

# GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 2,794,862	18	\$ 3,151,391	24
Financial assets at fair value through profit or loss - current (Note 7)	165,148	1	136,070	1
Debt investments with no active market - current (Note 9)	3,702,772	23	2,311,628	17
Notes receivable	1,908	-	1,617	-
Trade receivables (Notes 10 and 31)	356,296	2	295,745	2
Other receivables (Note 31)	136,188	1	98,632	1
Current tax assets	45,527	-	21,113	-
Inventories (Note 11)	768,453	5	706,987	5
Prepayments (Note 17)	464,907	3	274,758	2
Other current assets (Note 17)	17,771	-	17,326	-
Total current assets	<u>8,453,832</u>	<u>53</u>	<u>7,015,267</u>	<u>52</u>
<b>NON-CURRENT ASSETS</b>				
Held-to-maturity financial assets - non-current (Note 8)	29,847	-	32,370	-
Debt investments with no active market - non-current (Notes 9 and 32)	369,301	2	133,893	1
Investments accounted for using equity method (Note 13)	87,930	1	79,270	1
Property, plant and equipment (Notes 14 and 32)	5,592,612	36	5,057,520	38
Investment properties (Notes 15 and 32)	210,422	1	172,243	1
Intangible assets (Note 16)	46,103	-	63,649	-
Deferred tax assets (Notes 5 and 24)	96,418	1	112,860	1
Prepaid equipment (Note 17)	212,640	1	222,631	2
Refundable deposits (Note 17)	464,575	3	481,341	4
Other non-current assets (Note 17)	244,065	2	65,004	-
Total non-current assets	<u>7,353,913</u>	<u>47</u>	<u>6,420,781</u>	<u>48</u>
<b>TOTAL</b>	<u>\$ 15,807,745</u>	<u>100</u>	<u>\$ 13,436,048</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 32)	\$ 784,964	5	\$ 187,239	2
Financial liabilities at fair value through profit or loss - current (Note 7)	3,134	-	-	-
Notes payable	1,358	-	823	-
Trade payables (Note 19)	1,272,022	8	1,228,936	9
Other payables (Note 20)	1,559,830	10	1,261,912	9
Current tax liabilities	176,495	1	182,174	1
Receipts in advance (Note 20)	1,230,587	8	966,177	7
Deferred revenue-current (Notes 20 and 26)	129,022	1	81,332	1
Current portion of long-term borrowings (Notes 18 and 32)	238,622	1	-	-
Other current liabilities (Note 20)	45,051	-	26,787	-
Total current liabilities	<u>5,441,085</u>	<u>34</u>	<u>3,935,380</u>	<u>29</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 18, 31 and 32)	155,109	1	614,940	4
Decommission, restoration and rehabilitation provisions (Note 20)	119,808	1	85,093	1
Deferred revenue - non-current (Notes 20 and 26)	13,351	-	-	-
Guarantee deposits received (Note 20)	151,534	1	132,901	1
Total non-current liabilities	<u>439,802</u>	<u>3</u>	<u>832,934</u>	<u>6</u>
Total liabilities	<u>5,880,887</u>	<u>37</u>	<u>4,768,314</u>	<u>35</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)</b>				
Share capital	1,629,936	10	1,481,760	11
Capital surplus				
Additional paid-in capital	2,532,950	16	2,681,126	20
Retained earnings				
Reserve	764,883	5	590,779	5
Special reserve	95,072	-	38,098	-
Unappropriated earnings	5,059,852	32	3,893,735	29
Total retained earnings	5,919,807	37	4,522,612	34
Other equity	(227,788)	(1)	(95,072)	(1)
Total equity attributable to owners of the Company	9,854,905	62	8,590,426	64
<b>NON-CONTROLLING INTERESTS</b>				
	71,953	1	77,308	1
Total equity	<u>9,926,858</u>	<u>63</u>	<u>8,667,734</u>	<u>65</u>
<b>TOTAL</b>	<u>\$ 15,807,745</u>	<u>100</u>	<u>\$ 13,436,048</u>	<u>100</u>

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

# GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Note 36)	\$ 23,018,413	100	\$ 22,046,504	100
OPERATING COSTS (Notes 23 and 31)	<u>(9,361,739)</u>	<u>(41)</u>	<u>(9,218,839)</u>	<u>(42)</u>
GROSS PROFIT	<u>13,656,674</u>	<u>59</u>	<u>12,827,665</u>	<u>58</u>
OPERATING EXPENSES				
Selling and marketing expenses	(9,801,235)	(43)	(9,430,557)	(43)
General and administrative expenses	(982,770)	(4)	(1,001,691)	(4)
Research and development expenses	<u>(37,983)</u>	<u>-</u>	<u>(31,799)</u>	<u>-</u>
Total operating expenses	<u>(10,821,988)</u>	<u>(47)</u>	<u>(10,464,047)</u>	<u>(47)</u>
PROFIT FROM OPERATIONS	<u>2,834,686</u>	<u>12</u>	<u>2,363,618</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES (Notes 14, 23, 26 and 31)				
Other income	291,304	1	246,950	1
Other gains and losses	(152,613)	-	(218,193)	(1)
Finance costs	(25,767)	-	(15,986)	-
Share of profit or loss of associates	<u>22,637</u>	<u>-</u>	<u>19,420</u>	<u>-</u>
Total non-operating income and expenses	<u>135,561</u>	<u>1</u>	<u>32,191</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	2,970,247	13	2,395,809	11
INCOME TAX EXPENSE (Note 24)	<u>(815,297)</u>	<u>(4)</u>	<u>(613,254)</u>	<u>(3)</u>
NET PROFIT FOR THE YEAR	<u>2,154,950</u>	<u>9</u>	<u>1,782,555</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	(90,315)	-	(632,250)	(3)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(43,929)</u>	<u>-</u>	<u>198,019</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(134,244)</u>	<u>-</u>	<u>(434,231)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,020,706</u>	<u>9</u>	<u>\$ 1,348,324</u>	<u>6</u>

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# GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	\$ 2,138,075	9	\$ 1,741,051	8
Non-controlling interests	<u>16,875</u>	<u>-</u>	<u>41,504</u>	<u>-</u>
	<u>\$ 2,154,950</u>	<u>9</u>	<u>\$ 1,782,555</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owner of the Company	\$ 2,005,359	9	\$ 1,309,085	6
Non-controlling interests	<u>15,347</u>	<u>-</u>	<u>39,239</u>	<u>-</u>
	<u>\$ 2,020,706</u>	<u>9</u>	<u>\$ 1,348,324</u>	<u>6</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 13.12</u>		<u>\$ 10.68</u>	

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

(Concluded)

# GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	Equity Attributable to the Owners of the Company						Other Equity Exchange Differences on Translating Foreign Operations	Total	Non-controlling Interests	Total Equity
	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings						
				Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2016	141,120	\$ 1,411,200	\$ 2,681,126	\$ 476,860	\$ 38,098	\$ 2,689,963	\$ 336,894	\$ 7,634,141	\$ 58,470	\$ 7,692,611
Appropriation of 2015 earnings										
Reserve	-	-	-	113,919	-	(113,919)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(352,800)	-	(352,800)	-	(352,800)
Share dividends distributed by the Company	7,056	70,560	-	-	-	(70,560)	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(20,401)	(20,401)
Net profit for the year ended December 31, 2016	-	-	-	-	-	1,741,051	-	1,741,051	41,504	1,782,555
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	(431,966)	(431,966)	(2,265)	(434,231)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	1,741,051	(431,966)	1,309,085	39,239	1,348,324
BALANCE AT DECEMBER 31, 2016	148,176	1,481,760	2,681,126	590,779	38,098	3,893,735	(95,072)	8,590,426	77,308	8,667,734
Appropriation of 2016 earnings										
Reserve	-	-	-	174,104	-	(174,104)	-	-	-	-
Special Reserve	-	-	-	-	56,974	(56,974)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(740,880)	-	(740,880)	-	(740,880)
Other changes in capital surplus										
Issuance of share dividends from capital surplus	14,818	148,176	(148,176)	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(20,702)	(20,702)
Net profit for the year ended December 31, 2017	-	-	-	-	-	2,138,075	-	2,138,075	16,875	2,154,950
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(132,716)	(132,716)	(1,528)	(134,244)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	2,138,075	(132,716)	2,005,359	15,347	2,020,706
BALANCE AT DECEMBER 31, 2017	162,994	\$ 1,629,936	\$ 2,532,950	\$ 764,883	\$ 95,072	\$ 5,059,852	\$ (227,788)	\$ 9,854,905	\$ 71,953	\$ 9,926,858

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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,970,247	\$ 2,395,809
Adjustments for:		
Depreciation expenses	1,078,060	1,132,998
Amortization expenses	31,724	36,128
Impairment loss recognized on trade receivables	3,934	-
Net gain on fair value change of financial assets at fair value through profit or loss	(18,396)	(17,198)
Interest expense	25,767	15,986
Interest income	(142,700)	(83,135)
Dividend income	(6,000)	(6,600)
Share of (profit) loss of associates	(22,637)	(19,420)
Loss on disposal of property, plant and equipment	63,553	24,352
Loss on disposal of intangible assets	12	334
Impairment loss of non-financial assets	70,710	55,927
Amortization of prepayments for leases	1,992	1,293
Government grants	(4,567)	-
Changes in operating assets and liabilities		
Financial assets held for trading	-	(10,000)
Notes receivable	(291)	4,905
Trade receivables	(64,323)	(32,859)
Other receivables	(5,949)	15,913
Inventories	(68,806)	(75,859)
Prepayments	(190,149)	139,675
Other current assets	(445)	4,198
Other operating assets	1,160	6,785
Notes payable	535	823
Trade payables	43,086	25,787
Other payables	188,508	15,986
Provisions	34,715	12,250
Receipts in advance	264,410	168,928
Deferred revenue	65,608	56,177
Other current liabilities	<u>18,264</u>	<u>3,688</u>
Cash generated from operations	4,338,022	3,872,871
Interest paid	(26,968)	(16,784)
Income taxes paid	<u>(831,934)</u>	<u>(570,641)</u>
Net cash generated from operating activities	<u>3,479,120</u>	<u>3,285,446</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of debt investments with no active market	(1,626,552)	(1,270,768)
Acquisition of associates	(106)	(561)
Payments for property, plant and equipment	(1,304,206)	(1,019,969)
Proceeds from disposal of property, plant and equipment	41,350	58,153
Increase in refundable deposits	(128,230)	(94,029)

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# GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Decrease in refundable deposits	136,136	87,936
Payments for intangible assets	(15,004)	(16,386)
Proceeds from disposal of intangible assets	3	1
Increase in other non-current assets	(59,400)	-
Increase in prepayments for equipment	(527,143)	(369,546)
Increase in prepayments for leases	(122,504)	-
Interest received	111,093	54,093
Dividends received from associates	14,083	11,783
Other dividends received	<u>6,000</u>	<u>6,600</u>
Net cash used in investing activities	<u>(3,474,480)</u>	<u>(2,552,693)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	1,258,795	156,166
Repayments of short-term borrowings	(652,453)	-
Proceeds from long-term borrowings	-	166,546
Repayments of long-term borrowings	(187,806)	(540,810)
Proceeds from guarantee deposits received	46,607	88,069
Refund of guarantee deposits received	(27,381)	(4,564)
Dividends paid to owners of the Company	(740,880)	(352,800)
Dividends paid to non-controlling interests	<u>(20,702)</u>	<u>(20,401)</u>
Net cash used in financing activities	<u>(323,820)</u>	<u>(507,794)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(37,349)</u>	<u>(128,550)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(356,529)	96,409
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>3,151,391</u>	<u>3,054,982</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 2,794,862</u>	<u>\$ 3,151,391</u>

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

(Concluded)