100.00	-	(f)
Shanghai President Logistics Co., Ltd.	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehousing	50.00	50.00	
Shanghai President Logistics Co., Ltd.	President Logistics Shan Dong Co., Ltd.	Logistics and warehousing	100.00	100.00	
PCSC Restaurant (Cayman) Holdings Limited	Shanghai President Chain Store Corporation Trade Co., Ltd.	Trade of food and commodities	100.00	100.00	
Uni-President Logistics (BVI) Holdings Limited	Zhejiang Uni-Champion Logistics Development Co., Ltd.	Logistics and warehousing	50.00	50.00	
Ren-Hui Investment Corp.	Ren Hui Holding Co., Ltd.	Professional investment	100.00	-	(g)
Ren-Hui Holdings Co., Ltd.	Shan Dong President Yinzuo Commercial Limited	Supermarkets	15.00	-	(e)

- (a) The Company acquired additional 30% shares of President Starbucks Coffee Corp., in December 2017 having control over it. Please refer to Note 6(7)C.
- (b) As the Company controls the financial and operating policies of Retail Support International Corp., the latter is included as a subsidiary in the consolidated financial statements.
- (c) The Company liquidated Duskin China (BVI) Holdings Limited, in December 2017 and the process of liquidation has not yet been completed by the balance sheet date.
- (d) The Company liquidated the subsidiary, Safety Elevator Corp. and the process of cancellation of registration has been completed in June 2017.
- (e) The Company transferred its 15% shares of the subsidiary, Shan Dong President Yinzuo Commercial Limited to Presiclerc Limited, in August 2017.
- (f) The subsidiary of the Company was established in July 2017.
- (g) The subsidiary of the Company was established in August 2017.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

(5) Classification of current and non-current items

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

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

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

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

(6) Cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category 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.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

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".

(9) Loans and receivables

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

(10) Impairment of financial assets

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

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

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

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at cost

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

(c) Available-for-sale financial assets

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

(11) Leases (Lessor)

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

(12) Inventories

A. Inventories are initially recorded at cost. Cost of consolidated entities which manage convenience stores is determined using the retail inventory method while cost of other subsidiaries is determined in accordance with the type of business.

B. Ending inventories are stated at the lower of cost and net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method - associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in "capital surplus" in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then "capital surplus" and "investments accounted for using the equity method" shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation

to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amount previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

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

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

(15) Property, plant and equipment

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

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

(16) Leases (Lessee)

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

(17) Investment property

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

(18) Intangible assets

- A. Computer software
Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 10 years.
- B. Goodwill
Goodwill arises in a business combination accounted for by applying the acquisition method.

C. License agreement and customer list and other intangible assets

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

(19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Notes and accounts payable

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

(21) Provisions

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for

the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees', directors' and supervisors' remuneration

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

(23) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

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

(24) Revenue recognition

A. Sales of goods

(a) The Group's revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity.

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

(c) The Group has customer loyalty programmes where the Group grants loyalty award credits to customers as part of a sales transaction. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the initial sale of goods and the award credits. The amount of proceeds allocated to the award credits is measured by reference to the fair value of goods that can be redeemed by using the award credits and the proportion of award credits that are expected to be redeemed by customers. The Group recognizes the deferred portion of the proceeds allocated to the award credits as revenue only when it has fulfilled its obligations in respect of the award credits.

B. Sales of services

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

(25) Business Combination

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

(26) Operating segments

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

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

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

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

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

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

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

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

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

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

(3) Accounts receivable

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

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

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

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

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

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

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

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

(4) Inventories

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

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

The cost of inventories recognized as expense for the year:

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

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

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

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

A. The Group recognized \$151,253 and (\$23,595) in other comprehensive income (loss) in relation to fair value changes for the years ended December 31, 2017 and 2016, respectively.

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

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

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

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

(7) Investments accounted for using the equity method

	December 31, 2017	December 31, 2016
<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
Uni-President Organics Corp., etc.	64,989	61,403
	<u>8,558,490</u>	<u>8,531,031</u>
<u>Joint ventures</u>		
PCSC Restaurant (Cayman) Holdings Limited	-	1,998,444
President Starbucks Coffee Corp.	-	450,659
Mister Donut Taiwan Corp., Ltd.	97,232	91,315
	<u>97,232</u>	<u>2,540,418</u>
	<u>\$ 8,655,722</u>	<u>\$ 11,071,449</u>

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

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

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

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

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

B. In December 2017, the Group disposed of 30% shares of its joint venture – President Coffee (Cayman) Holdings Ltd. for a cash consideration of \$25,642,728 to Starbucks EMEA Holdings Ltd. (shown as 'other receivable') and recognized a gain on disposal of investments of \$24,537,947. Please refer to Note 6(27).

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

(8) Property, plant and equipment

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

	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Others	Total
<u>At January 1, 2017</u>							
Cost	\$ 2,246,915	\$ 4,049,783	\$ 5,833,407	\$ 18,856,770	\$ 12,857,463	\$ 8,330,108	\$ 52,174,446
Accumulated depreciation and impairment	(16,520)	(1,622,614)	(3,721,333)	(12,428,793)	(7,790,593)	(4,265,302)	(29,845,155)
	<u>\$ 2,230,395</u>	<u>\$ 2,427,169</u>	<u>\$ 2,112,074</u>	<u>\$ 6,427,977</u>	<u>\$ 5,066,870</u>	<u>\$ 4,064,806</u>	<u>\$ 22,329,291</u>
<u>2017</u>							
Opening net book amount as of January 1	\$ 2,230,395	\$ 2,427,169	\$ 2,112,074	\$ 6,427,977	\$ 5,066,870	\$ 4,064,806	\$ 22,329,291
Additions	-	117,987	699,970	2,127,853	1,659,439	2,310,334	6,915,583
Acquired through business combinations	-	-	-	286,652	1,120,999	88,235	1,495,886
Disposals	-	(1,741)	(25,417)	(79,491)	(82,219)	(4,216)	(193,084)
Reclassifications	28,822	147,393	94,288	109,184	229,984	(712,898)	(103,227)
Depreciation charge	-	(182,513)	(580,141)	(2,079,863)	(1,199,519)	(1,093,192)	(5,135,228)
(Impairment loss) reversal of impairment loss	153	(11,122)	-	6,723	(6,393)	(1,214)	(11,853)
Net exchange differences	(2,152)	(1,621)	(3,312)	(3,212)	(97,858)	(206,871)	(315,026)
Closing net book amount as of December 31	<u>\$ 2,257,218</u>	<u>\$ 2,495,552</u>	<u>\$ 2,297,462</u>	<u>\$ 6,795,823</u>	<u>\$ 6,691,303</u>	<u>\$ 4,444,984</u>	<u>\$ 24,982,342</u>
<u>At December 31, 2017</u>							
Cost	\$ 2,273,584	\$ 4,296,089	\$ 6,343,845	\$ 20,180,016	\$ 17,259,683	\$ 9,456,005	\$ 59,809,222
Accumulated depreciation and impairment	(16,366)	(1,800,537)	(4,046,383)	(13,384,193)	(10,568,380)	(5,011,021)	(34,826,880)
	<u>\$ 2,257,218</u>	<u>\$ 2,495,552</u>	<u>\$ 2,297,462</u>	<u>\$ 6,795,823</u>	<u>\$ 6,691,303</u>	<u>\$ 4,444,984</u>	<u>\$ 24,982,342</u>

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	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Others	Total
<u>At January 1, 2016</u>							
Cost	\$ 2,249,588	\$ 4,038,997	\$ 5,459,989	\$ 18,713,302	\$ 12,242,425	\$ 7,556,878	\$ 50,261,179
Accumulated depreciation and impairment	-	(1,457,639)	(3,362,211)	(12,108,333)	(6,771,150)	(4,222,470)	(27,921,803)
	<u>\$ 2,249,558</u>	<u>\$ 2,581,358</u>	<u>\$ 2,097,778</u>	<u>\$ 6,604,969</u>	<u>\$ 5,471,275</u>	<u>\$ 3,334,408</u>	<u>\$ 22,339,376</u>
<u>2016</u>							
Opening net book amount as of January 1	\$ 2,249,558	\$ 2,581,358	\$ 2,097,778	\$ 6,604,969	\$ 5,471,275	\$ 3,334,408	\$ 22,339,376
Additions	-	3,914	561,658	1,798,193	1,612,986	1,763,374	5,740,125
Disposals	-	(12,462)	(33,420)	(60,139)	(82,260)	(9,704)	(197,985)
Reclassifications	-	41,243	68,203	285,825	(574,208)	169,223	(9,714)
Depreciation charge	-	(180,774)	(574,578)	(2,130,489)	(1,256,143)	(1,027,694)	(5,169,678)
(Impairment loss) reversal of impairment loss	(16,520)	(1,449)	-	(50,130)	263	8,197	(59,639)
Net exchange differences	(2,673)	(4,661)	(7,567)	(20,252)	(105,043)	(172,998)	(313,194)
Closing net book amount as of December 31	<u>\$ 2,230,395</u>	<u>\$ 2,427,169</u>	<u>\$ 2,112,074</u>	<u>\$ 6,427,977</u>	<u>\$ 5,066,870</u>	<u>\$ 4,064,806</u>	<u>\$ 22,329,291</u>
<u>At December 31, 2016</u>							
Cost	\$ 2,246,915	\$ 4,049,783	\$ 5,833,407	\$ 18,856,770	\$ 12,857,463	\$ 8,330,108	\$ 52,174,446
Accumulated depreciation and impairment	(16,520)	(1,622,614)	(3,721,333)	(12,428,793)	(7,790,593)	(4,265,302)	(29,845,155)
	<u>\$ 2,230,395</u>	<u>\$ 2,427,169</u>	<u>\$ 2,112,074</u>	<u>\$ 6,427,977</u>	<u>\$ 5,066,870</u>	<u>\$ 4,064,806</u>	<u>\$ 22,329,291</u>

B. Information on the property, plant and equipment acquired from business combinations is provided in Note 6(31).

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

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

(9) Investment property

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

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

(10) Intangible assets

	Software	Goodwill	License agreement and customer list	Others	Total
<u>At January 1, 2017</u>					
Cost	\$ 1,368,689	\$ 378,673	\$ -	\$ 160,300	\$ 1,907,662
Accumulated amortization and impairment	(774,768)	-	-	(56,718)	(831,486)
	<u>\$ 593,921</u>	<u>\$ 378,673</u>	<u>\$ -</u>	<u>\$ 103,582</u>	<u>\$ 1,076,176</u>
<u>2017</u>					
Opening net book amount as of January 1	\$ 593,921	\$ 378,673	\$ -	\$ 103,582	\$ 1,076,176
Additions	215,774	-	-	97,401	313,175
Additions — acquired through business combinations	-	1,826,565	7,524,890	-	9,351,455
Disposals	(4,382)	-	-	3,702	(680)
Reclassifications	9,222	-	-	161,486	170,708
Amortization expenses	(221,316)	-	-	(28,355)	(249,671)
Net exchange differences	(993)	(2,719)	-	(738)	(4,450)
Closing net book amount as of December 31	<u>\$ 592,226</u>	<u>\$ 2,202,519</u>	<u>\$ 7,524,890</u>	<u>\$ 337,078</u>	<u>\$ 10,656,713</u>
<u>At December 31, 2017</u>					
Cost	\$ 1,568,017	\$ 2,202,519	\$ 7,524,890	\$ 405,998	\$ 11,701,424
Accumulated amortization and impairment	(975,791)	-	-	(68,920)	(1,044,711)
	<u>\$ 592,226</u>	<u>\$ 2,202,519</u>	<u>\$ 7,524,890</u>	<u>\$ 337,078</u>	<u>\$ 10,656,713</u>
	Software	Goodwill	License agreement and customer list	Others	Total
<u>At January 1, 2016</u>					
Cost	\$ 1,200,565	\$ 393,414	\$ -	\$ 187,075	\$ 1,781,054
Accumulated amortization and impairment	(600,019)	-	-	(30,121)	(630,140)
	<u>\$ 600,546</u>	<u>\$ 393,414</u>	<u>\$ -</u>	<u>\$ 156,954</u>	<u>\$ 1,150,914</u>
<u>2016</u>					
Opening net book amount as of January 1	\$ 600,546	\$ 393,414	\$ -	\$ 156,954	\$ 1,150,914
Additions	117,535	-	-	10,068	127,603
Disposals	(579)	-	-	(46,738)	(47,317)
Reclassifications	65,736	-	-	14,898	80,634
Amortization expenses	(183,573)	-	-	(12,393)	(195,966)
Impairment loss	-	(11,574)	-	-	(11,574)
Net exchange differences	(5,744)	(3,167)	-	(19,207)	(28,118)
Closing net book amount as of December 31	<u>\$ 593,921</u>	<u>\$ 378,673</u>	<u>\$ -</u>	<u>\$ 103,582</u>	<u>\$ 1,076,176</u>
<u>At December 31, 2016</u>					
Cost	\$ 1,368,689	\$ 378,673	\$ -	\$ 160,300	\$ 1,907,662
Accumulated amortization and impairment	(774,768)	-	-	(56,718)	(831,486)
	<u>\$ 593,921</u>	<u>\$ 378,673</u>	<u>\$ -</u>	<u>\$ 103,582</u>	<u>\$ 1,076,176</u>

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

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

(11) Other non-current assets

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

(12) Impairment loss

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

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

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

(13) Short-term borrowings

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

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

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

(14) Other payables

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

(15) Other current liabilities

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

(16) Long-term borrowings

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

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

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

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

(17) Pensions

A. The Company and its domestic subsidiaries operate a defined benefit pension plan, in accordance with the Labor Standards Law, which covers all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2%-7.74% of employees' monthly salaries and wages to a retirement fund at the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March. Furthermore, the subsidiary, Philippine Seven Corporation, operates an employer matching pension plan, under which the employer contributes the same amount as employee's to the employee's individual pension accounts.

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

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

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2017</u>			
Balance at January 1	(\$ 6,851,392)	\$ 2,585,420	(\$ 4,265,972)
Current service cost	(92,250)	-	(92,250)
Interest (expense) income	(104,593)	40,040	(64,553)
Past service cost	4,944	-	4,944
	(7,043,291)	2,625,460	(4,417,831)
Remeasurements:			
Return on plan assets (not including the amount included in interest income or expense)	-	(13,939)	(13,939)
Change in demographic assumptions	(8,122)	-	(8,122)
Change in financial assumptions	(175,119)	-	(175,119)
Experience adjustments	21,185	-	21,185
	(162,056)	(13,939)	(175,995)
Pension fund contribution	-	159,256	159,256
Paid pension	135,711	(111,246)	24,465
Effect of business combination	(249,522)	84,827	(164,695)
	(113,811)	132,837	19,026
Balance at December 31	(\$ 7,319,158)	\$ 2,744,358	(\$ 4,574,800)
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>For the year ended December 31, 2016</u>			
Balance at January 1	(\$ 6,628,994)	\$ 2,523,402	(\$ 4,105,592)
Current service cost	(101,701)	-	(101,701)
Interest (expense) income	(104,115)	40,309	(63,806)
Past service cost	1,524	-	1,524
	(6,833,286)	2,563,711	(4,269,575)
Remeasurements:			
Return on plan assets (not including the amount included in interest income or expense)	-	(19,969)	(19,969)
Change in demographic assumptions	(18,512)	-	(18,512)
Change in financial assumptions	(109,857)	-	(109,857)
Experience adjustments	(50,288)	-	(50,288)
	(178,657)	(19,969)	(198,626)
Pension fund contribution	-	149,094	149,094
Paid pension	160,551	(107,416)	53,135
	160,551	41,678	202,229
Balance at December 31	(\$ 6,851,392)	\$ 2,585,420	(\$ 4,265,972)

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

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	(\$ 234,327)	\$ 245,304	\$ 240,403	(\$ 230,421)
<u>December 31, 2016</u>				
Effect on present value of defined benefit obligation	(\$ 225,824)	\$ 236,604	\$ 232,426	(\$ 222,621)

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

- (e) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 are \$154,632.
- (f) As of December 31, 2017, the weighted average duration of the retirement plan is 10 to 24 years. The analysis of timing of the future pension payment was as follows:

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

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

- (a) The Company's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC.) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2017 and 2016 was 14%~25% and 13%~21%, respectively. Other than the monthly contributions, the Group has no further obligations.
- (b) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2017 and 2016 were \$828,204 and \$807,481, respectively.

(18) Other non-current liabilities

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

(19) Share capital

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

(20) Capital surplus

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

(21) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, must first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount is to be set aside as a legal reserve. After setting aside or reversing a special reserve, in accordance with related laws, the remaining amount is distributable for the given period. The appropriation of the total distributable amount (that is, the distributable amount for the period along with accumulated unappropriated earnings from prior years) should be proposed by the Board of Directors and voted on by the shareholders at the shareholders' meeting. The dividends and bonus to be distributed to shareholders may be 50%-100% of the total distributable amount, and 50%-100% of dividends are to be distributed as cash dividends, and the remaining undistributed amount to set aside as unappropriated retained earnings.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside a special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.
- D. The appropriations for 2016 and 2015 as resolved by the shareholders on June 13, 2017 and June 15, 2016, respectively, are as follows:

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

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

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

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

(22) 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:			
–Group	-	151,253	151,253
–Associates	-	4,662	4,662
Revaluation-tax	- (	6,283)	(6,283)
Currency translation differences:			
–Group	(699,698)	-	(699,698)
–Associates	(20,382)	-	(20,382)
At December 31, 2017	(\$ 906,308)	\$ 507,449	(\$ 398,859)

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

(23) Operating revenue

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

(24) Expenses by nature

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

(25) Employee benefit expense

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

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

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

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

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

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

(26) Other income

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

(27) Other gains and losses

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

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

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

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

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

B. Reconciliation between income tax expense and accounting profit

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

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

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

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

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

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

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

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

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

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

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

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

(29) Earnings per share

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

(30) Transactions with non-controlling interest

A. Acquisition of additional equity interest in a subsidiary

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

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

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

(31) Business combinations

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

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

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

(32) Operating leases

Lessor

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

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

Lessee

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

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

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

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

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

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

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

(33) Supplemental cash flow information

Investing activities with partial cash payments

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

7. RELATED PARTY TRANSACTIONS**(1) Parent and ultimate controlling party**

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

(2) Names of related parties and relationship

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

(3) Significant related party transactions and balances**A. Operating revenue**

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

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

B. Purchases

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

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

C. Receivables from related parties

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

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

D. Payables to related parties

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

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

E. Long-term installment payable

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

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

F. Property transactions

Acquisition of property, plant and equipment and investment property:

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

No property transactions with related parties occurred during 2016.

(4) Key management compensation

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

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

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

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

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

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

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

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

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

Price risk

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

Interest rate risk

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

(b) Credit risk

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

(c) Liquidity risk

- I. Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group's finance department. It monitors rolling forecasts of liquidity requirements to ensure the Group has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.
- II. The Group invests surplus cash in interest bearing current accounts, time deposits, money market fund and marketable securities, and chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the aforementioned forecasting. The Group held money market funds of \$1,560,025 and \$847,954 as at December 31, 2017 and 2016, respectively, which are expected to readily generate cash inflows for the purpose of managing liquidity risk.
- III. The Group has undrawn borrowing facilities beyond one year of \$11,302,389 and \$7,946,043 as of December 31, 2017 and 2016, respectively.
- III. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

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

(3) Fair value information

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

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

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

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

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

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

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Open-ended funds	\$ 1,560,025	\$ -	\$ -	\$ 1,560,025
Available-for-sale financial assets				
Equity securities	784,115	-	64,460	848,575
Government bond	202,159	-	-	202,159
Subtotal	986,274	-	64,460	1,050,734
Total	\$ 2,546,299	\$ -	\$ 64,460	\$ 2,610,759
December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Open-ended funds	\$ 847,954	\$ -	\$ -	\$ 847,954
Available-for-sale financial assets				
Equity securities	631,928	-	64,577	696,505
Government bond	202,985	-	-	202,985
Subtotal	834,913	-	64,577	899,490
Total	\$ 1,682,867	\$ -	\$ 64,577	\$ 1,747,444

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

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

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

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

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

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

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

	Fair value at 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

H.The Group has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If net assets from financial assets and liabilities categorised within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of December 31, 2017 and 2016.

13.SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

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

14.SEGMENT INFORMATION

(1) General information

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

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

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

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

(2) Measurement of segment information

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

(3) Segment information

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

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

	For the year ended December 31, 2016					
	Convenience stores	Retail business group	Logistics business group	Other operating segments	Adjustment and elimination	Total
External revenue (net)	\$ 139,575,426	\$ 63,685,723	\$ 2,865,678	\$ 9,232,262	\$ -	\$ 215,359,089
Internal department revenue	571,709	2,509,633	11,658,022	6,036,028	(20,775,392)	-
Total segment revenue	\$ 140,147,135	\$ 66,195,356	\$ 14,523,700	\$ 15,268,290	(\$ 20,775,392)	\$ 215,359,089
Segment income	\$ 11,112,701	\$ 3,267,657	\$ 1,016,000	\$ 1,625,494	(\$ 3,659,994)	\$ 13,361,858
Depreciation and amortization	(\$ 2,206,735)	(\$ 1,979,186)	(\$ 684,285)	(\$ 632,453)	\$ -	(\$ 5,502,659)
Gain (loss) on investments accounted for using equity method	\$ 3,316,251	\$ -	\$ -	\$ -	(\$ 1,700,406)	\$ 1,615,845
Income tax expense	(\$ 1,276,011)	(\$ 686,447)	(\$ 152,882)	(\$ 107,949)	\$ -	(\$ 2,223,289)
Interest income	\$ 98,695	\$ 20,930	\$ 5,456	\$ 24,946	\$ -	\$ 150,027
Interest expense	(\$ 30,755)	(\$ 35,205)	(\$ 10,322)	(\$ 18,577)	\$ -	(\$ 94,859)

(4) Reconciliation of segment income (loss)

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

(5) Information on products and services

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

(6) Information on geographic area

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

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

(7) Major customer information

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

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

Loan to others

Table 1

For the year ended December 31, 2017

Expressed in thousands of NTD

(Except as otherwise indicated)

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

Table 2

December 31, 2017
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 Corp.	"	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

Table 3

For the year ended December 31, 2017
Expressed in thousands of NT\$
(Except as otherwise indicated)

Investor	Type and name of securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2017		Addition		Disposal				Other increase (decrease)		Balance as at December 31, 2017	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	Number of shares	Amount
	Open ended funds:															
President Chain Store Corp.	Jih Sun Money Market Fund	Note 1	Not applicable	Not applicable	-	\$ -	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.	Yuantai 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
	Stock:															
President Chain Store Corp.	President Chain Store (BVI) Holdings Ltd.	Note 2	Cash capital increase	Parent company to subsidiary	140,384,307	\$ 5,053,883	31,205,279	\$ 939,333	-	\$ -	\$ -	\$ -	-	\$ 18,614,689	171,589,586	\$ 24,607,905
President Chain Store Corp.	President Starbucks Coffee Corp.	"	Starbucks Coffee International Inc.	Not applicable	10,691,337	450,659	10,691,337	3,226,806	-	-	-	-	-	2,131,819	21,382,674	5,809,284
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Hong Kong) Holdings Limited	"	Cash capital increase	Subsidiary to sub-subsidiary	103,398,075	3,319,112	31,205,379	928,669	-	-	-	-	-	23,456,961	134,603,454	27,704,742
President Chain Store (Hong Kong) Holdings Limited	President Coffee (Cayman) Holdings Ltd.	Note 3	Starbucks EMEA Holdings Ltd.	Not applicable	1,800,000	1,998,444	-	-	1,800,000	25,642,728	1,104,781	24,537,947	-	(893,663)	-	-

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

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

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

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES

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

For the year ended December 31, 2017

Expressed in thousands of NTD

(Except as otherwise indicated)

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/ accounts receivable (payable)	
President Chain Store Corp.	Uni-President Enterprises Corp.	Ultimate parent company	Purchases	\$ 14,628,726	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)	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/ accounts receivable (payable)	
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

Table 5

December 31, 2017
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

Table 6

For the year ended December 31, 2017
Expressed in thousands of NTD
(Except as otherwise indicated)

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

Consolidated Financial
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Number	Company name	Counterparty	Relationship	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
11	President Transnet Corp.	President 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 of elevators	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

Consolidated Financial
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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.	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.	Presicarrre Corp.	Taiwan	Management of retail department store	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.	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

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 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
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

Table 8

For the year ended December 31, 2017
Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	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
					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	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
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

6 Parent Company Only Financial Statements and Report of Independent Accountants

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying parent company only balance sheets of President Chain Store Corp. as of December 31, 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 acquisitionDescription

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 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.v

PRESIDENT CHAIN STORE CORP.
PARENT COMPANY ONLY BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(Expressed in thousands of New Taiwan Dollars)

Assets		Notes	December 31, 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)

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

PRESIDENT CHAIN STORE CORP.
PARENT COMPANY ONLY STATEMENTS OF
COMPREHENSIVE INCOME

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

Items	Notes	For the years ended December 31			
		2017		2016	
		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		50,639,297	35	48,083,751	34
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		(44,392,572)	(31)	(41,410,175)	(29)
6900 Operating profit		6,246,725	4	6,673,576	5
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		26,930,861	19	3,316,251	2
7000 Total non-operating income and expenses		30,254,326	21	4,439,125	3
7900 Profit before income tax		36,501,051	25	11,112,701	8
7950 Income tax expense	6(23)	(5,483,957)	(4)	(1,276,011)	(1)
8200 Profit for the year		\$ 31,017,094	21	\$ 9,836,690	7
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)	30,636	-	34,371	-
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		(174,401)	-	(180,722)	-
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)	(6,283)	-	(3,137)	-
8360 Components of other comprehensive loss that will be reclassified to profit or loss		(570,448)	-	(420,947)	-
8300 Total other comprehensive loss for the year		(\$ 744,849)	-	(\$ 601,669)	-
8500 Total comprehensive income for the year		\$ 30,272,245	21	\$ 9,235,021	7
9750 Basic earnings per share (in dollars)	6(24)	\$ 29.83		\$ 9.46	
9850 Diluted earnings per share (in dollars)	6(24)	\$ 29.72		\$ 9.43	

PRESIDENT CHAIN STORE CORP. PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

Appendix

Parent Company Only
Financial Statements and
Report of Independent
Accountants

	Notes	Share capital - common stock	Capital surplus	Retained Earnings		Other Equity Interest		Total equity
				Legal reserve	Unappropriated retained earnings	Exchange differences from translation of foreign operations	Unrealized gain or loss on available-for- sale financial assets	
For the year ended December 31, 2016								
Balance at January 1, 2016		\$ 10,396,223	\$ 7,733	\$ 7,384,165	\$ 8,733,029	\$ 209,326	\$ 383,210	\$ 27,113,686
Distribution of 2015 earnings:	6(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>
For the year ended December 31, 2017								
Balance at January 1, 2017		\$ 10,396,223	\$ 1,158	\$ 8,208,064	\$ 9,839,244	(\$ 186,228)	\$ 357,817	\$ 28,616,278
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>

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
CASH FLOWS FROM OPERATING ACTIVITIES			
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
CASH FLOWS FROM INVESTING ACTIVITIES			
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)	-	238,032
Net cash used in investing activities	(	3,332,995)	(2,686,700)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividends	6(16)	(8,316,978)	(7,485,280)
Increase in guarantee deposit received		121,625	122,841
Net cash flows used in financing activities	(	8,195,353)	(7,362,439)
Increase in cash and cash equivalents		130,812	7,453,112
Cash and cash equivalents at beginning of year		22,292,169	14,839,057
Cash and cash equivalents at end of year		\$ 22,422,981	\$ 22,292,169

PRESIDENT CHAIN STORE CORP.

NOTES TO THE PARENT COMPANY ONLY

FINANCIAL STATEMENTS

Appendix

Parent Company Only
Financial Statements and
Report of Independent
Accountants

FOR THE YEARS ENDED DECEMBER 31, 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:

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

B. The above standards and interpretations have no significant impact to the 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 Affected items	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	Remark
<u>January 1, 2018</u>				
Accounts receivable, net	\$ 600,671	\$ 327	\$ 600,998	(a)
Other current assets	39,088,330	-	39,088,330	
Financial assets at fair value through profit or loss - non-current	-	85,833	85,833	(b)
Financial assets at fair value through other comprehensive income - non-current	-	788,463	788,463	(c)
Available-for-sale financial assets - non-current	848,575	(848,575)	-	(b)(c)
Financial assets at cost - non-current	25,721	(25,721)	-	(b)
Investments accounted for using equity method	47,983,892	(3,990)	47,979,902	(d)
Other non-current assets	12,205,824	-	12,205,824	
Total affected assets	\$ 100,753,013	(\$ 3,663)	\$ 100,749,350	
<u>January 1, 2018</u>				
Advance receipts	\$ 2,459,527	(\$ 2,393,630)	\$ 65,897	(e)
Contract liabilities - current	-	2,393,630	2,393,630	(e)
Refund liabilities	-	327	327	(a)
Other current liabilities	38,501,187	-	38,501,187	
Contract liabilities - non-current	-	150,611	150,611	(e)
Other non-current liabilities	9,178,037	(150,611)	9,027,426	(e)
Total affected liabilities	50,138,751	327	50,139,078	
Share capital	10,396,223	-	10,396,223	
Capital surplus	43,875	-	43,875	
Retained earnings	40,573,023	25,463	40,598,486	(b)(d)
Other equity interest	(398,859)	(29,453)	(428,312)	(b)(d)
Total affected equity	50,614,262	(3,990)	50,610,272	
Total affected liabilities and equity	\$ 100,753,013	(\$ 3,663)	\$ 100,749,350	

Explanation:

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

Liabilities in relation to expected sales discounts and allowances were previously presented as accounts receivable - allowance for sales discounts in the balance sheet. As a result of these changes in accounting policies, accounts receivable will have to be increased by \$327, and refund liability increased by \$327 on January 1, 2018.

- (b) In accordance with IFRS 9, the Company 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

	December 31, 2017	December 31, 2016
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	5,188,999	6,286,118
	<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

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

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

(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
	\$ 93,840,583	\$ 92,063,384

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
	\$ 848,575	\$ 696,505

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 December 31, 2017	For the year ended December 31, 2016
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	42,717	(247,149)
At December 31	<u>\$ 47,983,892</u>	<u>\$ 22,286,379</u>

	December 31, 2017	December 31, 2016
Subsidiaries		
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.	345,780	234,082
	<u>39,328,170</u>	<u>13,213,374</u>

	December 31, 2017	December 31, 2016
<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.	64,989	61,403
	<u>8,558,490</u>	<u>8,531,031</u>
<u>Joint ventures</u>		
President Starbucks Coffee Corp.	-	450,659
Mister Donut Taiwan Co., Ltd.	97,232	91,315
	<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:

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

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

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

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

(8) Investment property

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

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

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

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

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

Amortization on intangible assets are recognized as operating expenses.

(10) Other non-current assets

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

(11) Other payables

	December 31, 2017	December 31, 2016
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	1,278,880	1,007,042
	<u>\$ 22,286,764</u>	<u>\$ 15,205,974</u>

(12) Advance receipts

	December 31, 2017	December 31, 2016
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	250,168	289,088
	<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:

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

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
<u>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)	20,576	(39,459)
	(4,150,696)	1,390,067	(2,760,629)
Remeasurements:			
Return on plan assets	-	(7,147)	(7,147)
Change in demographic assumptions	(4,556)	-	(4,556)
Change in financial assumptions	(133,625)	-	(133,625)
Experience adjustments	(34,884)	-	(34,884)
	(173,065)	(7,147)	(180,212)
Pension fund contribution	-	86,263	86,263
Paid pension	75,636	(63,438)	12,198
Balance at December 31	(\$ 4,248,125)	\$ 1,405,745	(\$ 2,842,380)
<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	1.25%	1.50%
Future salary increases	3.00%	3.00%

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ 133,587)	\$ 139,547	\$ 136,524	(\$ 131,421)
	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	(\$ 130,456)	\$ 136,403	\$ 133,804	(\$ 128,673)

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	4,363,505
	<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)
–Subsidiaries	(2,361)	-	(2,361)
–Associates	(20,382)	-	(20,382)
At December 31, 2017	(\$ 906,308)	\$ 507,449	(\$ 398,859)

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

(18) Operating revenue

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

(19) Other income

	For the year ended December 31, 2017	For the year ended December 31, 2016
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	694,824	477,473
	\$ 1,374,192	\$ 1,162,568

(20) Other gains and losses

	For the year ended December 31, 2017	For the year ended December 31, 2016
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 December 31, 2017	For the year ended December 31, 2016
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	8,118,886	7,527,427
Total operating costs and operating expenses	<u>\$ 138,233,155</u>	<u>\$ 133,473,559</u>

(22) Employee benefit expense

	For the year ended December 31, 2017	For the year ended December 31, 2016
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	337,589	340,749
	<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 December 31, 2017	For the year ended December 31, 2016
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	6,430	(10,166)
Total current tax	2,165,635	1,293,763
Deferred tax:		
Origination and reversal of temporary differences	3,318,322	(17,752)
Income tax expense	\$ 5,483,957	\$ 1,276,011

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

	For the year ended December 31, 2017	For the year ended December 31, 2016
Fair value gains/losses on available-for-sale financial assets	\$ 6,283	\$ 3,137
Remeasurement of defined benefit obligations	(30,636)	(34,371)
	(\$ 24,353)	(\$ 31,234)

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2017	For the year ended December 31, 2016
Tax calculated based on profit before tax and statutory tax rate	\$ 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	\$ 5,483,957	\$ 1,276,011

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

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

	2016			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<u>Deferred tax assets:</u>				
Allowance for doubtful accounts	\$ 11,220	\$ 1,335	\$ -	\$ 12,555
Unrealized sales allowance	181	(47)	-	134
Unrealized expenses	120,893	10,813	-	131,706
Deferred revenues	13,316	362	-	13,678
Remeasurements of defined benefit obligation	373,649	-	34,371	408,020
Others	36,251	5,044	(3,137)	38,158
	<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	<u>\$ 31,017,094</u>	<u>1,039,622</u>	<u>\$ 29.83</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 31,017,094</u>	<u>1,039,622</u>	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>3,848</u>	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 31,017,094</u>	<u>1,043,470</u>	<u>\$ 29.72</u>
	For the year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 9,836,690</u>	<u>1,039,622</u>	<u>\$ 9.46</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 9,836,690</u>	<u>1,039,622</u>	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>3,073</u>	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 9,836,690</u>	<u>1,042,695</u>	<u>\$ 9.43</u>

(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:

	For the year ended December 31, 2017	For the year ended December 31, 2016
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 December 31, 2017	For the year ended December 31, 2016
Rental expenses	\$ 6,138,050	\$ 5,987,155
Contingent rents	<u>\$ 238,384</u>	<u>\$ 133,512</u>

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

	December 31, 2017	December 31, 2016
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	9,999,009	9,450,914
	<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 December 31, 2017	For the year ended December 31, 2016
Sublease revenues	\$ 149,827	\$ 144,783
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 December 31, 2017	For the year ended December 31, 2016
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	(407,065)	(387,239)
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.	"
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

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

B. Purchases (net of purchase rebate)

	For the year ended December 31, 2017	For the year ended December 31, 2016
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	541,462	511,639
	<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 December 31, 2017	For the year ended December 31, 2016
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	56,619	42,714
	<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 December 31, 2017	For the year ended December 31, 2016
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	6	28
	<u>\$ 909,652</u>	<u>\$ 872,204</u>

E. Receivables (payables) from related parties

Other receivables	December 31, 2017	December 31, 2016
Ultimate parent	\$ 72,563	\$ 54,954
Subsidiaries	6,475,700	1,010,251
Sister companies	71,301	51,507
Associates	24,230	23,931
	<u>\$ 6,643,794</u>	<u>\$ 1,140,643</u>

Payables	December 31, 2017	December 31, 2016
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	8,569	1,473
	<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**

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

	December 31, 2017	
	Book value	Fair value
Financial assets:		
Financial assets measured at cost - non-current	\$ 25,721	\$ 25,721
Guarantee deposit paid	1,174,967	1,161,218
	<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>

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

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

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

(Foreign currency: functional currency)	December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
<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
Financial liabilities			
<u>Monetary items</u>			
USD: NTD	\$ 96,634	29.760	\$ 2,875,828

(Foreign currency: functional currency)	December 31, 2016		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<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:

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

Non-derivative financial liabilities:

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

(3) Fair value information

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

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	\$ 784,115	\$ -	\$ 64,460	\$ 848,575

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

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

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

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

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, by discounted cash flow method or other valuation methods, including calculations by applying models using market information available at the consolidated balance sheet date.
- E. For the years ended December 31, 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

Table 1

For the year ended December 31, 2017
Expressed in thousands of NTD
(Except as otherwise indicated)

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

Table 2

December 31, 2017
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 Corp.	"	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

Table 3

For the year ended December 31, 2017
Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Type and name of securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2017		Addition		Disposal				Other increase (decrease)		Balance as at December 31, 2017		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	Number of shares	Amount	
Open ended funds:																	
President Chain Store Corp.	Jih Sun Money Market Fund	Note 1	Not applicable	Not applicable	-	\$ -	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	
Stock:																	
President Chain Store Corp.	President Chain Store (BVI) Holdings Ltd.	Note 2	Cash capital increase	Parent company to subsidiary	140,384,307	\$ 5,053,883	31,205,279	\$ 939,333	-	\$ -	\$ -	\$ -	-	-	\$ 18,614,689	171,589,586	\$ 24,607,905
President Chain Store Corp.	President Starbucks Coffee Corp.	"	Starbucks Coffee International Inc.	Not applicable	10,691,337	450,659	10,691,337	3,226,806	-	-	-	-	-	2,131,819	21,382,674	5,809,284	
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Hong Kong) Holdings Limited	"	Cash capital increase	Subsidiary to sub-subsidiary	103,398,075	3,319,112	31,205,379	928,669	-	-	-	-	-	23,456,961	134,603,454	27,704,742	
President Chain Store (Hong Kong) Holdings Limited	President Coffee (Cayman) Holdings Ltd.	Note 3	Starbucks EMEA Holdings Ltd.	Not applicable	1,800,000	1,998,444	-	-	1,800,000	25,642,728	1,104,781	24,537,947	-	(893,663)	-	-	

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

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

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

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

Table 4

For the year ended December 31, 2017
Expressed in thousands of NT\$
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/ accounts receivable (payable)	
President Chain Store Corp.	Uni-President Enterprises Corp.	Ultimate parent company	Purchases	\$ 14,628,726	16	Net 30-40 days from the end of the month when invoice is issued		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)	

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Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
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	(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**

Table 5

December 31, 2017
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

Table 6

For the year ended December 31, 2017
Expressed in thousands of NTD
(Except as otherwise indicated)

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

Number	Company name	Counterparty	Relationship	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
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)

Table 7

For the year ended December 31, 2017
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 of elevators	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.	Presicare Corp.	Taiwan	Management of retail department store	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.	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

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			
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
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

Table 8

For the year ended December 31, 2017
Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	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
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	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
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**

Statement 1

DECEMBER 31, 2017
Expressed in thousands of NTD

Item	Description	Amount
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%.	5,188,999
		<u>\$ 22,422,981</u>

**PRESIDENT CHAIN STORE CORP.
STATEMENT OF INVENTORIES**

Statement 2

DECEMBER 31, 2017
Expressed in thousands of NTD

Item	Description	Amount		Footnote
		Cost	Market value	
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**

Statement 3

FOR THE YEAR ENDED DECEMBER 31, 2017
Expressed in thousands of NTD

Name	Balance as of January 1, 2017		Additions		Decreases (Note)		Balance as of December 31, 2017		Collateral
	Number of shares	Book value	Number of shares	Amount	Number of shares	Amount	Number of shares	Book value	
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.	-	42,079	-	-	-	(116)	-	41,963	"
		307,685		-		(116)		307,569	
Valuation adjustment		388,820		152,186		-		541,006	
		<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	Balance as of January 1, 2017		Additions		Decreases		Balance as of December 31, 2017		Collateral
	Number of shares	Book value	Number of shares	Amount	Number of shares	Amount	Number of shares	Book value	
Unlisted stocks									
PK Venture Capital Corp.	321,300	\$ 33,685	-	\$ -	-	\$ -	321,300	\$ 33,685	None
Kaohsiung Rapid Transit Corp.	2,572,127	203,714	-	-	-	-	2,572,127	203,714	"
		237,399		-		-		237,399	
Accumulated impairment		(211,678)		-		-		(211,678)	
		\$ 25,721		\$ -		\$ -		\$ 25,721	

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		Collateral
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Amount	Number of shares	Percentage of ownership	Amount	Unit Price	Total price	
President Chain Store (BVI) Holdings Ltd.	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	"
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.	-	386,800	-	278,272	-	(55,128)	(101,942)	-	-	508,001	-	508,001	"
		\$ 22,286,379		\$ 33,401,576		(\$ 78,972)	(\$ 7,625,091)			\$ 47,983,892		\$ 39,741,260	

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
Expressed in thousands of NTD

Statement 6

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	9,529	-	-	-	9,529	"
	<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	(7,623)	(629)	-	-	(8,252)	"
	<u>(13,665,564)</u>	<u>(\$ 1,936,919)</u>	<u>\$ 1,358,930</u>	<u>\$ -</u>	<u>(14,243,553)</u>	
Accumulated impairment	(255,197)	(\$ 10,110)	\$ -	\$ -	(265,307)	
Book value	<u>\$ 8,608,695</u>				<u>\$ 8,946,459</u>	

PRESIDENT CHAIN STORE CORP.STATEMENT OF OPERATING REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2017
Expressed in thousands of NTD

Statement 7

Item	Amount	Footnote
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

Statement 8

FOR THE YEAR ENDED DECEMBER 31, 2017
Expressed in thousands of NTD

Item	Amount
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	2,771,134
Operating costs	\$ 93,840,583

PRESIDENT CHAIN STORE CORP. STATEMENT OF SELLING EXPENSES

Statement 9

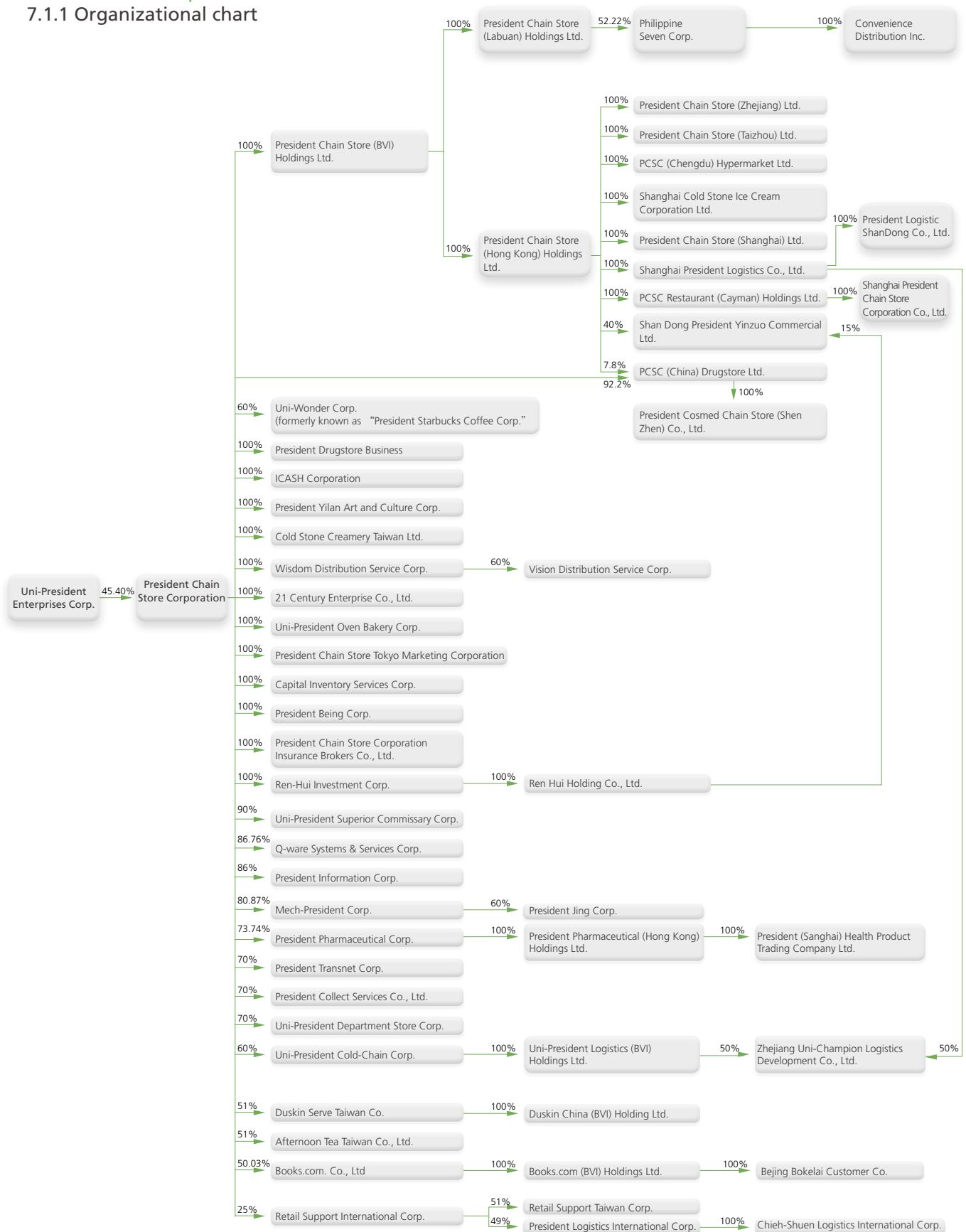
FOR THE YEAR ENDED DECEMBER 31, 2017
Expressed in thousands of NTD

Item	Amount
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	5,848,687
	\$ 39,193,337

7

7.1.1 Organizational chart

As of December 31, 2017



7.1.1.2 PCSC has a direct or indirect control over the management of the personnel, financial or business operation of the following companies, and is considered to be the controlling company under Article 369-2 of the Company Law.

Affiliated Companies	Relationship
Retail Support International Corp.	The appointee of PCSC is voted as the Chairman of the affiliated company.

7.1.2 Information of PCSC affiliated companies

Dec. 31, 2017/Unit: NT\$1,000

Company	Date of incorporation	Address	Paid-in Capital	Major Business / Production Items
President Chain Store (BVI) Holdings Ltd.	Jul. 09, 1998	Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD 171,590,000	Professional investments
PCSC (China) Drugstore Limited	Feb. 16, 2004	Vistra Corporate Services Center, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD 9,486,000	Professional investments
President Drugstore Business Corp.	Jul. 27, 1995	7F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	785,200	Selling of drugs, cosmetics
ICASH Corporation	Nov. 19, 2013	3F, No.101, Ruihu St., Neihu Dist., Taipei City, Taiwan	500,000	Electronic ticketing services
President Yilan Art and Culture Corp.	Jun. 07, 2004	8F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	200,000	Art and cultural exhibition
Cold Stone Creamery Taiwan Ltd.	Dec. 26, 2006	8F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	122,444	Selling of ice cream
Wisdom Distribution Service Corp.	Jan. 11, 1999	No.70-1, Sec. 2, Jiayuan Rd., Shulin Dist., New Taipei City, Taiwan	108,474	Logistic and storage of publication and e-commerce
Uni-Wonder Corp.	Nov. 03, 1997	8F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	356,378	Retailer of coffee, beverage, and food
21 Century Enterprise Co., Ltd.	Nov. 18, 1995	B2, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	100,000	Restaurant and sales of goods
Uni-President Oven Bakery Corp.	Nov. 20, 2000	12F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	65,120	Bread and pastry retailer
President Chain Store Tokyo Marketing Corporation	Jan. 07, 2009	SOYIC bldg. 4F 3-11 Nihonbashi koami-cho, Chuo-ku, Tokyo 103-0016, Japan	JPY 98,000,000	Trade and management consulting
Capital Inventory Services Corp.	Apr. 13, 1998	8F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	25,000	Management consulting
President Being Corp.	Apr. 08, 2003	B1, No.149, Sec.5, Minsheng E. Rd., Songshan Dist., Taipei City, Taiwan	15,000	Sports and beauty business
President Chain Store Corporation Insurance Brokers Co., Ltd.	Oct. 05, 2006	5F, No.135, Sec. 4, Bade Rd., Songshan Dist., Taipei City, Taiwan	15,000	Insurance brokers
Ren-Hui Investment Corp.	Dec. 20, 1996	8F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	65,000	Professional investments
Uni-President Superior Commissary Corp.	Mar. 11, 1999	No.16, Zhongxing Rd., Tucheng Dist., New Taipei City, Taiwan	539,110	Fresh food manufacture
Q-ware Systems & Services Corp.	Jun. 26, 1963	9F, No.81, Zhouzi St., Neihu Dist., Taipei City, Taiwan	281,042	IT & software services
President Information Corp.	Aug. 27, 1997	6F, No. 246, Yang Guang St., Neihu Dist., Taipei City, Taiwan	299,006	Information consulting services
Mech-President Corp.	Dec. 09, 1991	No. 67, Huan Gong Rd., Yung Kang Dist., Tainan City, Taiwan	690,713	Gas station, installment and maintenance of elevators
President Pharmaceutical Corp.	Sep. 03, 1993	7F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	300,000	Selling and trade of cosmetics and health care products
President Transnet Corp.	Jan. 24, 2000	2F, No.8, Sec. 3, Shuangshi Rd., Banqiao Dist., New Taipei City, Taiwan	1,478,520	Delivering and trucking
President Collect Services Co., Ltd.	Jun. 24, 2002	8F, No.8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	15,000	Bill collection service
Uni-President Department Store Corp.	Feb. 24, 2006	No.8, Sec. 5, Zhong Xiao E. Rd., Xinyi Dist., Taipei City, Taiwan	400,000	Department stores
Uni-President Cold-Chain Corp.	Jan. 22, 1999	No.340, Tzu Chiang Rd., Yung Kang Dist., Tainan City, Taiwan	393,417	Logistic and storage of cold temperature
Duskin Serve Taiwan Co.	Oct. 28, 1994	8F, No. 8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	200,000	Selling and rent of cleaning instruments
Afternoon Tea Taiwan Co., Ltd.	Feb. 14, 2008	8F, No. 8, Tung Hsing Rd., Songshan Dist., Taipei City, Taiwan	290,000	Restaurants and selling of daily necessities
Books.com. Co., Ltd.	Dec. 27, 1995	12F, No.560, Sec. 4, Zhongxiao E. Rd., Xinyi Dist., Taipei City, Taiwan	199,900	Online retailer
Retail Support International Corp.	Aug. 13, 1990	7F, No.560, Sec.4, Zhong Xiao E. Rd., Xinyi Dist., Taipei City, Taiwan	257,200	Logistic and storage of room temperature
President Chain Store (Labuan) Holdings Ltd.	Oct. 24, 2000	Level 15(A1), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan FT, Malaysia	USD 29,163,000	Professional investments

Company	Date of incorporation	Address	Paid-in Capital	Major Business / Production Items
Philippine Seven Corp.	Nov. 23, 1982	7/F The Columbia Tower, Ortigas Avenue, Mandaluyong City, Manila, Philippine	PHP 757,105,000	Convenience store
Convenience Distribution Inc.	Sep. 17, 1998	8001F, Legaspi Avenue, Maybunga, Pasig City, Manila, Philippine	PHP 45,000,000	Logistic and storage
President Chain Store (Hong Kong) Holdings Limited	Aug. 13, 2008	Unit 1405-1406, Dominion Centre, 43-59 Queen's Road East, Wan Chai, Hong Kong	USD 134,603,000	Professional investments
President Chain Store (Taizhou) Ltd.	Nov. 27, 2015	South of Innovation Dadao, Gaoxin Technology Industries Park, Gaogang Dist, Taizhou City, Jiangsu Province, China	RMB 60,000,000	Logistic and storage
PCSC (Chengdu) Hypermarket Limited	Oct. 12, 2006	Room 701, B Block, Red Star Macalline, No. 6, Two Road 1 West Section, Wuhou District, Chengdu City, Sichuan Province, China	RMB 132,000,000	Wholesaling and retailing of goods
Shanghai Cold Stone Ice Cream Corporation	May. 28, 2007	Block A, Room 337, Building 1, No.103, Nantangbang Road, Huangpu Dist, Shanghai, China	RMB 222,544,000	Selling of ice cream
President Chain Store (Shanghai) Ltd.	Feb. 03, 2009	No.45-47, Mengzi Rd, Huangpu Dist., Shanghai, China	RMB 500,000,000	Convenience store
President Chain Store (Zhejiang) Ltd.	May. 08, 2017	Room B102-103-1, Building 3, Qianjiang International Time Square, Jianggan Dist., Hangzhou City, Zhejiang Province, China	RMB 60,000,000	Convenience store
Shanghai President Logistics Co., Ltd.	Apr. 15, 2009	Building 18, No.22, Min Yi Rd., Songjiang Dist., Shanghai, China	USD 2,000,000	Logistic and storage
President Logistic ShanDong Co., Ltd.	Nov. 12, 2016	No.301, Tong Yi Street, JiBei Development Zone, JiYang County, JiNan City, ShanDong Province, China	RMB 50,000,000	Logistic and storage
PCSC Restaurant (Cayman) Holdings Limited	Mar. 18, 2008	P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	USD 8,954,000	Professional investments
Shanghai President Chain Store Corporation Trade Co., Ltd.	Dec. 02, 2008	Block E, Room 209, No.103, Nantangbang Road, Huangpu Dist, Shanghai, China	USD 8,880,000	Selling of food and goods
Ren Hui Holding Co., Ltd.	Apr. 12, 2017	4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, VG1110, British Virgin Islands	USD 2,000,000	Professional investments
Shan Dong President Yinzuo Commercial Limited	Sep. 23, 1997	Floor 5/6/7, Zhonghe Business Building, No.146-1, Lishan Road, Lixia Zone, Jinan City, Shandong Province, China	RMB 60,000,000	Supermarket
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Dec. 13, 2004	No.3, Floor 7, Main Tower, Xinxing Plaza, Jiefang Road, Guiyuan Sub-District, Luohu District, Shenzhen, Guangdong Province, China	RMB 100,000,000	Wholesaling and retailing of goods
Vision Distribution Service Corp.	Jun. 27, 2005	No.70-1, Sec. 2, Jiayuan Rd., Shulin Dist., New Taipei City, Taiwan	100,000	Publishing
President Jing Corp.	Jul. 04, 2003	No.138, 37th Neighborhood, Huandao N. Rd., Ximen Vil., Jincheng Township, Kinmen County, Taiwan	16,000	Gas station
President Pharmaceutical (Hong Kong) Holdings Limited	Feb. 25, 2009	703A, 7/F, Golden Centre, 188 Des Voeux Road Central, Sheung Wan, Hong Kong	USD 3,000,000	Selling of health care products, drugs and cosmetics
President (Shanghai) Health Product Trading Company Ltd.	Nov.19, 2009	Room 203, 2F, No.131, Lin Hong Road, Chang Ning District, Shanghai, China	USD 3,000,000	Selling of health care products, drugs and cosmetics
Uni-President Logistics (BVI) Holdings Limited	Mar. 14, 2007	Vistra Corporate Services Center, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD 2,991,000	Professional investments
Zhejiang Uni-Champion Logistics Development Co., Ltd.	Dec. 26, 2007	No.377, Jichang Rd., Jianggan Dist., Hangzhou City, Zhejiang Province, China	RMB 40,000,000	Logistic and storage
Duskin China (BVI) Holdings Limited (Note)	Jun. 30, 2006	Vistra Corporate Services Center, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	-	Professional investments
Books.com (BVI) Ltd.	May. 22, 2009	Vistra Corporate Services Center, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD 50,000	Professional investments
Beijing Bokelai Customer Co.	May. 10, 2006	Room 1014, 10/F, Building 3, Courtyard 7, Ronghua Middle Road, Economic and Technology Development Area of Beijing, China	USD 15,000	Business consulting, network technology development and service
Retail Support Taiwan Corp.	Apr. 16, 1997	No.63-1, Jijin 3rd Rd., Anle Dist., Keelung City, Taiwan	56,300	Logistic and storage of room temperature
President Logistics International Corp.	Feb. 11, 1998	1F, No.242-1, Minzu Rd., Zhongli Dist., Taoyuan City, Taiwan	193,500	Trucking
Chieh-Shuen Logistics International Corp.	Aug. 01, 2003	2F, No.242-1, Minzu Rd., Zhongli Dist., Taoyuan City, Taiwan	266,700	Trucking

Note : Duskin China (BVI) Holdings Limited is going liquidation and returns share capital to shareholders, so the amount of paid-in capital is zero.

7.1.3 Shareholders in Common of PCSC and its affiliates with deemed control and subordination: None.

7.1.4 Business scope of PCSC and its affiliated companies

The business scope of PCSC and its affiliated companies includes: retailing, investment, services, logistics, delivery and manufacture, etc.

The mutual dealings and division of work among each affiliate are as follows:

Affiliated Companies	Division of Work
Capital Inventory Service Corp.	The company provides PCSC with store inventory check services and staff training programs, etc.
Wisdom Distribution Service Corp.	The company is the merchandise supplier and distributor of PCSC.
President Information Corp.	The company provides PCSC and its affiliates with information system services.
Retail Support International Corp.	The company is the merchandise supplier and distributor of PCSC.
Uni-President Cold-Chain Corp.	The company is the merchandise supplier and distributor of PCSC.
Uni-President Superior Commissary Corp.	The company is the fresh food manufacture of PCSC.

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

Dec. 31, 2017/Unit: NT\$1,000/ shares/%

Company	Title	Name or Representative	Shareholding	
			Shares	%
President Chain Store (BVI) Holdings Ltd.	Director	Representatives of President Chain Store Corp.: Lo, Chih-Hsien ; Chen, Jui-Tang	Paid-in Capital USD 171,590,000	100
PCSC (China) Drugstore Limited	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Wu, Kuo-Hsuan	Paid-in Capital USD 9,486,000	92.2
President Drugstore Business Corp.	Chairman	Representative of President Chain Store Corp.: Kao, Shiow-Ling	78,520,000	100
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang ; Huang, Yu-Chen	78,520,000	100
	Supervisor	Representative of President Chain Store Corp.: Kuo, Ying-Chih	78,520,000	100
	President	Huang, Yu-Chen	—	—
ICASH Corporation	Chairman	Representative of President Chain Store Corp.: Huang, Jui-Tien	50,000,000	100
	Director	Representatives of President Chain Store Corp.: Hsieh, Lien-Tang; Lin, Chi-Chang; Chang, Chia-Hua; Chang, Huang-Chi	50,000,000	100
	Supervisor	Representative of President Chain Store Corp.: Chai, Chia-Ming	50,000,000	100
	President	Liang, Yu-Lin	—	—
President Yilan Art and Culture Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	20,000,000	100
	Director	Representatives of President Chain Store Corp.: Lua, Wen-Ji; Wang, Pao-Ming	20,000,000	100
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	20,000,000	100
	President	Lua, Wen-Ji	—	—
Cold Stone Creamery Taiwan Ltd.	Chairman	Representative of President Chain Store Corp.: Lin, Chi-Chang	12,244,390	100
	Director	Representatives of President Chain Store Corp.: Wang, Yao-Te; Chen, Hsing-Jou	12,244,390	100
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	12,244,390	100
	President	Su, Chia-Chi	—	—
Wisdom Distribution Service Corp.	Chairman	Representative of President Chain Store Corp.: Wu, Kuo-Hsuan	10,847,421	100
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Chiang, Cheng-Hsin	10,847,421	100
	Supervisor	Representative of President Chain Store Corp.: Lai, Hsin-Ti	10,847,421	100
	President	Chen, Cheng-Nan	—	—
Uni- Wonder Corp.	Chairman	Representative of Uni-President Enterprises Corp.: Chen, Jui-Tang	14,255,116	40
	Director	Representatives of Uni-President Enterprises Corp.: Lo, Chih-Hsien; Kao, Shiow-Ling	14,255,116	40
	Supervisor	Representative of President Chain Store Corp.: Wu, Wen-Chi	21,382,674	60
	President	Hsu, Guang-Yu	—	—
21 Century Enterprise Co., Ltd.	Chairman	Representative of President Chain Store Corp.: Wang, Pao-Ming	10,000,000	100
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Kuo, Ching-Feng	10,000,000	100
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	10,000,000	100
	President	Wang, Pao-Ming	—	—
Uni-President Oven Bakery Corp.	Chairman	Representative of President Chain Store Corp.: Tsai, Kun-Shun	6,511,963	100
	Director	Representatives of President Chain Store Corp.: Hsu, Guang-Yu; Wu, Kun-Lin	6,511,963	100
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	6,511,963	100
	Vice President	Yeh, Hsiao-Ching	—	—
President Chain Store Tokyo Marketing Corporation	Chairman	Representative of President Chain Store Corp.: Wu, Kuo-Hsuan	9,800	100
	Director	Representatives of President Chain Store Corp.: Hsieh, Lien-Tang; Wu, Chin-Fu	9,800	100
	Supervisor	Representative of President Chain Store Corp.: Tsung, Hsi-Yung	9,800	100
	President	Wu, Chin-Fu	—	—

Company	Title	Name or Representative	Shareholding	
			Shares	%
Capital Inventory Services Corp.	Chairman	Representative of President Chain Store Corp.: Huang, Jui-Tien	2,500,000	100
	Director	Representatives of President Chain Store Corp.: Lin, Chi-Chang; Liang, Kuo-Jen	2,500,000	100
	Supervisor	Representative of President Chain Store Corp.: Hsiu, Yi-Shiung	2,500,000	100
	President	Chiu, Hong-Chang	—	—
President Being Corp.	Chairman	Representative of President Chain Store Corp.: Kao, Shiow-Ling	1,500,000	100
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Chen, Pei-Jung	1,500,000	100
	Supervisor	Representative of President Chain Store Corp.: Liang, Kuo-Jen	1,500,000	100
	President	Chen, Pei-Jung	—	—
President Chain Store Corporation Insurance Brokers Co., Ltd.	Chairman	Representative of President Chain Store Corp.: Lin, Chi-Chang	1,500,000	100
	Director	Representatives of President Chain Store Corp.: Hsieh, Ching-Hsun; Lua, Wen-Ji	1,500,000	100
	Supervisor	Representative of President Chain Store Corp.: Chang, Li-Ling	1,500,000	100
	President	Lua, Wen-Ji	—	—
Ren-Hui Investment Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	6,500,000	100
	Director	Representatives of President Chain Store Corp.: Wu, Kuo-Hsuan; Hsieh, Lien-Tang	6,500,000	100
	Supervisor	Representative of President Chain Store Corp.: Wu, Wen-Chi	6,500,000	100
	President	Chen, Jui-Tang	—	—
Uni-President Superior Commissary Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	48,519,890	90
	Director	Representatives of President Chain Store Corp.: Hsieh, Lien-Tang; Lee, Min-Chien; Yeh, Po-Wen	48,519,890	90
	Director	Representative of Asia Frozen Food Corp.: Lin, Chang-Chi	5,391,099	10
	Supervisor	Representative of Ren-Hui Investment Corp.: Kuo, Ching-Feng	1	—
	President	Chen, Kai-Jung	—	—
Q-ware Systems & Services Corp.	Chairman	Representative of President Chain Store Corp.: Chang, Chia-Hua	24,382,921	86.76
	Director	Representatives of President Chain Store Corp.: Chang, Huang-Chi; Chiang, Cheng-Hsin	24,382,921	86.76
	Director	Representative of Taiwan Spinning Co., Ltd.: Hou, Po-Ming	172,347	0.61
	Director	Representative of Fonmau Cereal Industrial Co., Ltd.: Lin, Kuan-Chen	243,898	0.87
	Supervisor	Representative of Nan Fan Housing Development Co., Ltd.: Peng, Yuan-Hung	699,071	2.49
	Supervisor	Representative of Ren-Hui Investment Corp.: Kuo, Ying-Chih	1	—
	President	Fang, Jung-Wei	—	—
President Information Corp.	Chairman	Representative of President Chain Store Corp.: Chang, Chia-Hua	25,714,475	86
	Director	Representatives of President Chain Store Corp.: Huang, Jui-Tien; Hsieh, Ching-Hsun; Chang, Huang-Chi; Chen, Ching-Hsin	25,714,475	86
	Director	Representative of Nomura Research Institute Ltd.: Fukami Yasuo	4,186,074	14
	Supervisor	Representative of Ren-Hui Investment Corp.: Kuo, Ying-Chih	1	—
	President	Chang, Chia-Hua	—	—
Mech-President Corp.	Chairman	Representative of President Chain Store Corp.: Wu, Kuo-Hsuan	55,858,815	80.87
	Director	Representatives of President Chain Store Corp.: Liao, Chin-Yi; Kuo, Wen-Sheng	55,858,815	80.87
	Director	Representatives of Uni-President Enterprises Corp.: Hwang, Jau-Kai; Yen, Ming-Hsiu	13,046,358	18.89
	Supervisor	Representative of Ren-Hui Investment Corp.: Wang, Yung-Yu	1	—
	President	Liao, Chin-Yi	—	—

Company	Title	Name or Representative	Shareholding	
			Shares	%
President Pharmaceutical Corp.	Chairman	Representative of President Chain Store Corp.: Kao, Shiow-Ling	22,121,962	73.74
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Huang, Jui-Tien; Hwang, Jau-Kai; Huang, Yu-Chen; Chai, Chia-Feng	22,121,962	73.74
	Director	Representative of Taipo Investment Corp.: Wu, Ping-Chih	3,000,000	10
	Director	Representatives of Tung-Ren Investment Corp.: Lin, Tian-Mao; Wu, Chung-Ho	579,091	1.93
	Supervisor	Representative of Ren-Hui Investment Corp.: Kuo, Ying-Chih	1	—
	President	Huang, Jui-Tien	—	—
President Transnet Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	103,496,399	70
	Director	Representatives of President Chain Store Corp.: Wu, Kuo-Hsuan; Hsieh, Lien-Tang; Huang, Chao-Sai	103,496,399	70
	Director	Representative of Uni-President Enterprises Corp.: Lu, Li-An	29,570,400	20
	Director	Representative of Yamato Holdings Co., Ltd.: Masaki Yamauchi	14,785,200	10
	Supervisor	Representative of Ren-Hui Investment Corp.: Wu, Wen-Chi	1	—
	President	Wu, Hui-Chen	—	—
President Collect Services Co., Ltd.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	1,049,999	70
	Director	Representatives of President Chain Store Corp.: Wu, Kuo-Hsuan; Hsieh, Lien-Tang; Lu, Li-An; Huang, Chao-Sai	1,049,999	70
	Director	Representatives of Yamato Holdings Co., Ltd.: Masaki Yamauchi; Ogata Naomi	450,000	30
	Supervisor	Representative of Ren-Hui Investment Corp.: Wu, Wen-Chi	1	—
	Supervisor	Sadatomo Hiroki	—	—
	President	Wu, Hui-Chen	—	—
Uni-President Department Store Corp.	Chairman	Representative of President Chain Store Corp.: Kao, Shiow-Ling	27,999,999	70
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Wang, Pao-Ming;	27,999,999	70
	Director	Representative of Uni-President Enterprises Corp.: Chang, Kuo-Kuang;	12,000,000	30
	Supervisor	Representative of Ren-Hui Investment Corp.: Wu, Wen-Chi	1	—
	President	Wang, Pao-Ming	—	—
Uni-President Cold-Chain Corp.	Chairman	Representative of Uni-President Enterprises Corp.: Lo, Chih-Hsien	7,868,347	20
	Director	Representatives of Uni-President Enterprises Corp.: Hwang, Jau-Kai; Huang, Jui-Tien	7,868,347	20
	Director	Representatives of President Chain Store Corp.: Chen, Jui-Tang; Wu, Kuo-Hsuan; Hsieh, Lien-Tang; Chang, Tsai-Yuan	23,605,042	60
	Director	Representative of Nanlien International Corp.: Wu, Mao-Yuan	7,868,347	20
	Supervisor	Representative of Ren-Hui Investment Corp.: Lin, Chi-Chang	1	—
	President	Chang, Tsai-Yuan	—	—
Duskin Serve Taiwan Co.	Chairman	Representative of President Chain Store Corp.: Hsieh, Lien-Tang	10,199,999	51
	Director	Representatives of President Chain Store Corp.: Lee, Hsin-Mei; Chen, Hsing-Jou; Shu, Chin-Ming	10,199,999	51
	Director	Representatives of Duskin Co., Ltd.: Asano Takahito; Enomoto Masakazu; Okai Kazuo; Kusano Shigeki	9,800,000	49
	Supervisor	Representative of Ren-Hui Investment Corp.: Kuo, Ying-Chih	1	—
	Supervisor	Shigeyoshi Yasuto	—	—
	President	Lai, Ta-Cheng	—	—
Afternoon Tea Taiwan Co., Ltd.	Responsible Person	Kuo, Ying-Chih (Note)	—	—
	Supervisor	Representative of Ren-Hui Investment Corp.: Chang, Li-Ling	1	—
	Supervisor	Masao Muto	—	—

Company	Title	Name or Representative	Shareholding	
			Shares	%
Books.com. Co., Ltd.	Chairman	Lin, Pi-Jung	100,000	0.5
	Director	Representatives of President Chain Store Corp.: Hsieh, Lien-Tang; Chen, Cheng-Nan; Wang, Pao-Ming; Chen, Hsing-Jou	9,999,999	50.03
	Director	Representatives of Clever Investment Co., Ltd.: Chen, Yu-Chun; Chang, Ya-Ju	200,000	1
	Supervisor	Representative of Ren-Hui Investment Corp.: Wu, Wen-Chi	1	—
	Supervisor	Chang, Ya-Ling	143,000	0.72
	President	Kao, Ming-Yih	—	—
Retail Support International Corp.	Chairman	Representative of President Chain Store Corp.: Chen, Jui-Tang	6,429,999	25
	Director	Representative of President Chain Store Corp.: Wu, Kuo-Hsuan	6,429,999	25
	Director	Representatives of Uni-President Enterprises Corp.: Lo, Chih-Hsien; Huang, Jui-Tien	5,144,000	20
	Director	Representative of Mitsubishi Corp.: Yutaka Komori	9,002,000	35
	Director	Representative of Nanlien International Corp.: Wu, Mao-Yuan	5,144,000	20
	Supervisor	Representative of Ren-Hui Investment Corp.: Yang, Chung-Chin	1	—
President Chain Store (Labuan) Holdings Ltd.	President	Huang, Chao-Sai	—	—
Philippine Seven Corp.	Director	Representatives of President Chain Store (BVI) Holdings Ltd.: Lo, Chih-Hsien; Chen, Jui-Tang	Paid-in Capital USD 29,163,000	100
	Chairman	Jose T. Pardo	2	—
	Vice Chairman	Representative of President Chain Store (Labuan) Holdings Ltd.: Wu, Wen-Chi	394,970,516	52.22
	Director	Representatives of President Chain Store (Labuan) Holdings Ltd.: Chen, Jui-Tang; Huang, Jui-Tien; Lin, Chi-Chang; Hsieh, Lien-Tang; Jose Victor P. Paterno	394,970,516	52.22
	Director	Ma. Cristina P. Paterno	13,200,074	1.75
	Director	Representative of Progressive Dev. Corp.: Jorge L. Araneta	17,342,411	2.29
	Independent Director	Antonio Jose U. Periquet, Jr.	1,650,012	0.22
	Independent Director	Michael B. Zalamea	2	—
	President	Jose Victor P. Paterno	—	—
Convenience Distribution Inc.	Chairman	Representative of Philippine Seven Corp.: Jose Victor P. Paterno	4,500,000	100
	Director	Representatives of Philippine Seven Corp.: Tseng, Chao-Shun; Lee, Ying-Jung; Liwayway T. Fernandez; Eduardo P. Bataclan	4,500,000	100
	President	Jose Victor P. Paterno	—	—
President Chain Store (Hong Kong) Holdings Limited	Director	Representative of President Chain Store (BVI) Holdings Ltd.: Chen, Jui-Tang	Paid-in Capital USD 134,603,000	100
	Director	Wu, Kuo-Hsuan	—	—
President Chain Store (Taizhou) Ltd.	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Lin, Hung-Chun	Paid-in Capital RMB 60,000,000	100
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Kuan-Hung; Wu, Yi-Lung	—	100
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Tsung, Hsi-Yung	—	100
	President	Wu, Yao-Ming	—	—
PCSC (Chengdu) Hypermarket Limited	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Lin, Hung-Chun	Paid-in Capital RMB 132,000,000	100
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Wu, Yi-Lung; Chang, Sung-Hong	—	100
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Mo, Ming-Wei	—	100
	President	Lin, Hung-Chun	—	—

Company	Title	Name or Representative	Shareholding	
			Shares	%
Shanghai Cold Stone Ice Cream Corporation	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Lin, Hung-Chun	Paid-in Capital RMB 222,544,000	100
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Kuan-Hung; Chang, Sung-Hong	—	100
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Sung, Tai-Yi	—	100
	President	Lin, Hung-Chun	—	—
President Chain Store (Shanghai) Ltd.	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Chen, Jui-Tang	Paid-in Capital RMB 500,000,000	100
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Lien-Tang; Lin, Hung-Chun	—	100
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Wu, Wen-Chi	—	100
	President	Lin, Hung-Chun	—	—
President Chain Store (Zhejiang) Ltd.	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Chen, Jui-Tang	Paid-in Capital RMB 60,000,000	100
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Lien-Tang; Lin, Hung-Chun	—	100
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Kuo, Ying-Chih	—	100
	President	Lin, Hung-Chun	—	—
Shanghai President Logistics Co., Ltd.	Chairman	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Lin, Hung-Chun	Paid-in Capital USD 2,000,000	100
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Kuan-Hung; Wu, Yi-Lung	—	100
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Tsung, Hsi-Yung	—	100
	President	Chang, Sung-Hong	—	—
President Logistic ShanDong Co., Ltd.	Chairman	Representative of Shanghai President Logistics Co., Ltd.: Lin, Hung-Chun	Paid-in Capital RMB 50,000,000	100
	Director	Representatives of Shanghai President Logistics Co., Ltd.: Chang, Sung-Hong; Hsu, Ming-Hui	—	100
	Supervisor	Representative of Shanghai President Logistics Co., Ltd.: Tsung, Hsi-Yung	—	100
	President	Hsu, Ming-Hui	—	—
PCSC Restaurant (Cayman) Holdings Limited	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Hsieh, Lien-Tang; Wu, Wen-Chi	Paid-in Capital USD 8,954,000	100
Shanghai President Chain Store Corporation Trade Co., Ltd.	Chairman	Representative of PCSC Restaurant (Cayman) Holdings Limited: Lin, Hung-Chun	Paid-in Capital USD 8,880,000	100
	Director	Representatives of PCSC Restaurant (Cayman) Holdings Limited: Chang, Sung-Hong; Hsieh, Kuan-Hung	—	100
	Supervisor	Representative of PCSC Restaurant (Cayman) Holdings Limited: Sung, Tai-Yi	—	100
	President	Lin, Hung-Chun	—	—
Ren Hui Holding Co., Ltd.	Director	Representatives of Ren-Hui Investment Corp.: Huang, Jui-Tien; Hsieh, Lien-Tang	Paid-in Capital USD 2,000,000	100
Shan Dong President Yinzuo Commercial Limited	Chairman	Representative of Shandong Silver Plaza Co., Ltd.: Wang, Zhi-Sheng	Paid-in Capital RMB 60,000,000	45
	Director	Representatives of President Chain Store (Hong Kong) Holdings Ltd.: Chen, Jui-Tang; Lin, Hung-Chun	—	40
	Director	Representative of Ren Hui Holding Co., Ltd.: Huang, Jui-Tien	—	15
	Director	Representative of Shandong Silver Plaza Co., Ltd.: Zhang, Wei	—	45
	Supervisor	Representative of President Chain Store (Hong Kong) Holdings Ltd.: Cheng, Yea-Yun	—	40
	Supervisor	Representative of Shandong Silver Plaza Co., Ltd.: Zhang, Jian-Jun	—	45
	President	Lin, Hung-Chun	—	—

Company	Title	Name or Representative	Shareholding	
			Shares	%
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Chairman	Representative of PCSC (China) Drugstore Limited: Lin, Hung-Chun	Paid-in Capital RMB 100,000,000	100
	Director	Representatives of PCSC (China) Drugstore Limited: Hsieh, Kuan-Hung; Hsu, Ming-Hui	—	100
	Supervisor	Representative of PCSC (China) Drugstore Limited: Cheng, Yea-Yun	—	100
	President	Chang, Sung-Hong		
Vision Distribution Service Corp.	Chairman	Representative of Formosan Magazine Press, Inc.: Chen, Chia-Nan	4,000,000	40
	Director	Representative of Formosan Magazine Press, Inc.: Chen, Te-Jen	4,000,000	40
	Director	Representatives of Wisdom Distribution Service Corp.: Chen, Cheng-Nan; Chen, Hsing-Jou; Kuo, Hui-Ming	6,000,000	60
	Supervisor	Chen, Yu-Jen	—	—
	President	Chen, Cheng-Nan	—	—
President Jing Corp.	Chairman	Representative of Mech-President Corp.: Wu, Kuo-Hsuan	960,000	60
	Director	Representatives of Mech-President Corp.: Liao, Chin-Yi; Chang, Ping-Chang; Feng, Cheng-Wu	960,000	60
	Director	Tsai, Ya-Tung	80,000	5
	Supervisor	Lin, Shui-Qian	240,000	15
	President	Tsai, Ting-Song	—	—
President Pharmaceutical (Hong Kong) Holdings Limited	Director	Representative of President Pharmaceutical Corp.: Chang, Kuo-Kuang	USD 3,000,000	100
	Director	Huang, Jui-Tien	—	—
	President	Huang, Jui-Tien	—	—
President (Shanghai) Health Product Trading Company Ltd.	Chairman	Representative of President Pharmaceutical (Hong Kong) Holdings Limited: Chen, Jui-Tang	USD 3,000,000	100
	Director	Representatives of President Pharmaceutical (Hong Kong) Holdings Limited: Kao, Shiow-Ling; Chang, Kuo-Kuang	—	100
	Supervisor	Representative of President Pharmaceutical (Hong Kong) Holdings Limited: Kuo, Ying-Chih	—	100
	President	Chai, Chia-Feng	—	—
Uni-President Logistics (BVI) Holdings Limited	Director	Representative Uni-President Cold-Chain Corp.: Chen, Jui-Tang	USD 2,991,000	100
Zhejiang Uni-Champion Logistics Development Co., Ltd.	Chairman	Representative of Uni-President Logistics (BVI) Holdings Limited: Lin, Hung-Chun	Paid-in Capital RMB 40,000,000	50
	Director	Representatives of Uni-President Logistics (BVI) Holdings Limited: Hsieh, Kuan-Hung; Chang, Tsai-Yuan	—	50
	Director	Representatives of Shanghai President Logistics Co., Ltd.: Le, Fei-Fei; Chang, Sung-Hong; Zhang, Fan	—	50
	Supervisor	Representative of Uni-President Logistics (BVI) Holdings Limited: Cheng, Yea-Yun	—	50
	Supervisor	Representative of Shanghai President Logistics Co., Ltd.: Lu, Xiao-Wen	—	50
	President	Tsai, Kuang-Wen	—	—
Duskin China (BVI) Holding Limited	Responsible Person	Yang, Tzu-Ying (Note)	—	—
Books.com (BVI) Ltd.	Director	Representatives of Books.com. Co., Ltd.: Lin, Pi-Jung; Wu, Ching-Chun	Paid-in Capital USD 50,000	100
Beijing Bokelai Customer Co.	Chairman	Representative of Books.com (BVI) Ltd.: Wu, Ching-Chun	Paid-in Capital USD 15,000	100
	Supervisor	Representative of Books.com (BVI) Ltd.: Yu, Pei-Wen	—	100

Company	Title	Name or Representative	Shareholding	
			Shares	%
Retail Support Taiwan Corp.	Chairman	Representative of Retail Support International Corp.: Wu, Kuo-Hsuan	2,871,300	51
	Director	Representatives of Retail Support International Corp.: Huang, Chao-Sai; Ho, Hsin-Chia	2,871,300	51
	Director	Representatives of FSG Co.: Lin, Ming-Fang; Huang, Wei-Yu	1,655,220	29.4
	Supervisor	Representatives of Grand Fountain Co., Ltd.: Cheng, Yueh-Kuei; Lai, Hsin-Ti	1,103,480	19.6
	President	Yuan, Shou-Chung	—	—
President Logistics International Corp.	Chairman	Representative of Retail Support International Corp.: Wu, Kuo-Hsuan	9,481,500	49
	Director	Representative of Retail Support International Corp.: Huang, Chao-Sai	9,481,500	49
	Director	Representative of Uni-President Cold-Chain Corp.: Chang, Tsai-Yuan	4,837,500	25
	Supervisor	Representative of Wisdom Distribution Service Corp.: Chen, Cheng-Nan	3,870,000	20
	President	Yao, Chieh-Hsiang	—	—
Chieh-Shuen Logistics International Corp.	Chairman	Representative of President Logistics International Corp.: Wu, Kuo-Hsuan	26,670,000	100
	Director	Representatives of President Logistics International Corp.: Huang, Chao-Sai; Chang, Tsai-Yuan	26,670,000	100
	Supervisor	Representative of President Logistics International Corp.: Chen, Cheng-Nan	26,670,000	100
	President	Yao, Chieh-Hsiang	—	—

Note : Afternoon Tea Taiwan Co., Ltd. and Duskin China (BVI) Holding Limited are going liquidation, so the responsible person is the liquidator.

7.2 The Financial Position and Operation Results of Affiliated Companies

Dec. 31, 2017/ Unit: NT'000

Company	Paid-in Capital	Total Assets	Total Liabilities	Shareholders' Equity	Operating Revenue	Operating Income (Loss)	Net Income (After Tax)	EPS (After Tax)
President Chain Store (BVI) Holdings Ltd.	5,106,506	29,651,629	5,043,724	24,607,905	0 (	131,849)	24,256,863	-
PCSC (China) Drugstore Limited	282,304	70,429	27	70,402	0 (	105)	3,986	-
President Drugstore Business Corp.	785,200	4,090,712	2,671,650	1,419,062	10,696,160	326,055	349,196	4.45
ICASH Corporation	500,000	1,753,470	1,401,198	352,272	358,817 (	22,243) (	16,049) (	0.32)
President Yilan Art and Culture Corp.	200,000	234,491	2,585	231,906	0 (	672)	1,349	0.07
Cold Stone Creamery Taiwan Ltd.	122,444	105,294	128,833 (	23,539)	362,572 (	10,895) (	13,646) (	1.11)
Wisdom Distribution Service Corp.	108,474	1,710,004	1,276,992	433,012	2,467,013	236,999	220,300	20.31
Uni-Wonder Corp.	356,378	4,002,017	2,392,100	1,609,917	10,251,760	903,435	799,374	22.43
21 Century Enterprise Co., Ltd.	100,000	224,464	214,964	9,500	771,588 (	10,204) (	14,716) (	1.47)
Uni-President Oven Bakery Corp.	65,120	99,190	108,659 (	9,469)	361,080	3,520	7,941	1.22
President Chain Store Tokyo Marketing Corporation	25,892	146,161	76,685	69,476	587,947	11,665	10,606	1,082.27
Capital Inventory Services Corp.	25,000	163,786	88,364	75,422	239,594	33,806	28,451	11.38
President Being Corp.	15,000	318,474	378,661 (	60,187)	514,406 (	3,815) (	5,923) (	3.95)
President Chain Store Corporation Insurance Brokers Co., Ltd.	15,000	30,513	8,966	21,547	60,453	5,802	5,987	3.99
Ren-Hui Investment Corp.	65,000	79,597	92	79,505	0 (	360)	4,069	0.63
Uni-President Superior Commissary Corp.	539,110	1,781,096	1,273,386	507,710	3,321,287	14,205	26,896	0.50
Q-ware Systems & Services Corp.	281,042	1,222,322	826,715	395,607	904,416	77,342	65,519	2.33
President Information Corp.	299,006	915,615	453,142	462,473	1,213,945	94,950	85,672	2.87
Mech-President Corp.	690,713	1,712,979	869,873	843,106	10,103,170	80,714	97,094	1.41
President Pharmaceutical Corp.	300,000	1,195,742	423,549	772,193	1,903,112	288,256	210,992	7.03
President Transnet Corp.	1,478,520	5,543,908	3,516,229	2,027,679	11,640,328	415,126	392,408	2.65
President Collect Services Co., Ltd.	15,000	1,388,198	1,278,629	109,569	673,724	90,738	79,595	53.06
Uni-President Department Store Corp.	400,000	1,808,787	1,050,455	758,332	1,398,583	138,278	310,002	7.75
Uni-President Cold-Chain Corp.	393,417	5,841,130	4,833,243	1,007,887	3,208,412	342,008	321,668	8.18
Duskin Serve Taiwan Co.	200,000	629,890	243,340	386,550	1,133,954	146,007	128,795	6.44
Afternoon Tea Taiwan Co., Ltd.	290,000	84,799	2,610	82,189	240,617 (	22,136) (	40,856) (	1.41)
Books.com. Co., Ltd.	199,900	2,066,740	1,226,734	840,006	6,764,071	500,970	424,867	21.25
Retail Support International Corp.	257,200	10,480,730	9,734,576	746,154	2,940,932	168,379	209,996	8.16
President Chain Store (Labuan) Holdings Ltd.	867,901	1,921,718	30	1,921,688	0 (	186)	392,487	-
Philippine Seven Corp.	451,348	8,503,668	4,909,819	3,593,849	22,105,951	988,623	795,567	1.05
Convenience Distribution Inc.	26,827	313,778	178,847	134,931	851,822	4,073	6,664	1.48
President Chain Store (Hong Kong) Holdings Limited	4,005,796	30,316,163	2,577,476	27,738,687	0 (	24,048)	23,771,940	-
President Chain Store (Taizhou) Ltd.	274,421	384,467	71,287	313,180	158,327	21,868	36,710	-
PCSC (Chengdu) Hypermarket Limited	603,726	142,087	64,012	78,075	213,137 (	90,471) (	122,031)	-
Shanghai Cold Stone Ice Cream Corporation	1,017,843	103,608	50,484	53,124	111,622 (	70,739) (	139,398)	-
President Chain Store (Shanghai) Ltd.	2,286,840	609,586	383,684	225,902	1,764,947 (	151,305) (	151,283)	-
President Chain Store (Zhejiang) Ltd.	274,421	332,541	145,218	187,323	78,932 (	85,193) (	85,730)	-
Shanghai President Logistics Co., Ltd.	59,520	579,202	225,795	353,407	701,243	90,603	50,901	-
President Logistic ShanDong Co., Ltd.	228,684	242,397	43,659	198,738	49,504 (	26,684) (	29,442)	-
PCSC Restaurant (Cayman) Holdings Limited	266,457	31,859	27	31,832	0 (	66) (	1,385)	-
Shanghai President Chain Store Corporation Trade Co., Ltd.	264,269	31,788	208	31,580	7,016 (	1,867) (	1,319)	-

Company	Paid-in Capital	Total Assets	Total Liabilities	Shareholders' Equity	Operating Revenue	Operating Income (Loss)	Net Income (After Tax)	EPS (After Tax)
Ren Hui Holding Co., Ltd.	59,520	66,751	27	66,724	0 (	297)	890	-
Shan Dong President Yinzuo Commercial Limited	274,421	1,247,478	903,138	344,340	3,873,580	44,464	36,987	-
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	457,368	80,011	10,446	69,565	82,248	4,013	4,092	-
Vision Distribution Service Corp.	100,000	580,090	470,206	109,884	1,172,319	492	1,440	0.14
President Jing Corp.	16,000	64,414	15,100	49,314	300,075	18,956	15,899	9.94
President Pharmaceutical (Hong Kong) Holdings Limited	89,280	39,961	27,199	12,762	109,254 (	6,646) (	65,239)	-
President (Shanghai) Health Product Trading Company Ltd.	89,280	70,023	92,061 (	22,038)	124,189 (	69,081) (	58,419)	-
Uni-President Logistics (BVI) Holdings Limited	89,021	103,623	0	103,623	0 (	106)	10,582	-
Zhejiang Uni-Champion Logistics Development Co., Ltd.	182,947	324,159	117,539	206,620	629,094	27,626	21,013	-
Books.com (BVI) Ltd.	1,488	610	0	610	0	0 (	4)	-
Beijing Bokelai Customer Co.	446	31	2	29	0 (	4) (	5)	-
Retail Support Taiwan Corp.	56,300	219,316	75,066	144,250	371,757	50,277	48,523	8.62
President Logistics International Corp.	193,500	1,305,097	986,603	318,494	2,943,933	36,310	71,000	3.67
Chieh-Shuen Logistics International Corp.	266,700	1,371,404	1,061,960	309,444	1,785,639	22,912	20,386	0.76

The exchange rates are used as follows:

(A) Spot exchange rate on 31 December, 2017 used for Balance Sheet:

RMB : NTD=1 : 4.57368 ; USD : NTD=1 : 29.76000 ; USD : RMB =1 : 6.50680 ;

HKD : NTD=1 : 3.80855 ; PHP : NTD =1 : 0.59615 ; JPY : NTD =1 : 0.26420

(B) Average exchange rate of 2017 used for Statement of Comprehensive Income:

RMB : NTD=1 : 4.50189 ; USD : NTD=1 : 30.40988 ; USD : RMB =1 : 6.75491 ;

HKD : NTD=1 : 3.90241 ; PHP : NTD =1 : 0.60325 ; JPY : NTD =1 : 0.27126

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