

**Gourmet Master Co. Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2012 and 2011 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the Shareholders  
Gourmet Master Co. Ltd.

We have audited the accompanying consolidated balance sheets of Gourmet Master Co. Ltd. (the Company) and subsidiaries (the "Group") as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gourmet Master Co. Ltd. and subsidiaries as of December 31, 2012 and 2011, and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

March 20, 2013

### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.*

**GOURMET MASTER CO. LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2012 AND 2011**
**(In Thousands of Renminbi and New Taiwan Dollars)**

ASSETS	2012			2011			LIABILITIES AND SHAREHOLDERS' EQUITY	2012			2011		
	RMB	NT\$	%	RMB	NT\$	%		RMB	NT\$	%	RMB	NT\$	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash and cash equivalents (Note 4)	\$ 703,606	\$ 3,278,802	38	\$ 861,812	\$ 4,142,730	52	Notes payable	\$ 258	\$ 1,204	-	\$ 4	\$ 19	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 19)	1,975	9,202	-	1,950	9,376	-	Accounts payable	159,866	744,974	9	157,093	755,147	9
Notes receivable, net (Notes 2, 3 and 6)	515	2,401	-	1,328	6,382	-	Income tax payable (Notes 2 and 16)	29,629	138,071	2	34,164	164,227	2
Accounts receivable, net (Notes 2, 3 and 7)	55,803	260,043	3	38,871	186,853	2	Accrued expenses (Note 14)	121,029	563,996	6	100,008	480,744	6
Other receivables (Note 20)	11,535	53,754	1	8,218	39,505	1	Other payables	35,763	166,657	2	10,680	51,340	1
Inventories (Notes 2 and 8)	83,494	389,083	5	77,228	371,233	5	Current portion of long-term debt (Notes 13 and 21)	143	668	-	75	360	-
Prepayments	69,843	325,468	4	34,036	163,612	2	Receipts in advance	110,837	516,498	6	93,631	450,085	6
Restricted assets - current (Note 21)	1,073	5,002	-	161	772	-	Payables for equipment purchase	30,419	141,752	2	20,662	99,320	1
Deferred income tax assets - current (Notes 2 and 16)	7,292	33,982	-	6,682	32,118	-	Other current liabilities	3,499	16,303	-	2,999	14,415	-
Other current assets	2,730	12,720	-	2,365	11,374	-							
							Total current liabilities	491,443	2,290,123	27	419,316	2,015,657	25
Total current assets	937,866	4,370,457	51	1,032,651	4,963,955	62							
<b>LONG-TERM INVESTMENTS</b>							<b>LONG-TERM LIABILITIES</b>						
Investments accounted for by the equity method (Notes 2 and 9)	20,643	96,198	1	-	-	-	Long-term debt (Notes 13 and 21)	-	-	-	141	681	-
							Long-term accounts payable	4	18	-	12	56	-
							Total long-term liabilities	4	18	-	153	737	-
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 21)</b>							<b>OTHER LIABILITIES</b>						
Cost							Guarantee deposits received	11,063	51,552	-	11,144	53,568	1
Land	89,541	417,259	5	61,111	293,761	4	Other	87	407	-	-	-	-
Buildings	88,512	412,464	5	14,708	70,700	1	Total other liabilities	11,150	51,959	-	11,144	53,568	1
Machinery and equipment	371,099	1,729,320	20	267,200	1,284,430	16	Total liabilities	502,597	2,342,100	27	430,613	2,069,962	26
Transportation equipment	10,290	47,953	1	9,062	43,560	1							
Office equipment	75,980	354,068	4	18,703	89,905	1	<b>SHAREHOLDERS' EQUITY OF PARENT COMPANY</b>						
Leasehold improvements	44,807	208,802	2	32,921	158,250	2	(Notes 2 and 15)						
Other equipment	36,924	172,067	2	55,709	267,795	3	Capital stock	301,974	1,411,200	16	287,679	1,344,000	17
Total cost	717,153	3,341,933	39	459,414	2,208,401	28	Capital surplus	578,637	2,696,451	31	592,932	2,850,226	36
Less: Accumulated depreciation	(185,782)	(865,746)	(10)	(118,912)	(571,611)	(7)	Additional paid-in capital						
Less: Accumulated impairment	(528)	(2,460)	-	(521)	(2,506)	-	Retained earnings						
Construction in progress and prepayments for equipment	88,742	413,537	5	104,115	500,484	6	Reserve	57,206	266,578	3	33,884	162,879	2
							Unappropriated earnings	382,242	1,781,248	21	309,950	1,489,930	19
Total property, plant and equipment	619,585	2,887,264	34	444,096	2,134,768	27	Others						
							Cumulative translation adjustments	(7,317)	(38,099)	-	(16,378)	(39,858)	(1)
<b>INTANGIBLE ASSETS (Notes 2 and 11)</b>							Total shareholders' equity of parent company	1,312,742	6,117,378	71	1,208,067	5,807,177	73
Trademarks	436	2,032	-	299	1,439	-	<b>MINORITY INTERESTS</b>	26,757	124,686	2	22,823	109,710	1
Goodwill	160	745	-	155	745	-	Total shareholders' equity	1,339,499	6,242,064	73	1,230,890	5,916,887	74
Computer software	3,904	18,191	-	3,707	17,820	-							
Other intangible assets	834	3,887	-	889	4,274	-							
Total intangible assets	5,334	24,855	-	5,050	24,278	-							
<b>OTHER ASSETS</b>													
Refundable deposits	81,050	377,695	4	56,943	273,728	4							
Deferred charges (Notes 2 and 12)	174,564	813,466	10	119,723	575,509	7							
Deferred income tax assets - noncurrent (Notes 2 and 16)	2,689	12,529	-	2,686	12,911	-							
Restricted assets (Note 21)	365	1,700	-	354	1,700	-							
Total other assets	258,668	1,205,390	14	179,706	863,848	11							
<b>TOTAL</b>	<b>\$ 1,842,096</b>	<b>\$ 8,584,164</b>	<b>100</b>	<b>\$ 1,661,503</b>	<b>\$ 7,986,849</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 1,842,096</b>	<b>\$ 8,584,164</b>	<b>100</b>	<b>\$ 1,661,503</b>	<b>\$ 7,986,849</b>	<b>100</b>

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



## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Shareholders of the Parent						Total Shareholders' Equity
	Capital Stock Common Stock	Capital Surplus Additional Paid-in Capital	Retained Earnings		Other Cumulative Translation Adjustments	Minority Interests	
			Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2011	\$ 1,280,000	\$ 2,742,374	\$ 74,147	\$ 924,187	\$ (137,810)	\$ 83,199	\$ 4,966,097
Appropriations of prior year's earnings							
Reserve	-	-	82,716	(82,716)	-	-	-
Cash dividends	-	-	-	(448,000)	-	-	(448,000)
Stock dividends	64,000	-	-	(64,000)	-	-	-
Net income in 2011	-	-	-	1,121,081	-	16,785	1,137,866
Change in translation adjustments	-	107,852	6,016	39,378	97,952	9,726	260,924
BALANCE, DECEMBER 31, 2011	1,344,000	2,850,226	162,879	1,489,930	(39,858)	109,710	5,916,887
Issuance of common stock from capital surplus	67,200	(67,200)	-	-	-	-	-
Appropriations of prior year's earnings							
Reserve	-	-	112,108	(112,108)	-	-	-
Cash dividends	-	-	-	(537,600)	-	-	(537,600)
Net income in 2012	-	-	-	977,343	-	28,359	1,005,702
Change in translation adjustments	-	(86,575)	(8,409)	(36,317)	1,759	(13,383)	(142,925)
BALANCE, DECEMBER 31, 2012	\$ 1,411,200	\$ 2,696,451	\$ 266,578	\$ 1,781,248	\$ (38,099)	\$ 124,686	\$ 6,242,064

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

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of Renminbi, Except Dividends Per Share)

	Equity Attributable to Shareholders of the Parent						Total Shareholders' Equity
	Capital Stock Common Stock	Capital Surplus Additional Paid-in Capital	Retained Earnings		Other Cumulative Translation Adjustments	Minority Interests	
			Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2011	\$ 273,403	\$ 592,932	\$ 15,433	\$ 209,392	\$ 8,468	\$ 18,736	\$ 1,118,364
Appropriations of prior year's earnings							
Reserve	-	-	18,451	(18,451)	-	-	-
Cash dividends	-	-	-	(99,933)	-	-	(99,933)
Stock dividends	14,276	-	-	(14,276)	-	-	-
Net income in 2011	-	-	-	233,218	-	3,492	236,710
Change in translation adjustments	-	-	-	-	(24,846)	595	(24,251)
BALANCE, DECEMBER 31, 2011	287,679	592,932	33,884	309,950	(16,378)	22,823	1,230,890
Issuance of common stock from capital surplus	14,295	(14,295)	-	-	-	-	-
Appropriations of prior year's earnings							
Reserve	-	-	23,322	(23,322)	-	-	-
Cash dividends	-	-	-	(114,116)	-	-	(114,116)
Net income in 2012	-	-	-	209,730	-	6,085	215,815
Change in translation adjustments	-	-	-	-	9,061	(2,151)	6,910
BALANCE, DECEMBER 31, 2012	<u>\$ 301,974</u>	<u>\$ 578,637</u>	<u>\$ 57,206</u>	<u>\$ 382,242</u>	<u>\$ (7,317)</u>	<u>\$ 26,757</u>	<u>\$ 1,339,499</u>

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

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of Renminbi and New Taiwan Dollars)

	2012		2011	
	RMB	NT\$	RMB	NT\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Consolidated net income	\$ 215,815	\$ 1,005,702	\$ 236,710	\$ 1,137,866
Adjustments to reconcile consolidated net income to net cash provided by operating activities:				
Depreciation	75,218	350,514	48,200	231,697
Amortization	45,030	209,840	29,671	142,619
Investment loss recognized under equity method	3,526	16,431	5	22
Provision for (recovery of) loss on inventories	(66)	(308)	435	2,091
Loss on disposal of property, plant and equipment, net	926	4,316	685	3,294
Loss on disposal of assets	4,262	19,858	5,965	28,669
Deferred income tax	(656)	(3,054)	(4,380)	(22,879)
Changes in operating assets and liabilities				
Notes receivable	813	3,981	(1,267)	(6,113)
Accounts receivable	(16,932)	(73,190)	(3,290)	(28,854)
Other receivables	(3,317)	(14,249)	933	2,917
Inventories	(6,223)	(17,485)	(26,569)	(146,684)
Prepayments	(35,807)	(161,856)	(4,619)	(32,984)
Other current assets	(365)	(1,346)	(1,623)	(8,081)
Notes payable	254	1,185	-	1
Accounts payable	2,773	(10,173)	44,197	253,831
Income tax payable	(4,535)	(26,156)	2,767	24,811
Accrued expenses	21,049	83,382	27,341	158,064
Other payables	25,083	115,317	1,424	10,239
Receipts in advance	17,206	66,413	40,566	214,452
Other current liabilities	500	1,888	686	4,146
Long-term payable	(8)	(38)	4	23
Other liabilities - other	87	407	-	-
Net cash provided by operating activities	<u>344,633</u>	<u>1,571,379</u>	<u>397,841</u>	<u>1,969,147</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of property, plant and equipment	(250,100)	(1,168,502)	(230,772)	(1,104,219)
Proceeds from disposal of property, plant and equipment	1,909	8,898	101	493
Increase in trademarks	(127)	(591)	(298)	(1,435)
Acquisition of computer software	(1,499)	(6,985)	(1,233)	(5,925)
Increase in deferred charges	(92,274)	(429,995)	(76,013)	(365,393)
Decrease (increase) in restricted assets	(923)	(4,230)	462	1,864
Acquisition of investments accounted for by equity method	(24,122)	(112,410)	-	-
Proceeds from disposal of assets held for sale	15	70	-	-
Increase in refundable deposits	(24,107)	(112,339)	(19,553)	(107,699)
Net cash used in investing activities	<u>(391,228)</u>	<u>(1,826,084)</u>	<u>(327,306)</u>	<u>(1,582,314)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Cash dividends	(114,116)	(537,600)	(99,933)	(448,000)
Repayment of long-term debt	(73)	(373)	(88)	(312)
Increase (decrease) in guarantee deposits received	(81)	(377)	271	5,287
Net cash used in financing activities	<u>(114,270)</u>	<u>(538,350)</u>	<u>(99,750)</u>	<u>(443,025)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>2,659</u>	<u>(70,873)</u>	<u>(12,820)</u>	<u>185,390</u>

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## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of Renminbi and New Taiwan Dollars)

	2012		2011	
	RMB	NT\$	RMB	NT\$
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (158,206)	\$ (863,928)	\$ (42,035)	\$ 129,198
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>861,812</u>	<u>4,142,730</u>	<u>903,847</u>	<u>4,013,532</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 703,606</u>	<u>\$ 3,278,802</u>	<u>\$ 861,812</u>	<u>\$ 4,142,730</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest paid	<u>\$ 18</u>	<u>\$ 83</u>	<u>\$ 18</u>	<u>\$ 88</u>
Income tax paid	<u>\$ 95,624</u>	<u>\$ 445,610</u>	<u>\$ 80,593</u>	<u>\$ 387,409</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Current portion of long-term debt	<u>\$ 143</u>	<u>\$ 668</u>	<u>\$ 75</u>	<u>\$ 360</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS				
Acquisition of property, plant and equipment	\$ (259,857)	\$ (1,210,934)	\$ (237,523)	\$ (1,141,766)
Increase in payables for equipment purchased	<u>9,757</u>	<u>42,432</u>	<u>6,751</u>	<u>37,547</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ (250,100)</u>	<u>\$ (1,168,502)</u>	<u>\$ (230,772)</u>	<u>\$ (1,104,219)</u>

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

(Concluded)



# GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of Renminbi and New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

- a. Gourmet Master Co. Ltd. (the “Company”) was incorporated in the Cayman Islands in September 2008.
- b. The Group mainly engages in the production and wholesale of bakery products, retail of beverages, wholesale of bakery machinery, and the business of multiple shops and alliance shops.

The Company’s shares have been listed on the Taiwan Stock Exchange (“TSE”) since November 22, 2010.

As of December 31, 2012 and 2011, the Group had 19,584 and 16,468 employees, respectively.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China (“ROC”). Significant accounting policies are summarized as follows:

#### Principles of Consolidation

The consolidated financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 7, “Consolidated Financial Statements,” and included the financial statements of Gourmet Master Co. Ltd. and its direct and indirect subsidiaries with at least 50% shareholding and other investees controlled by the Group. When majority of the shareholders’ equity of a subsidiary is obtained during the year, the Group consolidates the related revenues and expenses of the subsidiary from the date the controlling interest was obtained.

The consolidated entities are as follows:

Year Ended December 31, 2012	Year Ended December 31, 2011
Gourmet Master Co. Ltd.	Gourmet Master Co. Ltd.
85 Degrees Café International Pty Ltd.	85 Degrees Café International Pty Ltd.
Perfect 85 Degrees C, Inc.	Perfect 85 Degrees C, Inc.
Golden 85 Investments, LLC	Golden 85 Investments, LLC
85 Degree Co., Ltd.	85 Degree Co., Ltd.
Lucky Bakery Limited	Lucky Bakery Limited
WinPin 85 Investments, Inc.	-
Comestibles Master Co., Ltd.	Comestibles Master Co., Ltd.
Mei Wei Master Co., Ltd.	Mei Wei Master Co., Ltd.
Mei Wei San Min Ltd. (liquidated in August 2012)	Mei Wei San Min Ltd.
Mei Wei Fu Xing Ltd.	Mei Wei Fu Xing Ltd.
The Hot Pot Food and Beverage Management Co., Ltd.	-
The Hot Pot Food and Management Limited	-

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**Year Ended December 31, 2012****Year Ended December 31, 2011**

Prime Scope Trading Limited	Prime Scope Trading Limited
Shanghai Gourmet Master Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.
He-Shia Food & Beverage Ltd.	He-Shia Food & Beverage Ltd.
Sheng-Pin (Shanghai) Food Ltd.	Sheng-Pin (Shanghai) Food Ltd.
Mai-Jai (Shanghai) Food Ltd.	Mai-Jai (Shanghai) Food Ltd.
Sheng-Pin (Hangzhou) Food Ltd.	Sheng-Pin (Hangzhou) Food Ltd.
Shanghai Howco Jing Way Food & Beverage Ltd.	Shanghai Howco Jing Way Food & Beverage Ltd.
He-Shia (Nanjing) Food & Beverage Ltd.	He-Shia (Nanjing) Food & Beverage Ltd.
Beijing 85 Food & Beverage Ltd.	Beijing 85 Food & Beverage Ltd.
Zhejiang 85 Food & Beverage Ltd.	Zhejiang 85 Food & Beverage Ltd.
Shenzheng 85 Food & Beverage Ltd.	Shenzheng 85 Food & Beverage Ltd.
Sheng-Pin (Shenzheng) Food Ltd.	Sheng-Pin (Shenzheng) Food Ltd.
Sheng-Pin (Beijing) Food Ltd.	Sheng-Pin (Beijing) Food Ltd.
Sheng-Pin (Jiangsu) Food Ltd.	Sheng-Pin (Jiangsu) Food Ltd.
Fuzhou 85 Food & Beverage Ltd.	Fuzhou 85 Food & Beverage Ltd.
Chengdu 85 Food & Beverage Ltd.	Chengdu 85 Food & Beverage Ltd.
Sheng-Pin (Wuhan) Food Ltd.	-
Wuhan Jing Way Food & Beverage Ltd.	-
Xiamen 85 Food & Beverage Ltd.	-
Shenyang 85 Food & Beverage Ltd.	-
Sheng-Pin (Xiamen) Food Ltd.	-
Sheng-Pin (Shenyang) Food Ltd.	-
Sheng-Pin (Qingdao) Food Ltd.	-
Jianxi Jing Way Food & Beverage Ltd.	-
85 Degrees (Qingdao) Food & Beverage Management Ltd.	-
Qingdao Jie Wei Food & Beverage Management Ltd.	-
Guangzhou 85 Degrees Food & Beverage Management Ltd.	-
Jin Wei Industrial (Shanghai) Ltd.	-

(Concluded)

The Company's financial statements have been prepared in Renminbi (RMB) as its functional currency. Other entities' financial statements have been prepared on the basis of their functional currencies. Concerning the consolidated financial statements, the asset accounts and liability accounts were translated into RMB using the balance sheet date exchange rate. Shareholders equity accounts and income statement accounts were translated into RMB using the historical exchange rate and average exchange rate, respectively. After consolidating, the capital stock was translated into NT\$10 par value per share using the historical exchange rate. Other accounts used the balance sheet date exchange rate to translate into New Taiwan dollars. The exchange differences resulted from translation were recognized as cumulative translation adjustments to be transferred to profit or loss at the time of sale or liquidation of the foreign operation. As of December 31, 2012 and 2011, the exchange rate were RMB1=NT\$4.66 and RMB1=NT\$4.807, respectively.

**Foreign-currency Transactions and Translation for Foreign-currency Financial Statements**

Non-derivative foreign-currency transactions are recorded in functional currency at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

## **Accounting Estimates**

Under above guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, amortization of intangible assets, deferred charges, and income tax. Actual results may differ from these estimates.

## **Current and Noncurrent Assets and Liabilities**

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

## **Financial Assets at Fair Value through Profit or Loss**

Financial instruments classified as financial assets at fair value through profit or loss (FVTPL) include financial assets held for trading and those designated as at FVTPL on initial recognition. The Group recognizes a financial asset on its balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Group has lost control of its contractual rights over the financial asset.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

## **Accounts Receivable, and Allowance for Doubtful Accounts**

Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- The accounts receivable becoming overdue; or
- It is becoming probable that the debtor will enter into bankruptcy or financial re-organization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Group's past experience in the collection of payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of impairment loss, if recognized, is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collaterals and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

### **Asset Impairment**

If the recoverable amount of an asset (mainly property, plant and equipment, intangible assets, deferred charges and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is first treated as a deduction to the unrealized revaluation increment and any remaining loss is charged to earnings.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized on the asset in prior years. A reversal of an impairment loss is recognized in earnings. A reversal of an impairment loss on goodwill is disallowed.

### **Inventories**

Inventories consist of raw materials and supplies, work-in-process, and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventory costs are determined using the weighted-average method.

### **Investments Accounted for by the Equity Method**

Investments in which the Group holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is provided on a straight-line basis over estimated useful lives as follows: buildings - 3 to 20 years; machinery and equipment - 1 to 10 years; transportation equipment - 4 to 6 years; office equipment - 1 to 6 years; leasehold improvements - 3 to 40 years and other equipment, 1 to 10 years.

The related cost, accumulated depreciation and accumulated impairment of an item of property, plant and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

### **Intangible Assets**

Intangible assets acquired are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives.

### **Deferred Charges**

Deferred charges acquired are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives.

### **Pension Costs**

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Curtailement or settlement gains or losses on the defined benefit plan are recognized as part of the net periodic pension cost for the year.

### **Income Tax**

The Group applies the intra-year and inter-year allocation methods to its income tax, whereby (1) a portion of income tax expense is allocated to the cumulative effect of changes in accounting principles or charged or credited directly to shareholders' equity; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and unused loss carryforward. Valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

If the Group can control the timing of the reversal of a temporary difference arising from the difference between the book value and the tax basis of a long-term equity investment in a foreign subsidiary or joint venture and if the temporary difference is not expected to reverse in the foreseeable future and will, in effect, exist indefinitely, then a deferred tax liability or asset is not recognized.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

### **Revenue Recognition**

Revenue from sales of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Group and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

### 3. ACCOUNTING CHANGES

#### Financial Instruments

On January 1, 2011, the Group adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) amendment of the scope of the applicability of SFAS No. 34 to insurance contracts; (3) inclusion of loans and receivables originated by the Group in the items covered by SFAS No. 34; (4) the requirement to disclose additional guidelines on impairment testing of financial assets carried at amortized cost if the asset issuer or obligor has financial difficulties and the terms of obligations on the assets have been modified; and (5) the requirement to disclose a debtor's accounting treatment for modifications in the terms of its obligations. This accounting change had no significant impact on the Group's consolidated financial statements as of and for the year ended December 31, 2011.

#### Operating Segments

On January 1, 2011, the Group adopted the newly issued SFAS No. 41 - "Operating Segments." The requirements of the statement are based on the information on the components of the Group that management uses to make decisions about operating matters. SFAS No. 41 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting." This accounting change has no impact to the Group on segments reporting.

### 4. CASH AND CASH EQUIVALENTS

	December 31			
	2012		2011	
	RMB	NT\$	RMB	NT\$
Cash on hand	\$ 34,136	\$ 159,075	\$ 15,453	\$ 74,281
Checking deposits and demand deposits	423,430	1,973,184	438,735	2,109,000
Time deposits	<u>246,040</u>	<u>1,146,543</u>	<u>407,624</u>	<u>1,959,449</u>
	<u>\$ 703,606</u>	<u>\$ 3,278,802</u>	<u>\$ 861,812</u>	<u>\$ 4,142,730</u>

### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31			
	2012		2011	
	RMB	NT\$	RMB	NT\$
<u>Financial assets at FVTPL</u>				
Merrill Lynch 6-Year AUD Australian Companies Dual High Yield Accrual	<u>\$ 1,975</u>	<u>\$ 9,202</u>	<u>\$ 1,950</u>	<u>\$ 9,376</u>

No gain or loss occurred on the financial assets at FVTPL for the years ended December 31, 2012 and 2011.

## 6. NOTES RECEIVABLE

	December 31			
	2012		2011	
	RMB	NT\$	RMB	NT\$
Notes receivable (third parties)	\$ 515	\$ 2,401	\$ 1,328	\$ 6,382
Less: Allowance for doubtful accounts	-	-	-	-
	<u>\$ 515</u>	<u>\$ 2,401</u>	<u>\$ 1,328</u>	<u>\$ 6,382</u>

## 7. ACCOUNTS RECEIVABLE

	December 31			
	2012		2011	
	RMB	NT\$	RMB	NT\$
Accounts receivable (third parties)	\$ 55,803	\$ 260,043	\$ 38,871	\$ 186,853
Less: Allowance for doubtful accounts	-	-	-	-
	<u>\$ 55,803</u>	<u>\$ 260,043</u>	<u>\$ 38,871</u>	<u>\$ 186,853</u>

Movements of the allowance for doubtful accounts were as follows:

	Year Ended December 31			
	2012		2011	
	Notes Receivable NT\$	Accounts Receivable NT\$	Notes Receivable NT\$	Accounts Receivable NT\$
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Add: Allowance for doubtful accounts	-	-	-	-
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Year Ended December 31			
	2012		2011	
	Notes Receivable RMB	Accounts Receivable RMB	Notes Receivable RMB	Accounts Receivable RMB
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Add: Allowance for doubtful accounts	-	-	-	-
Add: Translation adjustment	-	-	-	-
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 8. INVENTORIES

	December 31			
	2012		2011	
	RMB	NT\$	RMB	NT\$
Raw materials and supplies	\$ 67,636	\$ 315,482	\$ 41,989	\$ 201,841
Work in process	868	4,046	4,504	21,648
Finished goods	7,323	34,125	8,497	40,846
Merchandise	<u>7,667</u>	<u>35,730</u>	<u>22,238</u>	<u>106,898</u>
	<u>\$ 83,494</u>	<u>\$ 389,383</u>	<u>\$ 77,228</u>	<u>\$ 371,233</u>

As of December 31, 2012 and 2011, the allowances for inventory devaluation was NT\$4,901 thousand (RMB1,052 thousand) and NT\$5,266 thousand (RMB1,095 thousand), respectively.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2012 was NT\$6,033,561 thousand (RMB1,294,755 thousand), which included NT\$308 thousand (RMB66 thousand) write-down of inventories. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2011 was NT\$5,323,405 thousand (RMB1,107,428 thousand), which included NT\$2,091 thousand (RMB435 thousand) reversal of write-down of inventories.

## 9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31					
	2012			2011		
	Carrying Amount RMB	NT\$	% of Ownership	Carrying Amount RMB	NT\$	% of Ownership
<u>Unlisted companies</u>						
Profit Sky International Limited.	\$ 20,643	\$ 96,198	50	\$ -	\$ -	-

Investment loss recognized by equity method:

	Year Ended December 31, 2012					
	Initial Investment		Investment Loss		Translation Adjustment	
	RMB	NT\$	RMB	NT\$	RMB	NT\$
<u>Investee companies</u>						
Profit Sky International Limited.	\$ 24,328	\$ 113,370	\$ (3,526)	\$ (16,431)	\$ (159)	\$ (741)

	Year Ended December 31, 2011					
	Initial Investment		Investment Loss		Translation Adjustment	
	RMB	NT\$	RMB	NT\$	RMB	NT\$
<u>Investee companies</u>						
San Guang Comestibles Master Co., Ltd.	\$ 4,979	\$ 24,500	\$ (5)	\$ (22)	\$ (403)	\$ -

The dissolution of San Guang Comestibles Master Co., Ltd. had been approved in the shareholders' meeting on June 14, 2011. And the liquidation procedure began on July 13, 2011 and ended on November 30, 2011. The receivable share proceeds were NT\$23,371 thousand and were received on March 30, 2012.



## 10. PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 2012									
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
	NTS	NTS	NTS	NTS	NTS	NTS	NTS	NTS	NTS
<b>Cost</b>									
Balance, beginning of year	\$ 293,761	\$ 70,700	\$ 1,284,430	\$ 43,560	\$ 89,905	\$ 158,250	\$ 267,795	\$ 500,484	\$ 2,708,885
Additions	124,041	54,821	462,512	8,081	98,725	26,075	11,528	425,151	1,210,934
Reclassifications	-	287,107	47,697	(480)	181,513	31,189	(99,843)	(497,560)	(50,377)
Disposals	-	-	(34,666)	(2,373)	(14,508)	(4,365)	(2,746)	-	(58,658)
Translation adjustment	(543)	(164)	(30,653)	(835)	(1,567)	(2,347)	(4,667)	(14,538)	(55,314)
Balance, end of year	<u>417,259</u>	<u>412,464</u>	<u>1,729,320</u>	<u>47,953</u>	<u>354,068</u>	<u>208,802</u>	<u>172,067</u>	<u>413,537</u>	<u>3,755,470</u>
<b>Accumulated depreciation</b>									
Balance, beginning of year	-	18,296	348,064	14,533	38,276	46,377	106,065	-	571,611
Depreciation expenses	-	13,065	223,801	7,858	53,240	27,152	25,398	-	350,514
Reclassifications	-	-	(37,498)	102	65,587	78	(29,853)	-	(1,584)
Disposals	-	-	(32,273)	(1,440)	(9,101)	(2,376)	(254)	-	(45,444)
Translation adjustment	-	29	(7,611)	(224)	(458)	(324)	(763)	-	(9,351)
Balance, end of year	-	<u>31,390</u>	<u>494,483</u>	<u>20,829</u>	<u>147,544</u>	<u>70,907</u>	<u>100,593</u>	-	<u>865,746</u>
<b>Accumulated impairment</b>									
Balance, beginning of year	-	-	-	-	-	2,506	-	-	2,506
Translation adjustment	-	-	-	-	-	(46)	-	-	(46)
Balance, end of year	-	-	-	-	-	<u>2,460</u>	-	-	<u>2,460</u>
Net book value, end of year	<u>\$ 417,259</u>	<u>\$ 381,074</u>	<u>\$ 1,234,837</u>	<u>\$ 27,124</u>	<u>\$ 206,524</u>	<u>\$ 135,435</u>	<u>\$ 71,474</u>	<u>\$ 413,537</u>	<u>\$ 2,887,264</u>

  

Year Ended December 31, 2012									
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
<b>Cost</b>									
Balance, beginning of year	\$ 61,111	\$ 14,708	\$ 267,200	\$ 9,062	\$ 18,703	\$ 32,921	\$ 55,709	\$ 104,115	\$ 563,529
Additions	26,618	11,764	99,252	1,734	21,186	5,595	2,474	91,234	259,857
Reclassifications	-	61,611	10,235	(103)	38,951	6,693	(21,426)	(106,773)	(10,812)
Disposals	-	-	(7,439)	(509)	(3,113)	(937)	(589)	-	(12,587)
Translation adjustment	1,812	429	1,851	106	253	535	756	166	5,908
Balance, end of year	<u>89,541</u>	<u>88,512</u>	<u>371,099</u>	<u>10,290</u>	<u>75,980</u>	<u>44,807</u>	<u>36,924</u>	<u>88,742</u>	<u>805,895</u>
<b>Accumulated depreciation</b>									
Balance, beginning of year	-	3,806	72,407	3,023	7,963	9,648	22,065	-	118,912
Depreciation expenses	-	2,804	48,026	1,686	11,425	5,827	5,450	-	75,218
Reclassifications	-	-	(8,047)	22	14,074	17	(6,406)	-	(340)
Disposals	-	-	(6,926)	(309)	(1,953)	(510)	(54)	-	(9,752)
Translation adjustment	-	126	652	48	153	234	531	-	1,744
Balance, end of year	-	<u>6,736</u>	<u>106,112</u>	<u>4,470</u>	<u>31,662</u>	<u>15,216</u>	<u>21,586</u>	-	<u>185,782</u>
<b>Accumulated impairment</b>									
Balance, beginning of year	-	-	-	-	-	521	-	-	521
Translation adjustment	-	-	-	-	-	7	-	-	7
Balance, end of year	-	-	-	-	-	<u>528</u>	-	-	<u>528</u>
Net book value, end of year	<u>\$ 89,541</u>	<u>\$ 81,776</u>	<u>\$ 264,987</u>	<u>\$ 5,820</u>	<u>\$ 44,318</u>	<u>\$ 29,063</u>	<u>\$ 15,338</u>	<u>\$ 88,742</u>	<u>\$ 619,585</u>

  

Year Ended December 31, 2011									
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
	NTS	NTS	NTS	NTS	NTS	NTS	NTS	NTS	NTS
<b>Cost</b>									
Balance, beginning of year	\$ 202,305	\$ 44,307	\$ 861,141	\$ 32,692	\$ 76,185	\$ 120,341	\$ 169,451	\$ 59,601	\$ 1,566,023
Additions	96,264	29,811	282,642	11,063	22,162	37,544	100,117	562,163	1,141,766
Reclassifications	-	241	112,182	-	(3,720)	2,470	2,022	(124,567)	(11,372)
Disposals	-	(2,272)	(21,562)	(1,456)	(7,096)	(3,193)	(8,007)	-	(43,586)
Translation adjustment	(4,808)	(1,387)	50,027	1,261	2,374	1,088	4,212	3,287	56,054
Balance, end of year	<u>293,761</u>	<u>70,700</u>	<u>1,284,430</u>	<u>43,560</u>	<u>89,905</u>	<u>158,250</u>	<u>267,795</u>	<u>500,484</u>	<u>2,708,885</u>
<b>Accumulated depreciation</b>									
Balance, beginning of year	-	16,308	202,388	9,855	18,140	34,642	89,112	-	370,445
Depreciation expenses	-	4,364	158,788	5,692	9,625	14,603	38,625	-	231,697
Reclassifications	-	-	(2,111)	-	17,725	216	(16,152)	-	(322)
Disposals	-	(2,272)	(19,702)	(1,253)	(7,049)	(2,848)	(6,675)	-	(39,799)
Translation adjustment	-	(104)	8,701	239	(165)	(236)	1,155	-	9,590
Balance, end of year	-	<u>18,296</u>	<u>348,064</u>	<u>14,533</u>	<u>38,276</u>	<u>46,377</u>	<u>106,065</u>	-	<u>571,611</u>

(Continued)

Year Ended December 31, 2011									
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Accumulated impairment</u>									
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,420	\$ -	\$ -	\$ 2,420
Translation adjustment	-	-	-	-	-	86	-	-	86
Balance, end of year	-	-	-	-	-	2,506	-	-	2,506
Net book value, end of year	<u>\$ 293,761</u>	<u>\$ 52,404</u>	<u>\$ 936,366</u>	<u>\$ 29,027</u>	<u>\$ 51,629</u>	<u>\$ 109,367</u>	<u>\$ 161,730</u>	<u>\$ 500,484</u>	<u>\$ 2,134,768</u>

(Concluded)

Year Ended December 31, 2011									
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
<u>Cost</u>									
Balance, beginning of year	\$ 45,559	\$ 9,978	\$ 193,929	\$ 7,362	\$ 17,157	\$ 27,101	\$ 38,160	\$ 13,422	\$ 352,668
Additions	20,026	6,202	58,798	2,301	4,610	7,810	20,829	116,947	237,523
Reclassifications	-	50	23,337	-	(774)	514	421	(25,914)	(2,366)
Disposals	-	(473)	(4,485)	(303)	(1,476)	(664)	(1,665)	-	(9,066)
Translation adjustment	(4,474)	(1,049)	(4,379)	(298)	(814)	(1,840)	(2,036)	(340)	(15,230)
Balance, end of year	<u>61,111</u>	<u>14,708</u>	<u>267,200</u>	<u>9,062</u>	<u>18,703</u>	<u>32,921</u>	<u>55,709</u>	<u>104,115</u>	<u>563,529</u>
<u>Accumulated depreciation</u>									
Balance, beginning of year	-	3,673	45,579	2,219	4,085	7,802	20,066	-	83,424
Depreciation expenses	-	908	33,033	1,184	2,002	3,038	8,035	-	48,200
Reclassifications	-	-	(439)	-	3,687	45	(3,360)	-	(67)
Disposals	-	(473)	(4,099)	(261)	(1,466)	(592)	(1,389)	-	(8,280)
Translation adjustment	-	(302)	(1,667)	(119)	(345)	(645)	(1,287)	-	(4,365)
Balance, end of year	-	3,806	72,407	3,023	7,963	9,648	22,065	-	118,912
<u>Accumulated impairment</u>									
Balance, beginning of year	-	-	-	-	-	545	-	-	545
Translation adjustment	-	-	-	-	-	(24)	-	-	(24)
Balance, end of year	-	-	-	-	-	521	-	-	521
Net book value, end of year	<u>\$ 61,111</u>	<u>\$ 10,902</u>	<u>\$ 194,793</u>	<u>\$ 6,039</u>	<u>\$ 10,740</u>	<u>\$ 22,752</u>	<u>\$ 33,644</u>	<u>\$ 104,115</u>	<u>\$ 444,096</u>

For the years ended December 31, 2012 and 2011, no interest expense was capitalized.

Please refer to Note 21 for property plant and equipment pledged as collateral.

## 11. INTANGIBLE ASSETS

Year Ended December 31, 2012					
	Trademarks	Goodwill	Computer Software	Other Intangible Assets	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Cost</u>					
Balance, beginning of year	\$ 1,439	\$ 745	\$ 27,896	\$ 5,288	\$ 35,368
Additions	591	-	6,985	-	7,576
Reclassifications	-	-	-	-	-
Disposals	-	-	(726)	-	(726)
Translation adjustment	2	-	(844)	(162)	(1,004)
Balance, end of year	<u>2,032</u>	<u>745</u>	<u>33,311</u>	<u>5,126</u>	<u>41,214</u>

(Continued)

**Year Ended December 31, 2012**

	<b>Trademarks</b>	<b>Goodwill</b>	<b>Computer Software</b>	<b>Other Intangible Assets</b>	<b>Total</b>
	<b>NT\$</b>	<b>NT\$</b>	<b>NT\$</b>	<b>NT\$</b>	<b>NT\$</b>
<u>Accumulated amortization</u>					
Balance, beginning of year	\$ -	\$ -	\$ 10,076	\$ 1,014	\$ 11,090
Amortization	-	-	5,792	256	6,048
Disposals	-	-	(445)	-	(445)
Translation adjustment	-	-	(303)	(31)	(334)
Balance, end of year	<u>-</u>	<u>-</u>	<u>15,120</u>	<u>1,239</u>	<u>16,359</u>
Net book value, end of year	<u>\$ 2,032</u>	<u>\$ 745</u>	<u>\$ 18,191</u>	<u>\$ 3,887</u>	<u>\$ 24,855</u> (Concluded)

**Year Ended December 31, 2012**

	<b>Trademarks</b>	<b>Goodwill</b>	<b>Computer Software</b>	<b>Other Intangible Assets</b>	<b>Total</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
<u>Cost</u>					
Balance, beginning of year	\$ 299	\$ 155	\$ 5,804	\$ 1,100	\$ 7,358
Additions	127	-	1,499	-	1,626
Reclassifications	-	-	-	-	-
Disposals	-	-	(156)	-	(156)
Translation adjustment	10	5	2	-	17
Balance, end of year	<u>436</u>	<u>160</u>	<u>7,149</u>	<u>1,100</u>	<u>8,845</u>
<u>Accumulated amortization</u>					
Balance, beginning of year	-	-	2,097	211	2,308
Amortization	-	-	1,243	55	1,298
Disposals	-	-	(96)	-	(96)
Translation adjustment	-	-	1	-	1
Balance, end of year	<u>-</u>	<u>-</u>	<u>3,245</u>	<u>266</u>	<u>3,511</u>
Net book value, end of year	<u>\$ 436</u>	<u>\$ 160</u>	<u>\$ 3,904</u>	<u>\$ 834</u>	<u>\$ 5,334</u>

**Year Ended December 31, 2011**

	<b>Trademarks</b>	<b>Goodwill</b>	<b>Computer Software</b>	<b>Other Intangible Assets</b>	<b>Total</b>
	<b>NT\$</b>	<b>NT\$</b>	<b>NT\$</b>	<b>NT\$</b>	<b>NT\$</b>
<u>Cost</u>					
Balance, beginning of year	\$ 75	\$ 745	\$ 20,615	\$ 4,885	\$ 26,320
Additions	1,435	-	5,925	-	7,360
Reclassifications	-	-	56	-	56
Disposals	-	-	(388)	-	(388)
Translation adjustment	(71)	-	1,688	403	2,020
Balance, end of year	<u>1,439</u>	<u>745</u>	<u>27,896</u>	<u>5,288</u>	<u>35,368</u>
<u>Accumulated amortization</u>					
Balance, beginning of year	-	-	4,928	692	5,620
Amortization	-	-	4,838	251	5,089
Disposals	-	-	(87)	-	(87)
Translation adjustment	-	-	397	71	468
Balance, end of year	<u>-</u>	<u>-</u>	<u>10,076</u>	<u>1,014</u>	<u>11,090</u>
Net book value, end of year	<u>\$ 1,439</u>	<u>\$ 745</u>	<u>\$ 17,820</u>	<u>\$ 4,274</u>	<u>\$ 24,278</u>

**Year Ended December 31, 2011**

	<b>Trademarks</b>	<b>Goodwill</b>	<b>Computer Software</b>	<b>Other Intangible Assets</b>	<b>Total</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
<u>Cost</u>					
Balance, beginning of year	\$ 17	\$ 167	\$ 4,643	\$ 1,100	\$ 5,927
Additions	298	-	1,233	-	1,531
Reclassifications	-	-	12	-	12
Disposals	-	-	(82)	-	(82)
Translation adjustment	(16)	(12)	(2)	-	(30)
Balance, end of year	<u>299</u>	<u>155</u>	<u>5,804</u>	<u>1,100</u>	<u>7,358</u>
<u>Accumulated amortization</u>					
Balance, beginning of year	-	-	1,110	156	1,266
Amortization	-	-	1,006	55	1,061
Disposals	-	-	(19)	-	(19)
Balance, end of year	<u>-</u>	<u>-</u>	<u>2,097</u>	<u>211</u>	<u>2,308</u>
Net book value, end of year	<u>\$ 299</u>	<u>\$ 155</u>	<u>\$ 3,707</u>	<u>\$ 889</u>	<u>\$ 5,050</u>

## 12. DEFERRED CHARGES

	<b>Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
	<b>NT\$</b>	<b>NT\$</b>
<u>Cost</u>		
Balance, beginning of year	\$ 825,484	\$ 460,220
Additions	429,995	365,393
Reclassifications	50,377	11,316
Disposals	(29,251)	(46,946)
Translation adjustment	(24,354)	35,501
Balance, end of year	<u>1,252,251</u>	<u>825,484</u>
<u>Accumulated amortization</u>		
Balance, beginning of year	249,975	122,482
Amortization	203,792	137,530
Reclassifications	1,584	322
Disposals	(9,674)	(18,578)
Translation adjustment	(6,892)	8,219
Balance, end of year	<u>438,785</u>	<u>249,975</u>
Net book value, end of year	<u>\$ 813,466</u>	<u>\$ 575,509</u>

	<b>Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
	<b>RMB</b>	<b>RMB</b>
<u>Cost</u>		
Balance, beginning of year	\$ 171,725	\$ 103,641
Additions	92,274	76,013
Reclassifications	10,812	2,354
Disposals	(6,278)	(9,767)
Translation adjustment	191	(516)
Balance, end of year	<u>268,724</u>	<u>171,725</u>
<u>Accumulated amortization</u>		
Balance, beginning of year	52,002	27,583
Amortization	43,732	28,610
Reclassifications	340	67
Disposals	(2,076)	(3,865)
Translation adjustment	162	(393)
Balance, end of year	<u>94,160</u>	<u>52,002</u>
Net book value, end of year	<u>\$ 174,564</u>	<u>\$ 119,723</u>

Deferred charges mainly are composed by unamortized utilities and renovation cost.

### 13. LONG-TERM DEBT

	Original Amount	December 31			
		2012		2011	
		RMB	NT\$	RMB	NT\$
St George Finance Limited - mortgage loan	Repayment amount: AUD100,000 Repayment period: 2008.12.24-2013.12.24 Interest rate: 7.3% Repayment method: Repay AUD1,000 (including interest) from December 24, 2008 per period (total 60 periods); repayable at maturity on December 24, 2013 for AUD14,000	\$ 143	\$ 668	\$ 216	\$ 1,041
Deduct: Current portion of long-term debt		(143)	(668)	(75)	(360)
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141</u>	<u>\$ 681</u>

As of December 31, 2012 and 2011, the mortgage of the Group for the long-term debt is stated in Note 21.

### 14. ACCRUED EXPENSES

	December 31			
	2012		2011	
	RMB	NT\$	RMB	NT\$
Salary and annual bonus	\$ 63,126	\$ 294,166	\$ 48,165	\$ 231,529
Utilities	15,124	70,479	9,311	44,756
Insurance	7,704	35,900	7,228	34,747
Rent	7,304	34,036	7,489	35,998
Others (pension, advertisement expense, freight, etc.)	<u>27,771</u>	<u>129,415</u>	<u>27,815</u>	<u>133,714</u>
	<u>\$ 121,029</u>	<u>\$ 563,996</u>	<u>\$ 100,008</u>	<u>\$ 480,744</u>

### 15. SHAREHOLDERS' EQUITY

#### Capital Stock

The Company's authorized capital is NT\$8,500,000 thousand as of December 31, 2012 and 2011. As of December 31, 2012, the Company's issued capital stock was NT\$1,411,200 thousand, divided into 141,120 thousand common shares, at NT\$10.00 par value each.

The capital increasing already approbated by governmental authority over the years, the resource of capital increase is as follows:

Item	Amount
Initial incorporation	\$ 419,209
Capital increase by cash	183,652
Capital increase by retained earnings	501,377
Common stock issued from capital surplus	<u>306,962</u>
	<u>\$ 1,411,200</u>

## Appropriation of Earnings and Dividend Policy

The Company's Articles of Incorporation provide that reserve should be set aside at 10% of annual net income less any accumulated losses. In addition, a special reserve should be appropriated as needed. The remainder of the income should be appropriated in the following order:

- a. 3% or less as bonus to employees (including subsidiaries' employees);
- b. 1% or less as remuneration to directors and supervisors; and
- c. The remainder of the earnings appropriated should not be less than 30% of the after-tax earnings. And the cash dividends should not be less than 10% of the sum of cash dividends and stock dividends.

For the years ended December 31, 2012 and 2011, there were no accrual for bonus to employees and the remuneration to directors and supervisors. Any amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

The appropriations of earnings for 2011 and 2010 were approved in the shareholders' meeting held on June 5, 2012 and June 24, 2011, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (Dollars)</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Reserve	\$ 112,108	\$ 82,716	\$ -	\$ -
Cash dividends	537,600	448,000	4.0	3.5
Stock dividends	-	64,000	-	0.5

The amounts of the bonus to employees and the remuneration to directors and supervisors were not different from the accrual amounts reflected in the financial statements.

The appropriations of earnings and dividends per share for 2012 had been proposed by the boards of directors on March 20, 2012. The appropriations and dividends per share were as follows:

<b>Item</b>	<b>Appropriation of Earnings</b>	<b>Dividends per Share (Dollars)</b>
Reserve	\$ 97,734	\$ -
Special reserve	38,099	-
Cash dividends	705,600	5

The shareholders also resolved the transfer of NT\$67,200 thousand of capital surplus to paid-in capital in the shareholders' meeting on June 5, 2012. The amounts were not different from the amounts resolved in the board of directors meeting in 2012.

Information on the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

## 16. INCOME TAX

- a. A reconciliation of income tax expense based on income before income tax at the statutory rate and income tax expense was as follows:

	<b>Year Ended December 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>RMB</b>	<b>NT\$</b>	<b>RMB</b>	<b>NT\$</b>
Income tax expense at the statutory rate	\$ 76,126	\$ 354,746	\$ 73,295	\$ 352,326
Tax effect on adjusting items:				
Permanent differences				
Investment loss recognized under equity method	1,765	8,225	488	2,347
Tax-free income	(2,239)	(10,435)	-	-
Others	(8,754)	(40,791)	(2,917)	(14,015)
Temporary differences				
Unrealized exchange loss	-	(2)	(5)	(23)
Unpaid salaries	2,318	10,801	1,603	7,707
Others	12,572	58,586	5,463	26,255
Loss carryforwards used	(1,687)	(7,860)	(136)	(655)
Additional 10% income tax on unappropriated earnings	7,164	33,382	6,971	33,510
Overseas earnings repatriate tax withholding	<u>1,871</u>	<u>8,720</u>	<u>-</u>	<u>-</u>
Current income tax expense	89,136	415,372	84,762	407,452
Deferred income tax expense				
Temporary differences	(605)	(2,820)	(1,950)	(9,377)
Loss carryforwards	43	201	(2,447)	(11,761)
Other	(69)	(319)	-	-
Adjustments to prior years' tax	<u>793</u>	<u>3,696</u>	<u>275</u>	<u>1,323</u>
Income tax expense	<u>\$ 89,298</u>	<u>\$ 416,130</u>	<u>\$ 80,646</u>	<u>\$ 387,665</u>

- b. Deferred income tax assets were as follows:

	<b>December 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>RMB</b>	<b>NT\$</b>	<b>RMB</b>	<b>NT\$</b>
Current				
Deferred income tax assets				
Unrealized exchange losses	\$ 180	\$ 840	\$ 175	\$ 842
Unpaid salaries	7,550	35,181	6,810	32,735
Other	<u>135</u>	<u>630</u>	<u>94</u>	<u>451</u>
	7,865	36,651	7,079	34,028
Less: Valuation allowance	<u>(573)</u>	<u>(2,669)</u>	<u>(397)</u>	<u>(1,910)</u>
	<u>\$ 7,292</u>	<u>\$ 33,982</u>	<u>\$ 6,682</u>	<u>\$ 32,118</u>

(Continued)



	December 31			
	2012		2011	
	RMB	NT\$	RMB	NT\$
Noncurrent				
Deferred income tax assets				
Loss carryforwards	\$ 21,377	\$ 99,615	\$ 10,185	\$ 48,959
Other	1	6	-	-
Less: Valuation allowance	<u>(18,689)</u>	<u>(87,092)</u>	<u>(7,499)</u>	<u>(36,048)</u>
	<u>\$ 2,689</u>	<u>\$ 12,529</u>	<u>\$ 2,686</u>	<u>\$ 12,911</u>
				(Concluded)

- c. Except for the Company is tax-free, income tax returns through 2010 of Comestibles Master Co., Ltd., Mei Wei Master Co., Ltd., Mei Wei San Min, and Mei Wei Fu Xing had been examined and cleared by the Republic of China (Taiwan)'s tax authorities. All other companies prepare their tax returns according to local law.
- d. Comestibles Master Co., Ltd.'s profits on expansion projects had been approved by the Industrial Development Bureau of the Ministry of Economic Affairs, ROC for exemption from income tax for five years from December 31, 2011.

## 17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2012					
	Classified as Operating Costs		Classified as Operating Expenses		Total	
	RMB	NT\$	RMB	NT\$	RMB	NT\$
Personnel						
Salary	\$ 75,385	\$ 351,293	\$ 458,211	\$ 2,135,265	\$ 533,596	\$ 2,486,558
Pension	1,514	7,054	6,286	29,295	7,800	36,349
Meals	1,373	6,396	5,632	26,243	7,005	32,639
Welfare	2,103	9,800	4,702	21,912	6,805	31,712
Insurance	9,424	43,915	69,430	323,542	78,854	367,457
Training	<u>66</u>	<u>310</u>	<u>377</u>	<u>1,757</u>	<u>443</u>	<u>2,067</u>
	<u>\$ 89,865</u>	<u>\$ 418,768</u>	<u>\$ 544,638</u>	<u>\$ 2,538,014</u>	<u>\$ 634,503</u>	<u>\$ 2,956,782</u>
Depreciation	<u>\$ 14,800</u>	<u>\$ 68,964</u>	<u>\$ 60,418</u>	<u>\$ 281,550</u>	<u>\$ 75,218</u>	<u>\$ 350,514</u>
Amortization	<u>\$ 5,585</u>	<u>\$ 26,025</u>	<u>\$ 39,445</u>	<u>\$ 183,815</u>	<u>\$ 45,030</u>	<u>\$ 209,840</u>
	Year Ended December 31, 2011					
	Classified as Operating Costs		Classified as Operating Expenses		Total	
	RMB	NT\$	RMB	NT\$	RMB	NT\$
Personnel						
Salary	\$ 63,605	\$ 305,749	\$ 339,602	\$ 1,632,467	\$ 403,207	\$ 1,938,216
Pension	1,508	7,249	5,294	25,448	6,802	32,697
Meals	1,432	6,884	4,456	21,420	5,888	28,304
Welfare	1,750	8,412	6,394	30,736	8,144	39,148
Insurance	6,116	29,400	44,535	214,080	50,651	243,480
Training	<u>10</u>	<u>48</u>	<u>146</u>	<u>702</u>	<u>156</u>	<u>750</u>
	<u>\$ 74,421</u>	<u>\$ 357,742</u>	<u>\$ 400,427</u>	<u>\$ 1,924,853</u>	<u>\$ 474,848</u>	<u>\$ 2,282,595</u>
Depreciation	<u>\$ 10,505</u>	<u>\$ 50,495</u>	<u>\$ 37,695</u>	<u>\$ 181,202</u>	<u>\$ 48,200</u>	<u>\$ 231,697</u>
Amortization	<u>\$ 3,341</u>	<u>\$ 16,066</u>	<u>\$ 26,330</u>	<u>\$ 126,553</u>	<u>\$ 29,671</u>	<u>\$ 142,619</u>

## 18. EARNINGS PER SHARE (PARENT COMPANY)

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	Amount (Numerator)				Number of Shares (Denominator) (In Thousands)	EPS			
	Before Income Tax		After Income Tax			Before Income Tax		After Income Tax	
	RMB	NT\$	RMB	NT\$		RMB	NT\$	RMB	NT\$
Year ended December 31, 2012									
Basic EPS									
Earnings attributed to shareholders of the parent	\$ 298,875	\$ 1,392,757	\$ 209,730	\$ 977,343	141,120	\$ 2.12	\$ 9.87	\$ 1.49	\$ 6.93
Year ended December 31, 2011									
Basic EPS									
Earnings attributed to shareholders of the parent	\$ 313,618	\$ 1,507,623	\$ 233,218	\$ 1,121,081	141,120	\$ 2.22	\$10.68	\$ 1.65	\$ 7.94

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused the basic after income tax EPS for the year ended December 31, 2011 to decrease from RMB1.74 and bNT\$8.34 to RMB1.65 and NT\$7.94.

## 19. FINANCIAL INSTRUMENTS

### a. Fair values of financial instruments

	December 31							
	2012				2011			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
RMB	NT\$	RMB	NT\$	RMB	NT\$	RMB	NT\$	
Financial assets								
Financial assets at fair value through profit or loss	\$ 1,975	\$ 9,202	\$ 3,079	\$ 14,346	\$ 1,950	\$ 9,376	\$ 2,615	\$ 12,571

### b. Methods and assumptions used to estimate the fair values of financial instruments were as follows:

The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash and cash equivalents, receivables, payables and short-term bank loans.

## 20. RELATED PARTY TRANSACTIONS

### a. Related parties and their relationships with the Company

Related Party	Relationship with the Company
Bo Hua Industrial Corporation, Ltd.	Related party in substance
Ai Qun Industrial Corporation, Ltd.	Related party in substance
Guo Hong Ltd.	Related party in substance

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
Cai Hua Ltd.	Related party in substance
Long Yao Ltd.	Related party in substance
Cheng Yu Ltd.	Related party in substance
Xiaing xie Landies Dessert Shop	Related party in substance
Strawberry Dessert Shop	Related party in substance
Profit Sky International Limited	Equity-method investee
Worldinn Limited	Equity-method investee

(Concluded)

b. Significant transactions with related parties:

1) Sales

<u>Related Party</u>	<u>Year Ended December 31</u>					
	<u>2012</u>			<u>2011</u>		
	<u>Amount</u>		<u>% to</u>	<u>Amount</u>		<u>% to</u>
	<u>RMB</u>	<u>NT\$</u>	<u>Total</u>	<u>RMB</u>	<u>NT\$</u>	<u>Total</u>
Worldinn Limited	\$ 1,125	\$ 5,242	-	\$ -	\$ -	-
Profit Sky International Limited	<u>948</u>	<u>4,418</u>	-	-	-	-
	<u>\$ 2,073</u>	<u>\$ 9,660</u>	-	<u>\$ -</u>	<u>\$ -</u>	-

The selling price for products sold to related parties were similar to those for products sold to third parties

2) Purchases

<u>Related Party</u>	<u>Year Ended December 31</u>					
	<u>2012</u>			<u>2011</u>		
	<u>Amount</u>		<u>% to</u>	<u>Amount</u>		<u>% to</u>
	<u>RMB</u>	<u>NT\$</u>	<u>Total</u>	<u>RMB</u>	<u>NT\$</u>	<u>Total</u>
Bo Hua Industrial Corporation, Ltd.	\$ 4,480	\$ 20,875	-	\$ 4,761	\$ 21,742	1
Ai Qun Industrial Corporation, Ltd.	5,597	26,083	1	6,265	28,611	1
Guo Hong Ltd.	4,115	19,177	-	4,215	19,251	-
Cai Hua Ltd.	3,280	15,283	-	3,823	17,458	-
Long Yao Ltd.	6,269	27,421	1	6,003	27,416	1
Cheng Yu Ltd.	1,529	7,126	-	1,752	8,001	-
Xiaing xie Landies Dessert Shop	3,115	14,517	-	3,558	16,251	-
Strawberry Dessert Shop	<u>1,464</u>	<u>6,821</u>	-	<u>1,664</u>	<u>7,597</u>	-
	<u>\$ 29,849</u>	<u>\$ 137,303</u>	<u>2</u>	<u>\$ 32,041</u>	<u>\$ 146,327</u>	<u>3</u>

The purchase price from related parties is 65 % of the final price: The term is monthly payment 30 days.

3) Other

<u>Related Party</u>	<u>Year Ended December 31</u>					
	<u>2012</u>			<u>2011</u>		
	<u>Amount</u>		<u>% to</u>	<u>Amount</u>		<u>% to</u>
	<u>RMB</u>	<u>NT\$</u>	<u>Total</u>	<u>RMB</u>	<u>NT\$</u>	<u>Total</u>
Other revenue						
Worldinn Limited	<u>\$ 1,586</u>	<u>\$ 7,391</u>	<u>2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

4) Financing issue with related parties

Related Party	Year Ended December 31					
	2012			2011		
	Amount		% to Total	Amount		% to Total
	RMB	NT\$		RMB	NT\$	
Accounts receivable Worldinn Limited	\$ 131	\$ 610	-	\$ -	\$ -	-
Other receivable Worldinn Limited	\$ 498	\$ 2,319	6	\$ -	\$ -	-

c. Compensation of directors, supervisors and management personnel

	Year Ended December 31			
	2012		2011	
	RMB	NT\$	RMB	NT\$
Salaries	\$ 5,637	\$ 26,270	\$ 4,804	\$ 23,095
Incentives	234	1,091	205	988
	\$ 5,871	\$ 27,361	\$ 5,009	\$ 24,083

## 21. MORTGAGED OR PLEDGED ASSETS

The Group's assets mortgaged or pledged as collateral for bank loans and other contracts were as follows:

	December 31			
	2012		2011	
	RMB	NT\$	RMB	NT\$
Property, plant and equipment				
Land	\$ 43,413	\$ 202,305	\$ 42,085	\$ 202,305
Buildings	3,180	14,818	3,303	15,876
Transportation equipment	301	1,401	324	1,557
Restricted assets - current				
Trust fund	1,073	5,002	161	772
Restricted assets - noncurrent				
Restricted bank deposit	365	1,700	354	1,700
	\$ 48,332	\$ 225,226	\$ 46,227	\$ 222,210

## 22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2012 were as follows:

- The Group had NT\$6,391,435 thousand payable for rentals for the operating lease of the retail shops for 5 years.
- The Group had a commitment to buy machinery and equipment, and decorate its retail shops accounts payable of NT\$154,284 thousand was not yet paid.

- c. The amount of the unused letter of credit that had been issued by the Group due to the purchase of machinery and equipment was US\$2,000 thousand.

## 23. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau

No.	Item	Refer
1	Financings provided.	Table 1
2	Endorsements/guarantees provided.	None
3	Marketable securities held.	Table 2
4	Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital.	Table 3
5	Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital.	None
6	Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital.	None
7	Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital.	None
8	Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital.	None
9	Derivative transactions of investees over which the Company has a controlling interest.	None

- b. Following are the additional disclosures required by the Futures Bureau for the Company and its investees:

No.	Item	Refer
1	Names, locations, and related information of investees over which the Company exercises significant influence.	Table 4
2	Financings provided.	Table 5
3	Endorsements/guarantees provided.	None
4	Marketable securities held.	Table 6
5	Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital.	Table 3
6	Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital.	None
7	Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital.	None
8	Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital.	Table 7
9	Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital.	None
10	Derivative transactions of investees over which the Company has a controlling interest.	None

c. Investments in Mainland China

No.	Item	Refer
1	Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee.	Table 8
2	The limit of investment in Mainland China.	Table 8
3	Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss.	None
4	Endorsements, guarantees or collateral directly or indirectly provided to the investees.	None
5	Financings directly or indirectly provided to the investees.	None
6	Other transactions that significantly impacted current year's profit or loss or financial position.	None

d. Intercompany relationships and significant intercompany transactions: Table 9.

## 24. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's principal geographical areas are China and Taiwan.

a. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations categorized by major products and services:

	Year Ended December 31			
	2012		2011	
	RMB	NT\$	RMB	NT\$
Beverages	\$ 824,305	\$ 3,841,261	\$ 678,257	\$ 3,260,382
Cake	958,793	4,467,975	769,959	3,701,193
Bread	1,082,908	5,046,351	918,429	4,414,889
Other	<u>26,540</u>	<u>123,676</u>	<u>16,633</u>	<u>79,950</u>
	<u>\$ 2,892,546</u>	<u>\$ 13,479,263</u>	<u>\$ 2,383,278</u>	<u>\$ 11,456,414</u>

b. Geographical information

The Group's revenue from continuing operations from external customers and information about noncurrent assets by geographical location are detailed below:

	Revenue from External Customers				Noncurrent Assets			
	Year Ended December 31				December 31			
	2012		2011		2012		2011	
	RMB	NT\$	RMB	NT\$	RMB	NT\$	RMB	NT\$
China	\$ 2,010,950	\$ 9,371,027	\$ 1,521,046	\$ 7,311,666	\$ 658,538	\$ 3,068,787	\$ 463,749	\$ 2,229,246
Taiwan	731,546	3,409,003	752,848	3,618,939	161,395	752,101	139,915	672,572
Others	<u>150,050</u>	<u>699,233</u>	<u>109,384</u>	<u>525,809</u>	<u>60,965</u>	<u>284,092</u>	<u>22,502</u>	<u>108,165</u>
	<u>\$ 2,892,546</u>	<u>\$ 13,479,263</u>	<u>\$ 2,383,278</u>	<u>\$ 11,456,414</u>	<u>\$ 880,898</u>	<u>\$ 4,104,980</u>	<u>\$ 626,166</u>	<u>\$ 3,009,983</u>

Noncurrent assets excluded those classified as held for sale, financial instruments, deferred tax assets.

c. Information about major customers

No revenue from any individual customer exceeded 10% of the Company's revenue for the years ended December 31, 2012 and 2011.

**25. EXCHANGE RATE INFORMATION OF FOREIGN CURRENCY FINANCIAL ASSETS AND LIABILITIES**

The significant foreign-currency financial assets and liabilities were as follows:

	December 31					
	2012			2011		
	Foreign Currencies (Thousand)	Exchange Rate	RMB (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	RMB (Thousand)
<u>Financial assets</u>						
Monetary items						
USD	\$ 19,588	6.2855	\$ 123,121	\$ 18,431	6.3009	\$ 116,131
NTD	573,716	0.2146	123,115	705,037	0.2080	146,669
AUD	1,250	6.4732	8,090	1,643	6.3938	10,506
Investment accounted for by the equity method						
HKD	25,673	0.2146	20,643	-	-	-
<u>Financial liabilities</u>						
Monetary items						
NTD	798,848	0.2146	171,426	652,173	0.2080	135,672

**26. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Group's pre-disclosure information on the adoption of International Financial Reporting Standards (IFRSs) as follows:

- a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC. To comply with this framework, the Group has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is Ms. Ming-Hui Hsieh. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2012 were as follows:

Plan Item	Responsible Division	Plan Progress
1) Establish the IFRSs taskforce	Accounting division	Finished
2) Complete the identification of GAAP differences and impact	Accounting division	Finished
3) Complete the identification of consolidated entities under IFRSs	Accounting division	Finished

(Continued)

<b>Plan Item</b>	<b>Responsible Division</b>	<b>Plan Progress</b>
4) Evaluate potential effect to business operations	Accounting division	Finished
5) Complete the evaluation of resources and budget needed for IFRSs adoption	Accounting division	Finished
6) Set up a work plan for IFRSs adoption and submit to the board of directors	Accounting division	Finished
7) Personnel training	Accounting division	Finished
8) Complete the IFRSs conversion plan	Accounting division	Finished
9) Determine IFRSs accounting policies	Accounting division	Finished
10) Determine exemptions from IFRS 1	Accounting division	Finished
11) Submit solutions for the impact of IFRSs adoption	Accounting division	Finished
12) Complete modification to the relevant internal controls	Accounting division	Finished
13) Complete the preparation of opening date balance sheet under IFRSs	Accounting division	Finished
14) Prepare comparative financial information under IFRSs for 2012	Accounting division	In progress according to the plan

b. As of December 31, 2012, the significant differences between the Group's current accounting policies under ROC GAAP and those under IFRSs are stated as follows:

1) Reconciliation of consolidated balance sheet as of January 1, 2012

	<b>ROC GAAP</b>	<b>Presentation Difference</b>	<b>IFRSs</b>	<b>Note</b>
	<b>NT\$</b>	<b>NT\$</b>	<b>NT\$</b>	
<u>Assets</u>				
Deferred income tax - current	\$ 32,118	\$ (32,118)	\$ -	5) a)
Deferred income tax - noncurrent	12,911	32,118	45,029	5) a)
Prepayments	163,612	512,301	675,913	5) c) and 5) d)
Net property, plant and equipment	1,634,284	564,405	2,198,689	4) b) and 5) c)
Construction in progress and prepayments for equipment	500,484	(500,484)	-	5) d)
Deferred charges	575,509	(575,509)	-	5) c)
Noncurrent assets	-	8,467	8,467	5) c)
<u>Liabilities</u>				
Other reserves	-	14,705	14,705	4) b)
<u>Equity</u>				
Capital surplus	2,850,226	(101,900)	2,748,326	5) e)
Reserve	162,879	(6,015)	156,864	5) e)
Unappropriated earnings	1,489,930	(65,361)	1,424,569	4) b) and 5) e)
Cumulative translation adjustments	(39,858)	167,751	127,893	5) e)



	<b>ROC GAAP</b>	<b>Presentation</b>	<b>IFRSs</b>	<b>Note</b>
	<b>RMB</b>	<b>Difference</b>	<b>RMB</b>	
<u>Assets</u>				
Deferred income tax - current	\$ 6,682	\$ (6,682)	\$ -	5) a)
Deferred income tax - noncurrent	2,686	6,682	9,368	5) a)
Prepayments	34,036	106,574	140,610	5) c) and 5) d)
Net property, plant and equipment	339,981	117,413	457,394	4) b) and 5) c)
Construction in progress and prepayments for equipment	104,115	(104,115)	-	5) d)
Deferred charges	119,723	(119,723)	-	5) c)
Noncurrent assets	-	1,761	1,761	5) c)
<u>Liabilities</u>				
Other reserves	-	3,059	3,059	4) b)
<u>Equity</u>				
Unappropriated earnings	309,950	(1,149)	308,801	4) b)

2) Reconciliation of consolidated balance sheet as of December 31, 2012

	<b>ROC GAAP</b>	<b>Presentation</b>	<b>IFRSs</b>	<b>Note</b>
	<b>NT\$</b>	<b>Difference</b>	<b>NT\$</b>	
<u>Assets</u>				
Deferred income tax assets - current	\$ 33,982	\$ (33,982)	\$ -	5) a)
Deferred income tax assets - noncurrent	12,529	33,982	46,511	5) a)
Prepayments	325,468	373,280	698,748	5) c) and 5) d)
Net property, plant and equipment	2,473,727	814,405	3,288,132	4) b) and 5) c)
Construction in progress and prepayments for equipment	413,537	(369,787)	43,750	5) d)
Deferred charges	813,466	(813,466)	-	5) c)
Noncurrent assets	-	6,369	6,369	5) c)
<u>Liabilities</u>				
Other reserves	-	19,247	19,247	5) f)
<u>Equity</u>				
Capital surplus	2,696,451	(15,325)	2,681,126	5) e)
Reserve	266,578	2,394	268,972	5) e)
Unappropriated earnings	1,781,248	(26,245)	1,755,003	5) e) and 5) f)
Cumulative translation adjustments	(38,099)	30,730	(7,369)	5) e)

	<b>ROC GAAP</b>	<b>Presentation Difference</b>	<b>IFRSs</b>	<b>Note</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	
<u>Assets</u>				
Deferred income tax assets - current	\$ 7,292	\$ (7,292)	\$ -	5) a)
Deferred income tax assets - noncurrent	2,689	7,292	9,981	5) a)
Prepayments	69,843	80,103	149,946	5) c) and 5) d)
Net property, plant and equipment	530,843	174,765	705,608	4) b) and 5) c)
Construction in progress and prepayments for equipment	88,742	(79,354)	9,388	
Deferred charges	174,564	(174,564)	-	5) c)
Noncurrent assets	-	1,367	1,367	5) c)
<u>Liabilities</u>				
Other reserves	-	4,130	4,130	5) f)
<u>Equity</u>				
Unappropriated earnings	382,242	(1,813)	380,429	5) f)
Cumulative translation adjustments	7,317	-	7,317	5) f)

3) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012

	<b>ROC GAAP</b>	<b>Presentation Difference</b>	<b>IFRSs</b>	<b>Note</b>
	<b>NT\$</b>	<b>NT\$</b>	<b>NT\$</b>	
Operating revenue	\$ 13,479,263	\$ 71,886	\$ 13,551,149	5) e)
Operating cost	(6,033,561)	(32,117)	(6,065,678)	5) e)
Operating expenses	(6,144,506)	(59,421)	(6,203,927)	5) b), 5) e) and 5) f)
Other income and expenses	120,636	25,007	145,643	5) b) and 5) e)
Income tax expense	(416,130)	(2,377)	(418,507)	5) e)
Income for minority interests, net of tax	(28,359)	(179)	(28,538)	5) e)
Net income	977,343	2,799	980,142	
Other comprehensive income (losses)				
Cumulative translation adjustments	1,759	(137,021)	(135,262)	5) e)
Net comprehensive income of parent company	<u>\$ 979,102</u>	<u>\$ (134,222)</u>	<u>\$ 844,880</u>	
	<b>ROC GAAP</b>	<b>Presentation Difference</b>	<b>IFRSs</b>	<b>Note</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	
Operating revenue	\$ 2,892,546	\$ -	\$ 2,892,546	
Operating cost	(1,294,755)	-	(1,294,755)	
Operating expenses	(1,318,564)	(5,851)	(1,324,415)	5) b) and 5) f)
Other income and expenses	25,886	5,187	31,073	5) b)
Income tax expense	(89,298)	-	(89,298)	
Income for minority interests, net of tax	(6,085)	-	(6,085)	
Net income	209,730	(664)	209,066	
Other comprehensive income (losses)				
Cumulative translation adjustments	9,061	-	9,061	
Net comprehensive income of parent company	<u>\$ 218,791</u>	<u>\$ (664)</u>	<u>\$ 218,127</u>	

4) Exemptions from IFRS 1

IFRS 1, “First-time Adoption of International Financial Reporting Standards,” establishes the procedures for the Group’s first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Group is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs (January 1, 2012; the transition date); except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The main optional exemptions the Group adopted are summarized as follows:

a) Deemed cost

The carrying values of the Group’s property, plant and equipment, investment property and intangible assets are deemed cost in the first-time adoption of IFRSs.

b) Decommissioning liabilities included in property, plant and equipment cost

The Group decided to measure the decommissioning liabilities under IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” on the date of adoption of IFRSs, and discounted the amounts of provisions to the balance sheet date as the estimated amounts for the related costs of assets. The accumulated depreciation was calculated based on the adjusted amounts.

5) Note to the reconciliation of the significant differences

The significant differences between ROC GAAP and under IFRSs were as follows:

a) Classifications of deferred income tax asset and valuation allowance

Under ROC GAAP, valuation allowances is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. In accordance with IAS No 12, “Income Taxes,” deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits, and valuation allowance account is not used.

In addition, under ROC GAAP, a deferred tax asset and deferred tax liability are classified as current or noncurrent in accordance with the classification of the related asset or liability. However, if a deferred income tax asset does not relate to an asset in the financial statements, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under IFRSs, deferred tax asset are classified as noncurrent asset.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were NT\$33,982 thousand and NT\$32,118 thousand (RMB7,292 thousand and RMB6,682 thousand), respectively.

b) Classification of line items in the statement of comprehensive income

Under IFRSs, based on the nature of operating transactions, the loss on disposal of property, plant and equipment of NT\$24,272 thousand (RMB5,187 thousand) was reclassified under operating expenses.

c) Classification of deferred charges

Under ROC GAAP, deferred charges are reclassified under assets. Under IFRSs, deferred charges are reclassified as property, plant and equipment, and prepaid expenses according to their nature.

d) Classification of prepayments for equipment

Under ROC GAAP, prepayments for equipment are classified under property, plant and equipment. Under IFRSs, prepayments for equipment are classified as other prepayments, and according to the expected realization of the assets, the prepayments are classified as current assets or noncurrent assets.

e) Presentation currency

When the consolidated financial statements are translated from functional currency - RMB dollar to presentation currency - N.T. dollar, except for the share capital that is translated to NT\$10 per share at the historical exchange rate, the other items of financial statements are translated at the exchange rates on the balance sheet date. Exchange differences resulting from translation to presentation currency are recognized in the cumulative translation adjustments.

Under IFRSs, exchange rates used for the translation to presentation currency are the same as those used in the translation of different foreign functional currency. Assets and liabilities are translated at the exchange rate on the balance sheet date. Equity items are translated at historical exchange rates, and income and expense items are translated at the average exchange rate for the period. The exchange difference resulting from translation of financial statements is recognized in the cumulative translation adjustments.

f) Decommissioning liabilities of property, plant and equipment cost

Under IFRSs, decommissioning, restoration and similar liabilities should be recognized as addition to the cost of related assets, and depreciated over the estimated useful life. As of December 31, 2012, the amounts of depreciation under operating expenses were NT\$2,923 thousand (RMB664 thousand).

- c. The Group's aforementioned assessments are based on the 2010 version of IFRSs translated by ARDF and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by the FSC on December 22, 2011. However, the assessment result may be impacted as FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## FINANCINGS PROVIDED

YEAR ENDED DECEMBER 31, 2012

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Financing Company	Financial Statement Account	Counter-party	Maximum Balance for the Period (US\$ in Thousands)	Ending Balance (US\$ in Thousands)	Amount Actually Drawn (US\$ in Thousands)	Interest Rate	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Company's Total Financing Amount Limits
										Item	Value	
1	Gourmet Master Co. Ltd.	Other receivables - related parties	Perfect 85 Degrees C, Inc.	Note 1	\$ 161,097 (US\$ 5,500)	\$ 161,097 (US\$ 5,500) (Note 2)	3.75%	Purchase buildings and equipment	\$ -	-	\$ -	Note 1

Note 1: The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of Gourmet Master Co. Ltd. The total amount for lending for funding for a short-term period shall not exceed twenty percent (20%) of the net worth of Gourmet Master Co. Ltd. While subsidiaries whose voting shares are 100% owned, directly or indirectly, by Gourmet Master Co. Ltd. are not subject to the above restrictions.

Note 2: The ending balance of actual disbursement amount is NT\$161,097 thousand.

Note 3: The ending balance is NT\$161,097 thousand which is the interest of principal (the actual financing amounts is US\$5,500 thousand, interest is US\$12 thousand).

Note 4: Transaction above is already written off in consolidated financial statements.

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars)

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
Gourmet Master Co. Ltd.	<u>Unlisted stock</u> 85 Degree Co., Ltd.	Subsidiary	Investments accounted for by the equity method	12,899,078	\$ 1,738,789	100	\$ 1,738,789	
	Prime Scope Trading Limited	Subsidiary	Investments accounted for by the equity method	30,142,963	3,110,044	100	3,110,044	
	Prefect 85 Degree C, Inc.	Subsidiary	Investments accounted for by the equity method	4,301,000	241,106	100	241,106	
	85 Degrees Café International Pty Ltd.	Subsidiary	Investments accounted for by the equity method	1,785,000	43,322	51	43,322	
	Lucky Bakery Limited	Subsidiary	Investments accounted for by the equity method	5,500,000	144,063	100	144,063	
	WinPin 85 Investments, Inc.	Subsidiary	Investments accounted for by the equity method	1,600,000	39,823	100	39,823	

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2012

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units	Amount
Gourmet Master Co. Ltd.	Perfect 85 Degrees C, Inc.	Investments accounted for using equity method	-	Affiliated companies	801,000	\$ 89,411 (US\$ 3,053)	3,500,000	\$ 102,517 (US\$ 3,500)	-	\$ -	\$ -	\$ -	4,301,000	\$ 191,928 (US\$ 6,553)
	Prime Scope Trading Limited	Investments accounted for using equity method	-	Affiliated companies	30,142,963	882,900 (US\$ 30,143)	11,600,000	339,796	-	-	-	-	41,742,963	1,222,669
Profit Sky International Limited	Wincase Limited	Investments accounted for using equity method	-	Affiliated companies	-	-	-	104,916 (HK\$ 2,800)	-	-	-	-	-	89,241
	Worldinn Limited	Investments accounted for using equity method	-	Affiliated companies	-	-	-	112,410 (HK\$ 30,000)	-	-	-	-	-	99,588
Comestibles Master Co., Ltd.	The Hot Pot Food and Beverage Management Co., Ltd.	Investments accounted for using equity method	-	Affiliated companies	-	-	11,400,000	114,000 (US\$ 4,000)	-	-	-	-	11,400,000	3,646
Prime Scope Trading Limited	Sheng-Pin (Shenyang) Food Ltd.	Investments accounted for using equity method	-	Affiliated companies	-	-	-	117,162 (US\$ 4,000)	-	-	-	-	-	111,369

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2012			Net Income (Loss) of the Investee	Investment Income (Loss) Recognized	Note
				December 31, 2012	December 31, 2011	Shares	Percentage of Ownership	Carrying Amount			
Gourmet Master Co. Ltd.	85 Degree Co., Ltd.	Malaysia	Investment	\$ 553,447	\$ 553,447	12,899,078	100	\$ 1,738,789	\$ 349,530	\$ 349,530	(Note 1)
	Prime Scope Trading Limited	Hong Kong	Investment	1,222,669 (US\$ 41,743)	882,900 (US\$ 30,143)	41,742,963	100	3,110,044	614,477	614,477	
	Perfect 85 Degrees C, Inc.	USA	Investment	191,928 (US\$ 6,553)	89,411 (US\$ 3,053)	4,301,000	100	241,106	35,875	35,875	
	85 Degrees Café International Pty Ltd.	Australia	Grocery and drink retailing	53,845 (AUD 1,785)	53,845 (AUD 1,785)	1,785,000	51	43,322	5,551	2,831	
	Lucky Bakery Limited	Samoa	Investment	161,097 (US\$ 5,500)	161,097 (US\$ 5,500)	5,500,000	100	144,063	(16,243)	(16,243)	
	WinPin 85 Investments, Inc.	USA	Grocery and drink retailing	46,865 (US\$ 1,600)	-	1,600,000	100	39,823	(7,061)	(7,061)	(Note 1)
Perfect 85 Degrees C, Inc.	Golden 85 Investments, LLC	USA	Grocery and drink retailing	57,744 (US\$ 1,971)	57,744 (US\$ 1,971)	-	65	92,520	100,044	65,029	(Note 1)
Lucky Bakery Limited	Profit Sky International Limited	Hong Kong	Grocery and drink retailing	112,410 (HK\$ 30,000)	26,229 (HK\$ 7,000)	-	50	77,350	(32,863)	(16,431)	(Notes 1 and 2)
Profit Sky International Limited	Wincase Limited	Hong Kong	Grocery and drink retailing	104,916 (HK\$ 28,000)	-	-	100	89,241	(15,887)	(15,887)	(Notes 1 and 2)
	Worldinn Limited	Hong Kong	Manufacturing of baking food and sale	112,410 (HK\$ 30,000)	-	-	100	99,588	(12,995)	(12,995)	(Notes 1 and 2)
85 Degree Co., Ltd.	Comestibles Master Co., Ltd.	Taichung City, Taiwan (R.O.C.)	Grocery and drink retailing	553,447	553,447	17,054,268	100	1,735,824	351,314	351,314	
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd. The Hot Pot Food and Beverage Management Co., Ltd.	Taichung City, Taiwan (R.O.C.)	Grocery and drink retailing	43,000	43,000	2,060,600	100	7,546	(762)	(762)	
		Taichung City, Taiwan (R.O.C.)	Hot pot	114,000	-	11,400,000	76	106,821	(9,421)	(7,160)	
Mei Wei Master Co., Ltd.	Mei Wei San Min Ltd. Mei Wei Fu Xing Ltd.	New Taipei City, Taiwan (R.O.C.)	Grocery and drink retailing	-	3,000	-	100	3,569	211	(166)	(Note 3)
		Taichung City, Taiwan (R.O.C.)	Grocery and drink retailing	1,800	1,800	-	60	2,593	754	452	(Note 2)
The Hot Pot Food and Beverage Management Co., Ltd.	The Hot Pot Food and Management Limited	Hong Kong	Hot pot	3,464 (US\$ 116)	-	115,893	90	3,401	(42)	(38)	(Notes 1 and 2)
Prime Scope Trading Limited	Shanghai Gourmet Master Food & Beverage Ltd.	Shanghai City	Grocery and drink retailing	291,762 (US\$ 9,961)	291,762 (US\$ 9,961)	-	100	1,268,136	217,055	217,055	(Note 1)
	He-Shia Food & Beverage Ltd.	Shanghai City	Grocery and drink retailing	71,890 (US\$ 2,454)	71,890 (US\$ 2,454)	-	100	1,261,080	380,901	380,901	(Note 1)
	Sheng-Pin (Hangzhou) Food Ltd.	Hangzhou City	Manufacturing of baking food and sale	58,581 (US\$ 2,000)	58,581 (US\$ 2,000)	-	100	81,430	9,958	9,958	(Note 1)
	He-Shia (Nanjing) Food & Beverage Ltd.	Nanjing City, Jiangsu Province	Grocery and drink retailing	58,581 (US\$ 2,000)	58,581 (US\$ 2,000)	-	100	295,297	143,490	143,490	(Note 1)
	Beijing 85 Food & Beverage Ltd.	Beijing City	Grocery and drink retailing	58,581 (US\$ 2,000)	58,581 (US\$ 2,000)	-	100	18,948	(25,039)	(25,039)	(Note 1)
	Zhejiang 85 Food & Beverage Ltd.	Hangzhou City	Grocery and drink retailing	58,581 (US\$ 2,000)	58,581 (US\$ 2,000)	-	100	19,106	(31,895)	(31,895)	(Notes 1 and 2)
	Sheng-Pin (Beijing) Food Ltd.	Beijing City	Manufacturing of baking food and sale	117,162 (US\$ 4,000)	58,581 (US\$ 2,000)	-	100	79,472	(25,172)	(25,172)	(Note 1)

(Continued)



Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2012			Net Income (Loss) of the Investee	Investment Income (Loss) Recognized	Note
				December 31, 2012	December 31, 2011	Shares	Percentage of Ownership	Carrying Amount			
	Fuzhou 85 Food & Beverage Ltd.	Fuzhou City	Grocery and drink retailing	\$ 14,645 (US\$ 500)	\$ 14,645 (US\$ 500)	-	100	\$ 18,590	\$ 15,476	\$ 15,476	(Notes 1 and 2)
	Sheng-Pin (Jiangsu) Food Ltd.	Nanjing City, Jiangsu Province	Manufacturing of baking food and sale	131,807 (US\$ 4,500)	131,807 (US\$ 4,500)	-	100	90,421	(17,601)	(17,601)	(Note 1)
	Sheng-Pin (Xiamen) Food Ltd.	Xiamen City	Manufacturing of baking food and sale	58,581 (US\$ 2,000)		-	100	19,743	(39,088)	(39,088)	(Note 1)
	Sheng-Pin (Qingdao) Food Ltd.	Qingdao City	Manufacturing of baking food and sale	73,226 (US\$ 2,500)		-	100	62,694	(11,547)	(11,547)	(Notes 1 and 2)
	Xiamen 85 Food & Beverage Ltd.	Xiamen City, Fujian Province	Grocery and drink retailing	29,290 (US\$ 1,000)		-	100	29,419	(298)	(298)	(Notes 1 and 2)
	Shenyang 85 Food & Beverage Ltd.	Shenyang City	Grocery and drink retailing	29,290 (US\$ 200)	-	-	100	25,142	(4,586)	(4,586)	(Notes 1 and 2)
	Sheng-Pin (Shenyang) Food Ltd.	Shenyang City	Manufacturing of baking food and sale	117,162 (US\$ 4,000)	-	-	100	111,369	(7,544)	(7,544)	(Notes 1 and 2)
	85 Degree (Qingdao) Food & Beverage Management Ltd.	Qingdao City	Grocery and drink retailing	58,581 (US\$ 2,000)	-	-	100	65,388	5,727	5,727	(Notes 1 and 2)
Shanghai Gourmet Master Food & Beverage Ltd.	Sheng-Pin (Shanghai) Food Ltd.	Shanghai City	Manufacturing of baking food and sale	83,880 (RMB 18,000)	83,880 (RMB 18,000)	-	100	52,726	37,871	37,871	(Note 1)
	Mai-Jai (Shanghai) Food Ltd.	Shanghai City	Manufacturing of baking food and sale	33,086 (RMB 7,100)	33,086 (RMB 7,100)	-	100	39,514	2,504	2,248	(Notes 1 and 2)
	Shanghai Howco Jing Way Food & Beverage Ltd.	Shanghai City	Grocery and drink retailing	69,900 (RMB 15,000)	69,900 (RMB 15,000)	-	100	91,207	7,506	7,506	(Notes 1 and 2)
	Shenzheng 85 Food & Beverage Ltd.	Shenzheng City	Grocery and drink retailing	52,932 (RMB 11,359)	52,932 (RMB 11,359)	-	85	(14,706)	(49,083)	(41,721)	(Notes 1 and 2)
	Chengdu 85 Food & Beverage Ltd.	Chengdu City	Grocery and drink retailing	30,709 (RMB 6,590)	30,709 (RMB 6,590)	-	100	32,276	3,645	3,645	(Notes 1 and 2)
	Sheng-Pin (Wuhan) Food Ltd.	Wuhan City	Manufacturing of baking food and sale	27,960 (RMB 6,000)	-	-	100	10,874	(17,086)	(17,086)	(Note 1)
	Wuhan Jing Way Food & Beverage Ltd.	Wuhan City	Grocery and drink retailing	27,960 (RMB 6,000)	-	-	100	2,429	(25,531)	(25,531)	(Notes 1 and 2)
	Jianxi Jing Way Food & Beverage Ltd.	Nanchang City	Grocery and drink retailing	27,960 (RMB 6,000)	-	-	100	28,530	570	570	(Notes 1 and 2)
	Jin Wei Industrial (Shanghai) Ltd.	Shanghai City	Grocery and drink retailing	9,320 (RMB 2,000)	-	-	100	31,853	22,533	22,533	(Note 1)
	Guangzhou 85 Degree Food & Beverage Management Ltd.	Guangzhou City	Grocery and drink retailing	27,960 (RMB 6,000)	-	-	100	27,992	32	32	(Notes 1 and 2)
Shenzheng 85 Food & Beverage Ltd.	Sheng-Pin (Shenzheng) Food & Beverage Ltd.	Shenzheng City	Manufacturing of baking food and sale	30,290 (RMB 6,500)	30,290 (RMB 6,500)	-	100	(6,727)	(17,142)	(17,142)	(Notes 1 and 2)
85 Degree (Qingdao) Food & Beverage Management Ltd.	Qingdao Jie Wei Food & Beverage Management Ltd.	Qingdao City	Manufacturing of baking food and sale	6,990 (RMB 1,500)	-	-	100	6,330	(660)	(660)	(Notes 1 and 2)

Note 1: The exchange rate was US\$1=NT\$29.29; RMB1=NT\$4.66; AUD1=NT\$30.17; HK\$1=NT\$3.75.

Note 2: The carrying amount was based on the net assets of investee, which was not audited as of December 31, 2012.

Note 3: Carried on other receivables.

(Concluded)

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## FINANCING PROVIDED BY THE INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company Name	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Balance Used	Interest Rate %	Financing Provided (Note 3)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
												Item	Value		
1	Shanghai Gourmet Master Food & Beverage Ltd.	Zhejiang 85 Food & Beverage Ltd.	Other receivable - related parties	\$ 46,600 (RMB 10,000)	\$ 46,600 (RMB 10,000)	\$ -	3.75	For short-term financing	\$ -	Working capital loan	\$ -	-	\$ -	\$ 611,738	\$ 1,223,476
		Shenzheng 85 Food & Beverage Ltd.	Other receivable - related parties	46,600 (RMB 10,000)	46,600 (RMB 10,000)	-	3.75	For short-term financing	-	Working capital loan	-	-	-	611,738	1,223,476
		Sheng-Pin (Shenzheng) Food Ltd.	Other receivable - related parties	46,600 (RMB 10,000)	46,600 (RMB 10,000)	46,600 (RMB 10,000)	3.75	For short-term financing	-	Working capital loan	-	-	-	611,738	1,223,476
		Sheng-Pin (Wuhan) Food Ltd.	Other receivable - related parties	55,920 (RMB 12,000)	55,920 (RMB 12,000)	55,920 (RMB 12,000)	3.75	For short-term financing	-	Working capital loan	-	-	-	611,738	1,223,476
		Sheng-Pin (Shanghai) Food Ltd.	Other receivable - related parties	93,200 (RMB 20,000)	93,200 (RMB 20,000)	93,200 (RMB 20,000)	3.75	For short-term financing	-	Working capital loan	-	-	-	611,738	1,223,476
2	He-Shia Food & Beverage Ltd.	Sheng-Pin (Xiamen) Food Ltd.	Other receivable - related parties	69,900 (RMB 15,000)	69,900 (RMB 15,000)	-	3.75	For short-term financing	-	Working capital loan	-	-	-	611,738	1,223,476
		Fuzhou 85 Food & Beverage Ltd.	Other receivable - related parties	93,200 (RMB 20,000)	93,200 (RMB 20,000)	-	3.75	For short-term financing	-	Working capital loan	-	-	-	611,738	1,223,476
		Beijing 85 Food & Beverage Ltd.	Other receivable - related parties	186,400 (RMB 40,000)	186,400 (RMB 40,000)	-	3.75	For short-term financing	-	Working capital loan	-	-	-	611,738	1,223,476
		Sheng-Pin (Beijing) Food Ltd.	Other receivable - related parties	69,900 (RMB 15,000)	69,900 (RMB 15,000)	69,900 (RMB 15,000)	3.75	For short-term financing	-	Working capital loan	-	-	-	611,738	1,223,476

Note: According to Gourmet Master Co. Ltd. financing provided procedure the limit of amount is calculated as follow:

- The total amount for lending for funding for a short-term period shall not exceed forty percent (40%) of the net worth of Gourmet Master Co. Ltd., which was reviewed by CPA. While subsidiaries whose voting shares are 100% owned directly or indirectly, by Gourmet Master Co. Ltd. are not subject to the above restrictions.

$$\$6,117,378 \times 40\% = \$2,446,951$$

- The total amount for lending to a company for a short-term period shall not exceed twenty percent (20%) of the net worth of Gourmet Master Co. Ltd., the amount shall not exceed the amount on transaction.

$$\$6,117,378 \times 20\% = \$1,223,476$$

- The total amount for lending to a company for funding for a short-term period shall not exceed twenty percent (20%) of the net worth of Gourmet Master Co. Ltd. The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of Gourmet Master Co. Ltd.

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2012  
(In Thousands of New Taiwan Dollars)

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
85 Degrees Café International Pty Ltd.	<u>Mutual funds</u> Merrill Lynch 6-Year AUD Australian Companies Dual High Yield Accrual	NA	Financial assets at FVTPL - current	5,000	\$ 9,202	-	\$ 14,346	
Perfect 85 Degrees C, Inc.	<u>Unlisted company</u> Golden 85 Investments, LLC	Affiliated companies	Investments accounted for by the equity method	-	92,520	65	92,520	
Lucky Bakery Limited	Profit Sky International Limited	Affiliated companies	Investments accounted for by the equity method	-	77,350	50	77,350	Note 1
Profit Sky International Limited	Wincase Limited	Affiliated companies	Investments accounted for by the equity method	-	89,241	100	89,241	Note 1
	Worldinn Limited	Affiliated companies	Investments accounted for by the equity method	-	99,588	100	99,588	Note 1
85 Degree Co., Ltd.	Comestibles Master Co., Ltd.	Affiliated companies	Investments accounted for by the equity method	17,054,268	1,735,824	100	1,735,824	
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Affiliated companies	Investments accounted for by the equity method	2,060,600	7,546	100	7,546	
	The Hot Pot Food and Beverage Management Co., Ltd.	Affiliated companies	Investments accounted for by the equity method	11,400,000	106,821	76	106,821	
Mei Wei Master Co., Ltd.	Mei Wei San Min Ltd.	Affiliated companies	Investments accounted for by the equity method	-	3,569	100	3,646	
	Mei Wei Fu Xing Ltd.	Affiliated companies	Other receivables	-	2,593	60	2,593	
The Hot Pot Food and Beverage Management Co., Ltd.	The Hot Pot Food and Management Limited	Affiliated companies	Investments accounted for by the equity method	115,893	3,401	90	3,401	
Prime Scope Trading Limited	Shanghai Gourmet Master Food & Beverage Ltd.	Affiliated companies	Investments accounted for by the equity method	-	1,268,136	100	1,268,136	
	He-Shia Food & Beverage Ltd.	Affiliated companies	Investments accounted for by the equity method	-	1,261,080	100	1,261,080	
	Sheng-Pin (Hangzhou) Food Ltd.	Affiliated companies	Investments accounted for by the equity method	-	81,430	100	81,430	

(Continued)

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
Shanghai Gourmet Master Food & Beverage Ltd.	He-Shia (Nanjing) Food & Beverage Ltd.	Affiliated companies	Investments accounted for by the equity method	-	\$ 295,297	100	\$ 295,297	
	Beijing 85 Food & Beverage Ltd.	Affiliated companies	Investments accounted for by the equity method	-	18,948	100	18,948	
	Zhejiang 85 Food & Beverage Ltd.	Affiliated companies	Investments accounted for by the equity method	-	19,106	100	19,106	Note 1
	Sheng-Pin (Beijing) Food Ltd.	Affiliated companies	Investments accounted for by the equity method	-	79,472	100	79,472	
	Fuzhou 85 Food & Beverage Ltd.	Affiliated companies	Investments accounted for by the equity method	-	18,590	100	18,590	Note 1
	Sheng-Pin (Jiangsu) Food Ltd.	Affiliated companies	Investments accounted for by the equity method	-	90,421	100	90,421	
	Sheng-Pin (Xiamen) Food Ltd.	Affiliated companies	Investments accounted for by the equity method	-	19,743	100	19,743	Note 1
	Sheng-Pin (Qingdao) Food Ltd.	Affiliated companies	Investments accounted for by the equity method	-	62,694	100	62,694	Note 1
	Xiamen 85 Food & Beverage Ltd.	Affiliated companies	Investments accounted for by the equity method	-	29,419	100	29,419	Note 1
	Shenyang 85 Food & Beverage Ltd.	Affiliated companies	Investments accounted for by the equity method	-	25,142	100	25,142	Note 1
	Sheng-Pin (Shenyang) Food Ltd.	Affiliated companies	Investments accounted for by the equity method	-	111,369	100	111,369	Note 1
	85 Degree (Qingdao) Food & Beverage Management Ltd.	Affiliated companies	Investments accounted for by the equity method	-	65,388	100	65,388	Note 1
	Sheng-Pin (Shanghai) Food Ltd.	Affiliated companies	Investments accounted for by the equity method	-	52,726	100	52,726	
	Mai-Jai (Shanghai) Food Ltd.	Affiliated companies	Investments accounted for by the equity method	-	39,514	100	32,650	
	Shanghai Howco Jing Way Food & Beverage Ltd.	Affiliated companies	Investments accounted for by the equity method	-	91,207	100	91,207	
	Shenzheng 85 Food & Beverage Ltd.	Affiliated companies	Other liability	-	(14,706)	85	(14,706)	Note 1
	Chengdu 85 Food & Beverage Ltd.	Affiliated companies	Investments accounted for by the equity method	-	32,276	100	32,276	Note 1
	Sheng-Pin (Wuhan) Food Ltd.	Affiliated companies	Investments accounted for by the equity method	-	10,874	100	10,874	Note 1
	Wuhan Jing Way Food & Beverage Ltd.	Affiliated companies	Investments accounted for by the equity method	-	2,429	100	2,429	Note 1
	Jianxi Jing Way Food & Beverage Ltd.	Affiliated companies	Investments accounted for by the equity method	-	28,530	100	28,530	Note 1
Jin Wei Industrial (Shanghai) Ltd.	Affiliated companies	Investments accounted for by the equity method	-	31,853	100	31,853		
Guangzhou 85 Degree Food & Beverage Management Ltd.	Affiliated companies	Investments accounted for by the equity method	-	27,992	100	27,992	Note 1	

(Continued)

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
Shenzheng 85 Food & Beverage Ltd.	Sheng Pin (Shenzheng) Food & Beverage Ltd.	Affiliated companies	Other liability	-	\$ (6,727)	100	\$ (6,727)	Note 1
85 Degree (Qingdao) Food & Beverage Management Ltd.	Qingdao Jie Wei Food & Beverage Management Ltd.	Affiliated companies	Investments accounted for by the equity method	-	6,330	100	6,330	Note 1

Note 1: Market value was based on the net assets of investee, which was not audited, as of December 31, 2012.

(Concluded)

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Detail			Non-arm's Length Transaction		Notes/Accounts Payable or Receivable			Note	
			Purchases/Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Account	Ending Balance		% to Total
Sheng-Pin (Shanghai) Food Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	Parent company	Sales	\$ 490,459	4	Unearned revenue	Based on the Group's transfer pricing policy	-	Receipts in advance	\$ 15,626	3	
	He-Shia Food & Beverage Ltd.	Affiliated company	Sales	231,242	2	Unearned revenue	Based on the Group's transfer pricing policy	-	Receipts in advance	43,288	8	
Sheng-Pin (Hangzhou) Food Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	Affiliated company	Sales	346,280	3	60 days	Based on the Group's transfer pricing policy	-	Accounts receivable	60,030	23	
Sheng-Pin (Jiangsu) Food Ltd.	He-Shia (Nanjing) Food & Beverage Ltd.	Affiliated company	Sales	372,208	3	60 days	Based on the Group's transfer pricing policy	-	Accounts receivable	133,252	51	
Sheng-Pin (Beijing) Food Ltd.	Beijing 85 Food & Beverage Ltd.	Affiliated company	Sales	196,649	1	60 days	Based on the Group's transfer pricing policy	-	Accounts receivable	105,150	40	

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
 YEAR ENDED DECEMBER 31, 2012  
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands) (Note 1)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2012	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2012	Accumulated inward Remittance of Earnings as of December 31, 2012
					Outflow	Inflow					
Prime Scope Trading Limited											
Shanghai Gourmet Master Food & Beverage Ltd.	Grocery and drink retailing	\$ 291,762 (US\$ 9,961)	Direct investment	\$ -	\$ -	\$ -	\$ -	100	\$ 217,055	\$ 1,268,136	\$ -
He-Shia Food & Beverage Ltd.	Grocery and drink retailing	71,890 (US\$ 2,454)	Direct investment	-	-	-	-	100	380,901	1,261,080	-
Sheng-Pin (Hangzhou) Food Ltd.	Manufacturing of baking food and sale	58,581 (US\$ 2,000)	Direct investment	-	-	-	-	100	9,958	81,430	-
He-Shia (Nanjing) Food & Beverage Ltd.	Grocery and drink retailing	58,581 (US\$ 2,000)	Direct investment	-	-	-	-	100	143,490	295,297	-
Beijing 85 Food & Beverage Ltd.	Grocery and drink retailing	58,581 (US\$ 2,000)	Direct investment	-	-	-	-	100	(25,039)	18,948	-
Zhejiang 85 Food & Beverage Ltd.	Grocery and drink retailing	58,581 (US\$ 2,000)	Direct investment	-	-	-	-	100	(31,895)	19,106	-
Sheng-Pin (Beijing) Food Ltd.	Manufacturing of baking food and sale	117,162 (US\$ 4,000)	Direct investment	-	-	-	-	100	(25,172)	79,472	-
Fuzhou 85 Food & Beverage Ltd.	Grocery and drink retailing	14,645 (US\$ 500)	Direct investment	-	-	-	-	100	15,476	18,590	-
Sheng-Pin (Jiangsu) Food Ltd.	Manufacturing of baking food and sale	131,807 (US\$ 4,500)	Direct investment	-	-	-	-	100	(17,601)	90,421	-
Sheng-Pin (Xiamen) Food Ltd.	Manufacturing of baking food and sale	58,581 (US\$ 2,000)	Direct investment	-	-	-	-	100	(39,088)	19,743	-
Sheng-Pin (Qingdao) Food Ltd.	Manufacturing of baking food and sale	73,226 (US\$ 2,500)	Direct investment	-	-	-	-	100	(11,547)	62,694	-
Xiamen 85 Food & Beverage Ltd.	Grocery and drink retailing	29,290 (US\$ 1,000)	Direct investment	-	-	-	-	100	(298)	29,419	-
Shenyang 85 Food & Beverage Ltd.	Grocery and drink retailing	29,290 (US\$ 1,000)	Direct investment	-	-	-	-	100	(4,586)	25,142	-
Sheng-Pin (Shenyang) Food Ltd.	Manufacturing of baking food and sale	117,162 (US\$ 4,000)	Direct investment	-	-	-	-	100	(7,544)	111,369	-
85 Degree (Qingdao) Food & Beverage Management Ltd.	Grocery and drink retailing	58,581 (US\$ 2,000)	Direct investment	-	-	-	-	100	5,727	65,388	-
Shanghai Gourmet Master Food & Beverage Ltd.											
Sheng-Pin (Shanghai) Food Ltd.	Manufacturing of baking food and sale	83,880 (RMB 18,000)	Direct investment	-	-	-	-	100	37,871	52,726	-
Mai-Jai (Shanghai) Food Ltd.	Manufacturing of baking food and sale	33,086 (RMB 7,100)	Direct investment	-	-	-	-	100	2,248	39,514	-
Shanghai Howco Jing Way Food & Beverage Ltd.	Grocery and drink retailing	69,900 (RMB 15,000)	Direct investment	-	-	-	-	100	7,506	91,207	-
Shenzheng 85 Food & Beverage Ltd.	Grocery and drink retailing	62,273 (RMB 13,363)	Direct investment	-	-	-	-	85	(41,721)	(14,706)	-
Chengdu 85 Food & Beverage Ltd.	Grocery and drink retailing	30,709 (RMB 6,590)	Direct investment	-	-	-	-	100	3,645	32,276	-
Sheng-Pin (Wuhan) Food Ltd.	Manufacturing of baking food and sale	27,960 (RMB 6,000)	Direct investment	-	-	-	-	100	(17,086)	10,874	-
Wuhan Jing Way Food & Beverage Ltd.	Grocery and drink retailing	27,960 (RMB 6,000)	Direct investment	-	-	-	-	100	(25,531)	2,429	-

(Continued)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands) (Note 1)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2012	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2012	Accumulated inward Remittance of Earnings as of December 31, 2012
					Outflow	Inflow					
Jianxi Jing Way Food & Beverage Ltd.	Grocery and drink retailing	\$ 27,960 (RMB 6,000)	Direct investment	\$ -	\$ -	\$ -	\$ -	100	\$ 570	\$ 28,530	\$ -
Jin Wei Industrial (Shanghai) Ltd.	Grocery and drink retailing	9,320 (RMB 2,000)	Direct investment	-	-	-	-	100	22,533	31,853	-
Guangzhou 85 Degree Food & Beverage Management Ltd.	Grocery and drink retailing	27,960 (RMB 6,000)	Direct investment	-	-	-	-	100	32	27,992	-
Shenzheng 85 Food & Beverage Ltd. Sheng-Pin (Shenzheng) Food & Beverage Ltd.	Manufacturing of baking food and sale	30,290 (RMB 6,500)	Direct investment	-	-	-	-	100	(17,142)	(6,727)	-
85 Degree (Qingdao) Food & Beverage Management Ltd. Qingdao Jie Wei Food & Beverage Management Ltd.	Grocery and drink retailing	6,990 (RMB 1,500)	Direct investment	-	-	-	-	100	(660)	6,330	-

Accumulated Investment in Mainland China as of December 31, 2012	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
NA	NA	NA

Note 1: The exchange rate was US\$1=NT\$29.29, RMB1= NT\$4.66.

(Concluded)



## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Amounts in Thousands)

Year ended December 31, 2012

No. (Note 1)	Company Name	Counterparty	Natural of Relationship (Note 2)	Intercompany Transactions				Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
				Accounts	RMB	New Taiwan Dollars	Terms	
0	Gourmet Master Co. Ltd.	Perfect 85 Degrees C, Inc.	1	Other receivables/payables	\$ 34,646	\$ 161,448	Financings provided, annual interest rate 3.75%	2
1	Shanghai Gourmet Master Food & Beverage Ltd.	Sheng-Pin (Shanghai) Food Ltd.	3	Other receivables/payables	16,657	77,622	-	1
		Sheng-Pin (Shanghai) Food Ltd.	3	Other receivables/payables	20,000	93,200	Financings provided, annual interest rate 3.75%	1
		Sheng-Pin (Shanghai) Food Ltd.	3	Purchases/sales	105,249	490,459	Prepayments to suppliers	4
		He-Shia Food & Beverage Ltd.	3	Other receivables/payables	23,732	110,591	-	1
		Sheng-Pin (Jiangsu) Food Ltd.	3	Prepayments/receipts in advance	10,059	46,876	-	1
		Sheng-Pin (Shenzhen) Food Ltd.	3	Other receivables/payables	10,000	46,600	Financings provided, annual interest rate 3.75%	1
		Wuhan Jing Way Food & Beverage Ltd.	3	Other receivables/payables	12,594	58,687	-	1
		Sheng-Pin (Shenyang) Food Ltd.	3	Other receivables/payables	10,489	48,881	-	1
		Sheng-Pin (Wuhan) Food Ltd.	3	Other receivables/payables	12,000	55,920	Financings provided, annual interest rate 3.75%	1
		Sheng-Pin (Hangzhou) Food Ltd. Sheng-Pin (Hangzhou) Food Ltd.	3 3	Purchases/sales Accounts receivable/payable	74,309 12,882	346,280 60,030	60 days 60 days	3 1
2	He-Shia Food & Beverage Ltd.	Beijing 85 Food & Beverage Ltd.	3	Other receivables/payables	46,825	218,203	-	3
		Sheng-Pin (Hangzhou) Food Ltd.	3	Purchases/sales	60,966	284,102	Prepayments to suppliers	2
		Sheng-Pin (Xiamen) Food Ltd.	3	Other receivables/payables	20,444	95,271	-	1
		Sheng-Pin (Shanghai) Food Ltd.	3	Prepayments/receipts in advance	12,011	55,972	-	1
		Sheng-Pin (Shanghai) Food Ltd.	3	Purchases/sales	49,623	231,242	Prepayments to suppliers	2
		Sheng-Pin (Shenyang) Food Ltd.	3	Other receivables/payables	12,482	58,168	-	1
		Sheng-Pin (Jiangsu) Food Ltd.	3	Purchases/sales	27,619	128,706	Prepayments to suppliers	1
		Sheng-Pin (Shenzhen) Food Ltd.	3	Purchases/sales	12,847	59,866	60 days	-
		Sheng-Pin (Beijing) Food Ltd.	3	Prepayments/receipts in advance	11,386	53,057	-	1
		Sheng-Pin (Beijing) Food Ltd.	3	Other receivables/payables	15,000	69,900	Financings provided, annual interest rate 3.75%	1
		3	Sheng-Pin (Shanghai) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	3	Purchases/sales	32,456	151,426
Chengdu 85 Food & Beverage Ltd.	3			Purchases/sales	10,354	48,249	60 days	-

(Continued)

No. (Note 1)	Company Name	Counterparty	Natural of Relationship (Note 2)	Intercompany Transactions				Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
				Accounts	RMB	New Taiwan Dollars	Terms	
4	He-Shia (Nanjing) Food & Beverage Ltd.	Sheng-Pin (Jiangsu) Food Ltd.	3	Accounts receivable/payable	\$ 28,595	\$ 133,252	-	2
		Sheng-Pin (Jiangsu) Food Ltd.	3	Purchases/sales	79,873	372,208	60 days	3
		Sheng-Pin (Hangzhou) Food Ltd.	3	Purchases/sales	13,361	62,261	60 days	-
5	Beijing 85 Food & Beverage Ltd.	Sheng-Pin (Beijing) Food Ltd.	3	Purchases/sales	42,199	196,649	60 days	1
		Sheng-Pin (Beijing) Food Ltd.	3	Accounts receivable/payable	22,367	104,231	-	1
6	Sheng-Pin (Shenzheng) Food Ltd.	Shenzheng 85 Food & Beverage Ltd.	3	Purchases/sales	10,115	47,135	60 days	-
7	Zhejiang 85 Food & Beverage Ltd.	Sheng-Pin (Hangzhou) Food Ltd.	3	Purchases/sales	15,614	72,759	Based on company's transfer pricing policy	1
8	Sheng-Pin (Hangzhou) Food Ltd.	Zhejiang 85 Food & Beverage Ltd.	3	Accounts receivable/payable	14,448	67,330	-	1
9	Sheng-Pin (Xiamen) Food Ltd.	Shenzheng 85 Food & Beverage Ltd.	3	Purchases/sales	12,523	58,538	Based on company's transfer pricing policy	-

Year ended December 31, 2011

No. (Note 1)	Company Name	Counterparty	Natural of Relationship (Note 2)	Intercompany Transactions				Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
				Accounts	RMB	New Taiwan Dollars	Terms	
1	Shanghai Gourmet Master Food & Beverage Ltd.	Sheng-Pin (Shanghai) Food Ltd.	3	Prepayments/receipts in advance	\$ 18,207	\$ 87,522	Based on company's transfer pricing policy	1
		Sheng-Pin (Shanghai) Food Ltd.	3	Purchases/sales	123,788	595,049	Based on company's transfer pricing policy	5
		He-Shia Food & Beverage Ltd.	3	Other receivables/payables	2,526	12,140	-	-
		Beijing 85 Food & Beverage Ltd.	3	Other receivables/payables	4,480	21,535	-	-
		Shenzheng 85 Food & Beverage Ltd.	3	Other receivables/payables	2,991	14,376	-	-
		Zhejiang 85 Food & Beverage Ltd.	3	Other receivables/payables	2,868	13,786	-	-
		Fuzhou 85 Food & Beverage Ltd.	3	Other receivables/payables	4,388	21,093	-	-
		Sheng-Pin (Hangzhou) Food Ltd.	3	Purchases/sales	54,551	262,229	Based on company's transfer pricing policy	2
2	He-Shia Food & Beverage Ltd.	Sheng-Pin (Hangzhou) Food Ltd.	3	Prepayments/receipts in advance	14,276	68,569	-	1
		Beijing 85 Food & Beverage Ltd.	3	Other receivables/payables	21,434	103,034	-	1
		Beijing 85 Food & Beverage Ltd.	3	Purchases/sales	9,412	45,245	Based on company's transfer pricing policy	-
		Sheng-Pin (Hangzhou) Food Ltd.	3	Purchases/sales	78,378	376,761	Based on company's transfer pricing policy	3

(Continued)

No. (Note 1)	Company Name	Counterparty	Natural of Relationship (Note 2)	Intercompany Transactions				Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
				Accounts	RMB	New Taiwan Dollars	Terms	
		Sheng-Pin (Hangzhou) Food Ltd.	3	Accounts receivable/payable	\$ 4,313	\$ 20,854	-	-
		Sheng-Pin (Hangzhou) Food Ltd.	3	Other receivables/payables	19,662	94,515	-	1
		Sheng-Pin (Shanghai) Food Ltd.	3	Accounts receivable/payable	5,820	27,978	60 days	-
		Sheng-Pin (Shanghai) Food Ltd.	3	Purchases/sales	65,520	314,954	60 days	3
		Sheng-Pin (Jiangsu) Food Ltd.	3	Other receivables/payables	22,154	106,495	-	-
		Sheng-Pin (Jiangsu) Food Ltd.	3	Purchases/sales	6,870	33,024	60 days	1
		Sheng-Pin (Shenzhen) Food Ltd.	3	Purchases/sales	3,129	15,043	60 days	1
		Sheng-Pin (Beijing) Food Ltd.	3	Prepayments/receipts in advance	4,328	20,803	-	-
		Fuzhou 85 Food & Beverage Ltd.	3	Other receivables/payables	4,870	23,412	-	-
3	Sheng-Pin (Shanghai) Food Ltd.	He-Shia (Nanjing) Food & Beverage Ltd.	3	Purchases/sales	5,919	28,450	60 days	1
		Shanghai Howco Jing Way Food & Beverage Ltd.	3	Purchases/sales	10,755	51,700	60 days	2
		Mai-Jai (Shanghai) Food Ltd.	3	Purchases/sales	13,645	65,590	60 days	1
		Chengdu 85 Food & Beverage Ltd.	3	Purchases/sales	2,375	11,418	60 days	-
		Sheng-Pin (Beijing) Food Ltd.	3	Purchases/sales	2,364	11,363	60 days	-
		Sheng-Pin (Hangzhou) Food Ltd.	3	Purchases/sales	4,946	23,779	60 days	1
		Sheng-Pin (Shenzhen) Food Ltd.	3	Other receivables/payables	6,977	33,540	-	-
		Sheng-Pin (Jiangsu) Food Ltd.	3	Other receivables/payables	4,299	20,663	-	-
4	He-Shia (Nanjing) Food & Beverage Ltd.	Sheng-Pin (Jiangsu) Food Ltd.	3	Accounts receivable/payable	16,978	81,614	60 days	1
		Sheng-Pin (Jiangsu) Food Ltd.	3	Purchases/sales	14,534	69,862	60 days	3
		Sheng-Pin (Hangzhou) Food Ltd.	3	Purchases/sales	27,761	133,448	60 days	1
5	Beijing 85 Food & Beverage Ltd.	Sheng-Pin (Beijing) Food Ltd.	3	Purchases/sales	20,528	98,678	60 days	1
		Sheng-Pin (Beijing) Food Ltd.	3	Accounts receivable/payable	6,444	30,975	60 days	-
6	Sheng-Pin (Hangzhou) Food Ltd.	Sheng-Pin (Shanghai) Food Ltd.	3	Purchases/sales	4,379	21,051	60 days	1
		Sheng-Pin (Shanghai) Food Ltd.	3	Other receivables/payables	11,449	55,035	-	1
		Mai-Jai (Shanghai) Food Ltd.	3	Purchases/sales	9,199	44,222	60 days	2
		Zhejiang 85 Food & Beverage Ltd.	3	Purchases/sales	6,315	30,357	60 days	1
		Zhejiang 85 Food & Beverage Ltd.	3	Accounts receivable/payable	2,674	12,855	60 days	-
		Fuzhou 85 Food & Beverage Ltd.	3	Purchases/sales	6,321	30,385	60 days	1
		Fuzhou 85 Food & Beverage Ltd.	3	Accounts receivable/payable	7,063	33,954	60 days	-

Note 1: Intercompany relationships and significant intercompany transactions information should be noted in number column.

- 1 Number 0 represents parent company.
- 2 Number 1 to 5 represents subsidiaries.

Note 2: 1 Represents the transactions from parent company to subsidiary.  
2 Represents the transactions from subsidiary to parent company.  
3 Represents the transactions between subsidiaries.

Note 3: The asset accounts and liability accounts amounts are calculated as percentage of consolidated total assets. The income accounts amounts are calculated as percentage of consolidated total gross sales.

(Concluded)