

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

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2019 and 2018 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Gourmet Master Co. Ltd. and its subsidiaries (collectively, the Group) as of March 31, 2019 and 2018, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Jui-Chuan Chih and Hui-Ming Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 9, 2019

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' review 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 independent auditors' review report and consolidated financial statements shall prevail.*

# GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 2,704,228	11	\$ 2,064,104	13	\$ 2,886,332	17
Financial assets at fair value through profit or loss - current (Note 7)	2,318,891	10	2,211,574	14	3,892,713	24
Financial assets at amortized cost - current (Notes 8 and 33)	599,588	3	938,671	6	109,128	1
Notes receivable	4,097	-	2,420	-	1,889	-
Trade receivables (Notes 9 and 32)	263,687	1	312,711	2	318,801	2
Finance lease receivables (Note 10)	82,443	-	-	-	-	-
Other receivables (Note 32)	78,647	-	84,033	-	67,057	-
Current tax assets	114,877	1	140,450	1	26,138	-
Inventories (Note 11)	777,416	3	761,614	5	774,423	5
Prepayments (Note 18)	250,130	1	429,798	2	458,843	3
Other current assets (Note 18)	17,618	-	23,021	-	15,140	-
Total current assets	7,211,622	30	6,968,396	43	8,550,464	52
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7)	967,767	4	934,085	6	471,575	3
Financial assets at amortized cost - non-current (Notes 8 and 33)	880,482	4	766,431	5	165,138	1
Investments accounted for using the equity method (Note 13)	97,504	-	92,839	1	93,845	1
Property, plant and equipment (Notes 14 and 33)	6,156,589	26	6,143,860	38	6,007,872	36
Right-of-use assets (Note 15)	7,159,883	30	-	-	-	-
Investment properties (Notes 16 and 33)	202,972	1	203,722	1	209,539	1
Intangible assets (Note 17)	44,843	-	47,018	-	47,979	-
Deferred tax assets	119,256	1	110,334	1	89,124	1
Prepaid equipment (Note 18)	289,719	1	227,084	1	191,583	1
Refundable deposits (Note 18)	448,308	2	478,856	3	473,631	3
Long-term finance lease receivables (Note 10)	161,760	1	-	-	-	-
Other non-current assets (Note 18)	2,743	-	193,058	1	186,384	1
Total non-current assets	16,531,826	70	9,197,287	57	7,936,670	48
TOTAL	\$ 23,743,448	100	\$ 16,165,683	100	\$ 16,487,134	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowing (Notes 19 and 33)	\$ 407,469	2	\$ 405,498	3	\$ 549,560	3
Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	-	-	9,647	-
Contract liabilities - current (Note 24)	1,565,163	7	1,416,158	9	1,540,985	9
Notes payable	1,879	-	1,023	-	366	-
Trade payables (Note 20)	1,379,912	6	1,547,497	10	1,461,134	9
Other payables (Notes 21 and 32)	1,304,259	5	1,512,240	9	1,417,700	9
Current tax liabilities	260,048	1	177,690	1	250,987	2
Lease liabilities - current (Note 15)	2,111,724	9	-	-	-	-
Deferred revenue - current (Notes 21 and 28)	2,009	-	1,962	-	2,039	-
Current portion of long-term borrowings (Notes 19 and 33)	-	-	-	-	146,102	1
Other current liabilities (Note 21)	53,294	-	47,301	-	44,853	-
Total current liabilities	7,085,757	30	5,109,369	32	5,423,373	33
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 19, 32 and 33)	160,365	1	159,600	1	151,948	1
Decommission, restoration and rehabilitation provisions (Note 21)	98,041	-	91,974	-	130,736	1
Deferred tax liabilities	162,697	1	148,046	1	80,120	-
Lease liabilities - non-current (Note 15)	5,071,353	21	-	-	-	-
Deferred revenue - non-current (Notes 21 and 28)	10,884	-	11,117	-	13,081	-
Guarantee deposits received (Note 21)	176,963	1	167,650	1	155,531	1
Total non-current liabilities	5,680,303	24	578,387	3	531,416	3
Total liabilities	12,766,060	54	5,687,756	35	5,954,789	36
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)						
Share capital	1,800,000	8	1,800,000	11	1,629,936	10
Capital surplus						
Additional paid-in capital	2,369,956	10	2,369,956	15	2,532,950	15
Retained earnings						
Reserve	978,691	4	978,691	6	764,883	5
Special reserve	227,788	1	227,788	2	95,072	-
Unappropriated earnings	5,716,179	24	5,395,920	33	5,559,801	34
Total retained earnings	6,922,658	29	6,602,399	41	6,419,756	39
Other equity	(132,388)	(1)	(317,687)	(2)	(123,854)	(1)
Total equity attributable to owners of the Company	10,960,226	46	10,454,668	65	10,458,788	63
NON-CONTROLLING INTERESTS	17,162	-	23,259	-	73,557	1
Total equity	10,977,388	46	10,477,927	65	10,532,345	64
TOTAL	\$ 23,743,448	100	\$ 16,165,683	100	\$ 16,487,134	100

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

# GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 37)	\$ 5,706,835	100	\$ 6,136,237	100
OPERATING COSTS (Notes 11, 25 and 32)	<u>(2,283,744)</u>	<u>(40)</u>	<u>(2,530,280)</u>	<u>(42)</u>
GROSS PROFIT	<u>3,423,091</u>	<u>60</u>	<u>3,605,957</u>	<u>58</u>
OPERATING EXPENSES (Note 25)				
Selling and marketing expenses	(2,712,419)	(48)	(2,626,438)	(43)
General and administrative expenses	(257,510)	(4)	(257,119)	(4)
Research and development expenses	<u>(8,377)</u>	<u>-</u>	<u>(8,578)</u>	<u>-</u>
Total operating expenses	<u>(2,978,306)</u>	<u>(52)</u>	<u>(2,892,135)</u>	<u>(47)</u>
OPERATING INCOME	<u>444,785</u>	<u>8</u>	<u>713,822</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES (Notes 14, 25, 28 and 32)				
Other income	116,000	2	92,377	2
Other gains and losses	(17,872)	-	(31,036)	(1)
Finance costs	(65,265)	(1)	(6,473)	-
Share of profit of associates and joint ventures	<u>4,665</u>	<u>-</u>	<u>5,915</u>	<u>-</u>
Total non-operating income and expenses	<u>37,528</u>	<u>1</u>	<u>60,783</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	482,313	9	774,605	12
INCOME TAX EXPENSE (Note 26)	<u>(164,064)</u>	<u>(3)</u>	<u>(266,201)</u>	<u>(4)</u>
NET PROFIT FOR THE PERIOD	<u>318,249</u>	<u>6</u>	<u>508,404</u>	<u>8</u>

(Continued)

# GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	\$ 254,124	4	\$ 180,849	3
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(68,160)</u>	<u>(1)</u>	<u>(76,849)</u>	<u>(1)</u>
Total other comprehensive income	<u>185,964</u>	<u>3</u>	<u>104,000</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 504,213</u>	<u>9</u>	<u>\$ 612,404</u>	<u>10</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 317,314	6	\$ 499,949	8
Non-controlling interests	<u>935</u>	<u>-</u>	<u>8,455</u>	<u>-</u>
	<u>\$ 318,249</u>	<u>6</u>	<u>\$ 508,404</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 502,613	9	\$ 603,883	10
Non-controlling interests	<u>1,600</u>	<u>-</u>	<u>8,521</u>	<u>-</u>
	<u>\$ 504,213</u>	<u>9</u>	<u>\$ 612,404</u>	<u>10</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 1.76</u>		<u>\$ 2.78</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 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Company						Other Equity			
	Shares (Thousand)	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Total	Non-controlling Interests	Total Equity
				Legal Reserve	Special Reserve					
BALANCE, JANUARY 1, 2018	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
Net profit for the three months ended March 31, 2018	-	-	-	-	-	499,949	-	499,949	8,455	508,404
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	-	103,934	103,934	66	104,000
Total comprehensive income for the three months ended March 31, 2018	-	-	-	-	-	499,949	103,934	603,883	8,521	612,404
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(6,917)	(6,917)
BALANCE, MARCH 31, 2018	<u>162,994</u>	<u>\$ 1,629,936</u>	<u>\$ 2,532,950</u>	<u>\$ 764,883</u>	<u>\$ 95,072</u>	<u>\$ 5,559,801</u>	<u>\$ (123,854)</u>	<u>\$ 10,458,788</u>	<u>\$ 73,557</u>	<u>\$ 10,532,345</u>
BALANCE, JANUARY 1, 2019	180,000	\$ 1,800,000	\$ 2,369,956	\$ 978,691	\$ 227,788	\$ 5,395,920	\$ (317,687)	\$ 10,454,668	\$ 23,259	\$ 10,477,927
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,945	-	2,945	521	3,466
BALANCE AT JANUARY 1, 2019 AS RESTATED	<u>180,000</u>	<u>1,800,000</u>	<u>2,369,956</u>	<u>978,691</u>	<u>227,788</u>	<u>5,398,865</u>	<u>(317,687)</u>	<u>10,457,613</u>	<u>23,780</u>	<u>10,481,393</u>
Net profit for the three months ended March 31, 2019	-	-	-	-	-	317,314	-	317,314	935	318,249
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	185,299	185,299	665	185,964
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	317,314	185,299	502,613	1,600	504,213
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(8,218)	(8,218)
BALANCE, MARCH 31, 2019	<u>180,000</u>	<u>\$ 1,800,000</u>	<u>\$ 2,369,956</u>	<u>\$ 978,691</u>	<u>\$ 227,788</u>	<u>\$ 5,716,179</u>	<u>\$ (132,388)</u>	<u>\$ 10,960,226</u>	<u>\$ 17,162</u>	<u>\$ 10,977,388</u>

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

# GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 482,313	\$ 774,605
Adjustments for:		
Expected credit loss recognized on trade receivables	-	1,219
Depreciation expenses	873,704	293,416
Amortization expenses	4,797	6,225
Net (gain) loss on fair value change of financial assets/liabilities at fair value through profit or loss	(12,660)	11,014
Interest expense	65,265	6,473
Interest income	(58,406)	(46,427)
Share of profit of associates and joint ventures	(4,665)	(5,915)
Loss on disposal of property, plant and equipment	17,630	5,935
Impairment loss of non-financial assets	6,883	2,153
Amortization of prepayments for leases	-	1,125
Government grants	(501)	(506)
Changes in operating assets and liabilities		
Notes receivable	(1,677)	19
Trade receivables	48,533	36,516
Other receivables	(343)	5,320
Inventories	(18,296)	(7,190)
Prepayments	24,842	6,064
Other current assets	5,403	2,631
Other operating assets	419	1,471
Contract liabilities	149,005	183,379
Notes payable	856	(992)
Trade payables	(167,585)	189,112
Other payables	(41,613)	(159,057)
Provisions	6,067	10,928
Other current liabilities	5,993	(198)
Cash generated from operations	1,385,964	1,317,320
Interest paid	(11,133)	(4,912)
Income taxes paid	(52,005)	(87,275)
Net cash generated from operating activities	<u>1,322,826</u>	<u>1,225,133</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	(22,180)	(276,558)
Purchase of financial assets at amortized cost	(254,886)	(1,594)
Proceeds from redemption of financial assets at amortized cost	517,506	39,631
Payments for property, plant and equipment	(235,523)	(479,765)
Proceeds from disposal of property, plant and equipment	2,388	13,840
Increase in refundable deposits	(12,760)	(21,735)

(Continued)



# GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
Decrease in refundable deposits	\$ 14,634	\$ 18,925
Payments for intangible assets	(2,179)	(7,649)
Decrease in finance lease receivables	21,164	-
Increase in prepayments for equipment	(104,910)	(137,285)
Interest received	<u>27,628</u>	<u>44,551</u>
Net cash used in investing activities	<u>(49,118)</u>	<u>(807,639)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	122,953
Repayments of short-term borrowings	-	(350,641)
Repayments of long-term borrowings	-	(90,066)
Proceeds from guarantee deposits received	12,116	4,971
Refund of guarantee deposits received	(1,075)	(1,597)
Repayment of the principal portion of lease liabilities	(583,446)	-
Dividends paid to non-controlling interests	<u>(8,218)</u>	<u>(6,917)</u>
Net cash used in financing activities	<u>(580,623)</u>	<u>(321,297)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(52,961)</u>	<u>(4,727)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	640,124	91,470
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,064,104</u>	<u>2,794,862</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 2,704,228</u>	<u>\$ 2,886,332</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 THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Gourmet Master Co. Ltd. (the “Company”) was incorporated in the Cayman Islands in September 2008.

The Company and its subsidiaries (collectively, the “Group”) mainly engage in the production and wholesale of bakery products, retail of beverages, wholesale of bakery machinery, and the operation of multiple shops and alliance shops.

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

The functional currency of the Company is Renminbi. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company’s shares are listed on the Taiwan Stock Exchange.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 9, 2019.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies:

#### 1) IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

#### Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

### The Group as lessee

The Group recognizes right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 3.24%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 7,537,669
Less: Recognition exemption for short-term leases	(232)
Less: Recognition exemption for leases of low-value assets	<u>(540)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 7,536,897</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 7,280,543</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 7,280,543</u>

### The Group as lessor

Except for sublease transactions, the Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The Group subleased its leasehold retail stores to a third party. Such sublease was classified as an operating lease under IAS 17. The Group determines the sublease is classified as a finance lease on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019, and the Group accounts for the sublease as a new finance lease entered into at that date.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Financial lease receivables - current	\$ -	\$ 81,404	\$ 81,404
Financial lease receivables - non-current	-	178,078	178,078
Prepayments for leases - current	229,630	(154,826)	74,804
Prepayments for leases - non-current	189,896	(189,896)	-
Right-of-use assets	-	7,273,543	7,273,543
Refundable deposits	<u>438,150</u>	<u>(41,781)</u>	<u>396,369</u>
Total effect on assets	<u>\$ 857,676</u>	<u>\$ 7,146,522</u>	<u>\$ 8,004,198</u>
Lease liabilities - current	\$ -	\$ 2,112,222	\$ 2,112,222
Lease payable - current	172,895	(134,167)	38,728
Lease liabilities - non-current	-	5,168,321	5,168,321
Guarantee deposits received	<u>167,650</u>	<u>(3,320)</u>	<u>164,330</u>
Total effect on liabilities	<u>\$ 340,545</u>	<u>\$ 7,143,056</u>	<u>\$ 7,483,601</u>
Retained earnings	\$ 5,395,920	\$ 2,945	\$ 5,398,865
Non-controlling interests	<u>23,259</u>	<u>521</u>	<u>23,780</u>
Total effect on equity	<u>\$ 5,419,179</u>	<u>\$ 3,466</u>	<u>\$ 5,422,645</u>

## 2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group recognized the cumulative effect of retrospective application in retained earnings on January 1, 2019.

3) Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”

The amendments clarified that IFRS 9 shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the Group’s net investment in an associate or joint venture.

For long-term interests that, in substance, form part of the Group’s net investment in an associate or joint venture and are governed by IFRS 9, the Group, based on the facts and circumstances that exist on January 1, 2019, perform an assessment of the classification under IFRS 9 applied retrospectively.

Upon initial application of the above amendments, the Group recognized the cumulative effect of retrospective application on retained earnings on January 1, 2019.

4) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulates that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of the principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explain that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

Upon initial application of the above amendments, the Group recognized the cumulative effect of retrospective application on retained earnings on January 1, 2019.

5) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

- 1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated.

- 2) Amendments to IFRS 3 “Definition of a Business”

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

##### **b. Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12, Tables 8 and 9 for the detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant policies

Except for leases and taxation, the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2018.

1) Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

b) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.



### The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

## 2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2018.

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	\$ 77,678	\$ 74,974	\$ 80,105
Checking accounts and demand deposits	2,502,628	1,753,538	2,778,674
Cash equivalents (investments with original maturities of less than three months)			
Time deposits	<u>123,922</u>	<u>235,592</u>	<u>27,553</u>
	<u>\$ 2,704,228</u>	<u>\$ 2,064,104</u>	<u>\$ 2,886,332</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Domestic listed shares	\$ 140,580	\$ 128,040	\$ 151,140
Mutual funds	10,107	10,093	10,059
Principal protected investment products	1,063,781	427,431	23,918
Non-principal protected investment products (a)	<u>1,104,423</u>	<u>1,646,010</u>	<u>3,707,596</u>
	<u>\$ 2,318,891</u>	<u>\$ 2,211,574</u>	<u>\$ 3,892,713</u>

### Financial assets at FVTPL - non-current

Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Non-principal protected investment products (a)	<u>\$ 967,767</u>	<u>\$ 934,085</u>	<u>\$ 471,575</u>

### Financial liabilities at FVTPL - current

Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,647</u>

- a. Non-principal protected investment products mainly refer to the investment products purchased from banks in China. The total subscription amount was RMB452,443 thousand as of March 31, 2019.
- b. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2018</u>			
Buy	RMB/USD	2017.11.01-2018.10.31	RMB33,666/USD5,000

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated liabilities.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Domestic investment			
Time deposits with original maturities of more than 3 months (a)	\$ 114,200	\$ 10,200	\$ 75,416
Restricted bank deposits	<u>13,091</u>	<u>43,058</u>	<u>-</u>
	<u>127,291</u>	<u>53,258</u>	<u>75,416</u>
Foreign investment			
Time deposits with original maturities of more than 3 months (a)	179,177	111,800	33,712
Restricted bank deposits	-	31,261	-
Structured products (b)	<u>293,120</u>	<u>742,352</u>	<u>-</u>
	<u>472,297</u>	<u>885,413</u>	<u>33,712</u>
	<u>\$ 599,588</u>	<u>\$ 938,671</u>	<u>\$ 109,128</u>
<u>Non-current</u>			
Foreign investment			
Time deposits with original maturities of more than 3 months (a)	\$ 50,380	\$ -	\$ 135,949
Structured products (b)	799,210	735,644	-
Bond investments - China Development Bank (c)	<u>30,892</u>	<u>30,787</u>	<u>29,189</u>
	<u>\$ 880,482</u>	<u>\$ 766,431</u>	<u>\$ 165,138</u>

- The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.82%-2.25%, 1.09%-2.69% and 1.75%-3% per annum as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.
- As of March 31, 2019 and December 31, 2018, the interest rates range of the structured products were 2.10%- 4.30% and 3.67%-4.35%.
- In May 2015, the Group bought 10-year bank debentures issued by China Development Bank with a coupon rate of 4.25%, an effective interest rate of 4.17% and a maturity date of December 2, 2024 for US\$1,006 thousand (par value of US\$1,000 thousand).
- Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.

## 9. TRADE RECEIVABLES

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 320,180	\$ 368,713	\$ 325,386
Less: Allowance for impairment loss	<u>(56,493)</u>	<u>(56,002)</u>	<u>(6,585)</u>
	<u>\$ 263,687</u>	<u>\$ 312,711</u>	<u>\$ 318,801</u>

The average credit period of sales of goods was 30 to 60 days. No interest was charged on trade receivables. The Group considers any change in credit quality from the initial credit date to the balance sheet date.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the trade receivables are post due over 361 days, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

### March 31, 2019

	1 to 60 Days	61 to 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Gross carrying amount	\$ 260,982	\$ 2,565	\$ 4,707	\$ 32,304	\$ 19,622	\$ 320,180
Loss allowance (Lifetime ECLs)	<u>(1,608)</u>	<u>(1,227)</u>	<u>(4,682)</u>	<u>(29,940)</u>	<u>(19,036)</u>	<u>(56,493)</u>
Amortized cost	<u>\$ 259,374</u>	<u>\$ 1,338</u>	<u>\$ 25</u>	<u>\$ 2,364</u>	<u>\$ 586</u>	<u>\$ 263,687</u>

### December 31, 2018

	1 to 60 Days	61 to 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Gross carrying amount	\$ 305,458	\$ 3,868	\$ 14,727	\$ 27,779	\$ 16,881	\$ 368,713
Loss allowance (Lifetime ECLs)	<u>(3,383)</u>	<u>(1,672)</u>	<u>(7,505)</u>	<u>(27,685)</u>	<u>(15,757)</u>	<u>(56,002)</u>
Amortized cost	<u>\$ 302,075</u>	<u>\$ 2,196</u>	<u>\$ 7,222</u>	<u>\$ 94</u>	<u>\$ 1,124</u>	<u>\$ 312,711</u>

### March 31, 2018

	<b>1 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 180 Days</b>	<b>181 to 360 Days</b>	<b>Over 360 Days</b>	<b>Total</b>
Gross carrying amount	\$ 302,494	\$ 4,686	\$ 6,147	\$ 5,658	\$ 6,401	\$ 325,386
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(184)</u>	<u>(6,401)</u>	<u>(6,585)</u>
Amortized cost	<u>\$ 302,494</u>	<u>\$ 4,686</u>	<u>\$ 6,147</u>	<u>\$ 5,474</u>	<u>\$ -</u>	<u>\$ 318,801</u>

The Group's expected credit loss rate, ranges from 1% to 100% for receivables aged up to 360 days and 100% for receivables aged over 306 days.

The movements of the loss allowance of trade receivables were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 56,002	\$ 5,606
Add: Net remeasurement of loss allowance	-	1,219
Foreign exchange gains and losses	<u>491</u>	<u>(240)</u>
Balance at March 31	<u>\$ 56,493</u>	<u>\$ 6,585</u>

## **10. FINANCE LEASE RECEIVABLES**

### 2019

### **March 31, 2019**

#### Undiscounted lease payments

Year 1	\$ 84,923
Year 2	76,560
Year 3	54,213
Year 4	29,397
Year 5	10,492
Year 6 onwards	<u>16,291</u>
	271,876
Less: Unearned finance income	<u>(27,673)</u>
Net investment in leases presented as finance lease receivables	<u>\$ 244,203</u>

The Group has been subleasing its retail stores located in Australia to franchisee with annual fixed lease payments of \$84,923 thousand. As the Group subleases the retail stores for all the remaining lease term of the main lease to the sublessee, the sublease contract is classified as a finance lease. The sublease was classified as operating lease under IAS 17, refer to Note 3 and Note 15 for the details.

The interest rates inherent in leases are fixed at contract dates for entire term of the lease. The average effective interest rates contracted were approximately 5.49% per annum as of March 31, 2019.

## 11. INVENTORIES

	March 31, 2019	December 31, 2018	March 31, 2018
Finished goods	\$ 77,565	\$ 77,242	\$ 44,572
Work in process	5,375	4,649	5,728
Raw materials and supplies	597,569	555,400	523,843
Merchandise	<u>96,907</u>	<u>124,323</u>	<u>200,280</u>
	<u>\$ 777,416</u>	<u>\$ 761,614</u>	<u>\$ 774,423</u>

As of March 31, 2019 and 2018, the allowance for losses on inventory valuation and obsolescence was \$15,131 thousand and \$23,368 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2019 and 2018 was \$2,283,744 thousand and \$2,530,280 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2019 and 2018 included inventory write-downs of \$2,318 thousand and \$2,153 thousand, respectively.

The obsolescence of inventories recognized as cost of goods sold for the three months ended March 31, 2019 and 2018 was \$135,950 thousand and \$164,836 thousand, respectively.

## 12. SUBSIDIARIES

### Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Businesses	% of Ownership			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
Gourmet Master Co. Ltd.	85 Degree Co. Ltd.	Investment	100.0	100.0	100.0	
	Prime Scope Trading Limited	Investment	100.0	100.0	100.0	
	Perfect 85 Degrees C, Inc.	Manufacturing and sale of baked goods	100.0	100.0	100.0	
	85 Degrees Café International Pty. Ltd.	Retail sale of groceries and beverages	51.0	51.0	51.0	
	Lucky Bakery Limited	Investment	100.0	100.0	100.0	
Perfect 85 Degrees C, Inc.	WinWin 85C Holding Co., Ltd.	Investment	100.0	100.0	100.0	
	WinPin 85 Investments, LLC	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Golden 85 Investments, LLC	Retail sale of groceries and beverages	65.0	65.0	65.0	
85 Degree Co. Ltd.	Comestibles Master Co., Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Fang Song Comestibles Ltd.	Retail sale of groceries and beverages	-	-	100.0	a
Mei Wei Master Co., Ltd.	Mei Wei Fu Xing Ltd.	Retail sale of groceries and beverages	60.0	60.0	60.0	
WinWin 85C Holding Co., Ltd.	WinWin 85C LLC	Investment	100.0	100.0	100.0	
	WinUS 85C LLC	Investment	100.0	100.0	100.0	
Prime Scope Trading Limited	Shanghai Gourmet Master Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	He-Shia Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Sheng-Pin (Hangzhou) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0	100.0	
	He-Shia (Nanjing) Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Beijing 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	25.0	25.0	25.0	
	Zhejiang 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baked goods	61.5	61.5	61.5	
	Fuzhou 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Sheng-Pin (Jiangsu) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0	100.0	
	Sheng-Pin (Xiamen) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0	100.0	
	Sheng-Pin (Qingdao) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0	100.0	
	Xiamen 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Shenyang 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Sheng-Pin (Shenyang) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0	100.0	
	85 Degree (Qingdao) Food & Beverage Management Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	85 Degree (Jiangsu) Food Ltd.	Manufacturing and sale of baked goods	25.0	25.0	25.0	
	Wincase Limited	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Worldinn Limited	Manufacturing and sale of baked goods	100.0	100.0	100.0	
Shanghai Gourmet Master Food & Beverage Ltd.	Sheng-Pin (Shanghai) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0	100.0	
	Shanghai Howco Jing Way Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Shenzheng 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	85.0	85.0	85.0	
	Chengdu 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Sheng-Pin (Wuhan) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0	100.0	
	Wuhan Jing Way Food & Beverage Ltd.	Retail sale of groceries and beverages	57.0	57.0	57.0	
	Jianxi Jing Way Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Jin Wei Industrial (Shanghai) Ltd.	Grocery sale	100.0	100.0	100.0	

(Continued)

Investor	Investee	Main Businesses	% of Ownership			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
He-Shia Food & Beverage Ltd.	Guangzhou 85 Degree Food & Beverage Management Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	85 Degree (Jiangsu) Food Ltd.	Manufacturing and sale of baked goods	75.0	75.0	75.0	
	Mai-Jia (Chengdu) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0	100.0	
	Jia Ding Jing Way Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Kunshan 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	
	Sheng-Pin (Dongguan) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0	40.0	b
	Wuhan Jing Way Food & Beverage Ltd.	Retail sale of groceries and beverages	43.0	43.0	43.0	
	Beijing 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	75.0	75.0	75.0	
	Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baked goods	38.5	38.5	38.5	
	Sheng-Pin (Shenzhen) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0	100.0	
Shenzhen 85 Food & Beverage Ltd.	Sheng-Pin (Shenzhen) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0	100.0	
85 Degree (Qingdao) Food & Beverage Management Ltd.	Qingdao Jie Wei Food & Beverage Management Ltd.	Retail sale of groceries and beverages	100.0	100.0	100.0	

(Concluded)

#### Notes:

- In order to simplify the Group's investment structure, Fang Song Comestibles Ltd. was dissolved in April 2018.
- Sheng-Pin (Dongguan) Food Ltd. acquired the investments of other shareholders in November 2017, leading to a decrease in the Group's shareholding percentage to 40%. Due to written contractual agreements between shareholders, the Group has the practical ability to direct the relevant activities of Sheng-Pin (Dongguan) Food Ltd., and thus deemed it as a subsidiary and exercised its call options owned on the remaining 60% of its equity in April 2018.

### 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

#### Investment in Associates

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Material associate</u>			
The Hot Pot Food and Beverage Management Co., Ltd.	\$ 97,504	\$ 92,839	\$ 93,845
Name of Associate	March 31, 2019	December 31, 2018	March 31, 2018
The Hot Pot Food and Beverage Management Co., Ltd.	23.01%	23.01%	23.01%

Refer to Table 8 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associate.

Investments accounted for using the equity method and the Group's share of profit or loss and other comprehensive income of those investments were calculated based on financial statements that have not been reviewed. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements that have not been reviewed.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery Equipment	Leasehold Improvements	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
<b>Cost</b>									
Balance at January 1, 2018	\$ 564,497	\$ 2,014,284	\$ 2,563,177	\$ 3,347,585	\$ 58,965	\$ 551,987	\$ 372,774	\$ 181,810	\$ 9,655,079
Additions	187,545	101,194	153,501	164,878	3,362	8,029	22,635	59,446	700,590
Disposals	-	-	(73,775)	(37,471)	(1,987)	(10,979)	(7,388)	-	(131,600)
Reclassifications	-	-	-	159,882	-	-	279	(160,161)	-
Effect of foreign currency exchange differences	(5,517)	27,890	24,310	16,970	457	7,824	(1,063)	(3,333)	67,538
Balance at March 31, 2018	<u>\$ 746,525</u>	<u>\$ 2,143,368</u>	<u>\$ 2,667,213</u>	<u>\$ 3,651,844</u>	<u>\$ 60,797</u>	<u>\$ 556,861</u>	<u>\$ 387,237</u>	<u>\$ 77,762</u>	<u>\$ 10,291,607</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2018	\$ -	\$ 361,953	\$ 1,428,047	\$ 1,609,478	\$ 35,353	\$ 431,094	\$ 196,542	\$ -	\$ 4,062,467
Depreciation expenses	-	27,815	92,238	133,608	2,182	20,602	15,385	-	291,830
Disposals	-	-	(69,975)	(23,088)	(1,980)	(10,164)	(6,618)	-	(111,825)
Effect of foreign currency exchange differences	-	5,299	14,274	15,420	251	6,833	(814)	-	41,263
Balance at March 31, 2018	<u>\$ -</u>	<u>\$ 395,067</u>	<u>\$ 1,464,584</u>	<u>\$ 1,735,418</u>	<u>\$ 35,806</u>	<u>\$ 448,365</u>	<u>\$ 204,495</u>	<u>\$ -</u>	<u>\$ 4,283,735</u>
Carrying amounts at March 31, 2018	<u>\$ 746,525</u>	<u>\$ 1,748,301</u>	<u>\$ 1,202,629</u>	<u>\$ 1,916,426</u>	<u>\$ 24,991</u>	<u>\$ 108,496</u>	<u>\$ 182,742</u>	<u>\$ 77,762</u>	<u>\$ 6,007,872</u>
<b>Cost</b>									
Balance at January 1, 2019	\$ 759,880	\$ 2,200,343	\$ 2,692,662	\$ 4,082,797	\$ 65,695	\$ 521,808	\$ 432,284	\$ 118,600	\$ 10,874,069
Additions	-	2,611	46,343	87,646	3,455	10,623	9,263	88,678	248,619
Disposals	-	-	(46,418)	(40,141)	(1,906)	(14,428)	(1,035)	-	(103,928)
Reclassifications	-	-	1,375	24,047	-	792	174	(26,388)	-
Effect of foreign currency exchange differences	1,336	46,739	46,167	66,712	1,000	11,004	4,460	661	178,079
Balance at March 31, 2019	<u>\$ 761,216</u>	<u>\$ 2,249,693</u>	<u>\$ 2,740,129</u>	<u>\$ 4,221,061</u>	<u>\$ 68,244</u>	<u>\$ 529,799</u>	<u>\$ 445,146</u>	<u>\$ 181,551</u>	<u>\$ 11,196,839</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2019	\$ -	\$ 463,935	\$ 1,540,534	\$ 2,032,180	\$ 31,820	\$ 429,396	\$ 232,344	\$ -	\$ 4,730,209
Depreciation expenses	-	29,328	95,616	145,811	2,659	14,908	15,713	-	304,035
Impairment losses recognized	-	-	-	4,565	-	-	-	-	4,565
Disposals	-	(63)	(43,593)	(25,538)	(326)	(13,902)	(488)	-	(83,910)
Effect of foreign currency exchange differences	-	9,555	25,510	38,330	558	9,461	1,937	-	85,351
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 502,755</u>	<u>\$ 1,618,067</u>	<u>\$ 2,195,348</u>	<u>\$ 34,711</u>	<u>\$ 439,863</u>	<u>\$ 249,506</u>	<u>\$ -</u>	<u>\$ 5,040,250</u>
Carrying amounts at December 31, 2018 and January 1, 2019	<u>\$ 759,880</u>	<u>\$ 1,736,408</u>	<u>\$ 1,152,128</u>	<u>\$ 2,050,617</u>	<u>\$ 33,875</u>	<u>\$ 92,412</u>	<u>\$ 199,940</u>	<u>\$ 118,600</u>	<u>\$ 6,143,860</u>
Carrying amounts at March 31, 2019	<u>\$ 761,216</u>	<u>\$ 1,746,938</u>	<u>\$ 1,122,062</u>	<u>\$ 2,025,713</u>	<u>\$ 33,533</u>	<u>\$ 89,936</u>	<u>\$ 195,640</u>	<u>\$ 181,551</u>	<u>\$ 6,156,589</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	20-49 years
Power system engineering	11 years
Furnishings	3-20 years
Machinery and equipment	1-20 years
Leasehold improvements	1-41 years
Transportation equipment	1-10 years
Office equipment	1-10 years
Other equipment	1-15 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 33.



## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

**March 31, 2019**

Carrying amounts

Land	\$ 191,141
Buildings	6,897,350
Transportation equipment	31,427
Other equipment	<u>39,965</u>
	<u>\$ 7,159,883</u>

**For the Three  
Months Ended  
March 31, 2019**

Additions to right-of-use assets	<u>\$ 353,239</u>
Depreciation charge for right-of-use assets	
Land	\$ 1,317
Buildings	560,768
Transportation equipment	2,737
Other equipment	<u>3,268</u>
	<u>\$ 568,090</u>

### b. Lease liabilities - 2019

**March 31, 2019**

Carrying amounts

Current	<u>\$ 2,111,724</u>
Non-current	<u>\$ 5,071,353</u>

Range of discount rate for lease liabilities was as follows:

**March 31, 2019**

Land	3.50%
Buildings	1.00%-5.49%
Transportation equipment	1.00%
Other equipment	1.00%

### c. Material lease-in activities and terms

The Group also leases land and buildings for the use of plants, offices and retail stores with lease terms of 1 to 50 years. Lease contracts for retail stores contain variable payments which are determined at a specific percentage of sales generated from the respective stores. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

In order to cope with retail demand, the Group entered into a large number of lease arrangements for the purposes of renting commercial space for the establishment of retail stores. Lease terms are negotiated by the management of each respective area and includes a wide range of payment terms. Variable payment terms are used for a variety of reasons, including minimizing the fixed cost base for newly established stores and for reasons of margin control and operational flexibility. Variable lease payment terms vary widely across the Group:

- The majority of variable payment terms are calculated based on the specified percentage of each store's total sales.
- Variable lease payments account for approximately 0% to 100% of the total lease payments of each individual item of property.
- Some variable lease payment terms include minimum or cap clauses.

Variable payment terms lead to the incurrence of higher rental costs for stores with higher sales. However, the use of variable payment terms help to facilitate the management of margins across the Group.

Variable rental expenses are expected to continue to represent a similar proportion of store sales in future years.

d. Subleases

In addition to the sublease transactions described in Note 10, the other sublease transactions are set out below.

Sublease of lease arrangements under operating leases - 2018

The total future minimum sublease payments expected to be received under non-cancellable subleases at December 31, 2018 and March 31, 2018 were \$290,396 thousand and \$364,240 thousand, respectively.

e. Other lease information

2019

**For the Three  
Months Ended  
March 31, 2019**

Expenses relating to short-term leases	<u>\$ 6,532</u>
Expenses relating to low-value asset leases	<u>\$ 2,565</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 27,930</u>
Total cash outflow for leases	<u>\$ (651,488)</u>

The Group leases certain warehouses which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 2018

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Not later than 1 year	\$ 2,138,153	\$ 2,166,324
Later than 1 year and not later than 5 years	4,543,466	4,876,690
Later than 5 years	<u>856,050</u>	<u>1,090,983</u>
	<u>\$ 7,537,669</u>	<u>\$ 8,133,997</u>

## **16. INVESTMENT PROPERTIES**

	<b>Completed Investment Properties</b>
<u>Cost</u>	
Balance at January 1, 2018	\$ 271,008
Effect of foreign currency exchange differences	<u>1,707</u>
Balance at March 31, 2018	<u>\$ 272,715</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2018	\$ (60,586)
Depreciation expenses	(1,586)
Effect of foreign currency exchange differences	<u>(1,004)</u>
Balance at March 31, 2018	<u>\$ (63,176)</u>
Carrying amounts at March 31, 2018	<u>\$ 209,539</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 269,387
Effect of foreign currency exchange differences	<u>2,256</u>
Balance at March 31, 2019	<u>\$ 271,643</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ (65,665)
Depreciation expenses	(1,579)
Effect of foreign currency exchange differences	<u>(1,427)</u>
Balance at March 31, 2019	<u>\$ (68,671)</u>
Carrying amounts at December 31, 2018 and January 1, 2019	<u>\$ 203,722</u>
Carrying amounts at March 31, 2019	<u>\$ 202,972</u>

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings

20-49 years

The carrying amount of the investment properties located in Taichung, Taiwan was \$168,859 thousand. The management of the Company took into account the situation of use of the assets frequently used by market participants and the market prices in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices of similar properties.

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Fair value	<u>\$ 185,907</u>	<u>\$ 185,907</u>	<u>\$ 185,259</u>

The carrying amount of the investment properties located in Shenyang City, Liaoning Province, China was \$34,113 thousand. The determination of fair value was performed by independent qualified professional valuers and the fair value was measured using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices of similar properties at December 31, 2017. Management of the Company had assessed and determined that there were no significant changes in the fair value at March 31, 2019 as compared to that at December 31, 2017.

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Fair value	<u>\$ 39,813</u>	<u>\$ 38,874</u>	<u>\$ 39,683</u>

All of the Group's investment properties are held under freehold interests. The investment properties pledged as collateral for bank borrowings are set out in Note 33.

## 17. OTHER INTANGIBLE ASSETS

	<b>Goodwill</b>	<b>Trademark</b>	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2018	\$ 745	\$ 7,890	\$ 172,504	\$ -	\$ 181,139
Additions	-	82	6,101	1,466	7,649
Disposals	-	-	(181)	-	(181)
Effect of foreign currency exchange differences	<u>-</u>	<u>(11)</u>	<u>2,238</u>	<u>11</u>	<u>2,238</u>
Balance at March 31, 2018	<u>\$ 745</u>	<u>\$ 7,961</u>	<u>\$ 180,662</u>	<u>\$ 1,477</u>	<u>\$ 190,845</u>

(Continued)

	Goodwill	Trademark	Computer Software	Others	Total
<u>Accumulated amortization</u>					
Balance at January 1, 2018	\$ -	\$ 2,130	\$ 132,906	\$ -	\$ 135,036
Amortization expenses	-	212	5,891	122	6,225
Disposals	-	-	(181)	-	(181)
Effect of foreign currency exchange differences	-	(1)	1,786	1	1,786
Balance at March 31, 2018	<u>\$ -</u>	<u>\$ 2,341</u>	<u>\$ 140,402</u>	<u>\$ 123</u>	<u>\$ 142,866</u>
Carrying amounts at March 31, 2018	<u>\$ 745</u>	<u>\$ 5,620</u>	<u>\$ 40,260</u>	<u>\$ 1,354</u>	<u>\$ 47,979</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 745	\$ 8,388	\$ 192,711	\$ 1,421	\$ 203,265
Additions	-	293	1,886	-	2,179
Disposals	(745)	-	-	-	(745)
Effect of foreign currency exchange differences	-	-	3,463	34	3,497
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 8,681</u>	<u>\$ 198,060</u>	<u>\$ 1,455</u>	<u>\$ 208,196</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2019	\$ 745	\$ 3,024	\$ 151,827	\$ 651	\$ 156,247
Amortization expenses	-	236	4,380	181	4,797
Disposals	(745)	-	-	-	(745)
Effect of foreign currency exchange differences	-	-	3,037	17	3,054
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 3,260</u>	<u>\$ 159,244</u>	<u>\$ 849</u>	<u>\$ 163,353</u>
Carrying amounts at December 31, 2018 and January 1, 2019	<u>\$ -</u>	<u>\$ 5,364</u>	<u>\$ 40,884</u>	<u>\$ 770</u>	<u>\$ 47,018</u>
Carrying amounts at March 31, 2019	<u>\$ -</u>	<u>\$ 5,421</u>	<u>\$ 38,816</u>	<u>\$ 606</u>	<u>\$ 44,843</u>

(Concluded)

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Trademark	1-10 years
Computer software	1-10 years
Others	2 years

## 18. OTHER ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Prepayments for rent	\$ 48,191	\$ 229,630	\$ 232,355
Prepayments	65,396	59,707	65,730
Offset against business tax payable	80,113	85,097	93,056
Other prepayments	<u>56,430</u>	<u>55,364</u>	<u>67,702</u>
	250,130	429,798	458,843
Others	<u>17,618</u>	<u>23,021</u>	<u>15,140</u>
	<u>\$ 267,748</u>	<u>\$ 452,819</u>	<u>\$ 473,983</u>
<u>Non-current</u>			
Prepayments for equipment	\$ 289,719	\$ 227,084	\$ 191,583
Refundable deposits	448,308	478,856	473,631
Long-term prepayments for leases	-	189,896	183,120
Others	<u>2,743</u>	<u>3,162</u>	<u>3,264</u>
	<u>\$ 740,770</u>	<u>\$ 898,998</u>	<u>\$ 851,598</u>

- a. Prepayments for rent mainly refers to prepaid rent for the leasing of stores in accordance with the contracts.
- b. Prepayments for equipment is due to the purchase of new equipment for the factories.
- c. Refundable deposits are for rentals of stores and factories.
- d. Long-term prepayments for leases are for land use rights in China.

## 19. BORROWINGS

- a. Short-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Secured borrowings (Note 33)</u>			
Bank loan	<u>\$ 407,469</u>	<u>\$ 405,498</u>	<u>\$ 549,560</u>

The range of weighted average effective interest rate of bank loans was 2.90%-3.74%, 2.35%-3.74% and 0.95%-2.20% per annum as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

b. Long-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Secured borrowings (Note 33)</u>			
Bank loans (1)	\$ -	\$ -	\$ 146,102
Long-term debt payable - related parties (2)			
(Note 32)	160,365	159,600	151,948
Less: Current portions	<u>-</u>	<u>-</u>	<u>(146,102)</u>
Long-term borrowings	<u>\$ 160,365</u>	<u>\$ 159,600</u>	<u>\$ 151,948</u>

	Borrowing Content	March 31, 2019	December 31, 2018	March 31, 2018
Borrowings at floating rate:				
US secured bank loan (3)	Maturity date: January 12, 2019 Repayment term: Repayment in full at maturity	\$ -	\$ -	\$ 146,102
US unsecured loan from related parties	Maturity date: November 7, 2019 Repayment term: Repayment in full at maturity	160,365	159,600	151,948
Less: Current portion		<u>-</u>	<u>-</u>	<u>(146,102)</u>
		<u>\$ 160,365</u>	<u>\$ 159,600</u>	<u>\$ 151,948</u>

- 1) The average effective interest rate of bank loans was 2.72% per annum as of March 31, 2018.
- 2) Long-term debt payable to related parties of the Group is payable to directors. An interest rate of 3.75% per annum was charged on the outstanding balances during the three months ended March 31, 2019 and 2018.
- 3) The Group requested the creditor to extend the term of the US secured bank loan in December 2017, the related additional agreement was signed in January 2018. According to the agreement, the credit period of the loan was extended to January 12, 2019.

## 20. TRADE PAYABLES

The average credit period of purchases of certain goods was 45 days. The Group has financial risk management policies to ensure in place that all payables are paid within the pre-agreed credit terms.

## 21. OTHER LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Other payables			
Accrued payroll and bonuses	\$ 450,459	\$ 474,585	\$ 431,939
Utilities	62,750	64,586	67,727
Insurance	86,825	83,154	71,607
Rental	18,575	172,895	98,582
Payable for purchases of equipment	204,479	303,414	302,586
Others (shipping expense, repair expense, etc.)	<u>481,171</u>	<u>413,606</u>	<u>445,259</u>
	<u>\$ 1,304,259</u>	<u>\$ 1,512,240</u>	<u>\$ 1,417,700</u>
Deferred revenue			
Arising from government grants (Note 28)	<u>\$ 2,009</u>	<u>\$ 1,962</u>	<u>\$ 2,039</u>
Other liabilities			
Others	<u>\$ 53,294</u>	<u>\$ 47,301</u>	<u>\$ 44,853</u>
<u>Non-current</u>			
Decommission, restoration and rehabilitation provisions	\$ 98,041	\$ 91,974	\$ 130,736
Guarantee deposits received	176,963	167,650	155,531
Arising from government grants (Note 28)	<u>10,884</u>	<u>11,117</u>	<u>13,081</u>
	<u>\$ 285,888</u>	<u>\$ 270,741</u>	<u>\$ 299,348</u>

Guarantee deposits mainly consists of the deposits for the franchise, decoration works and the tender performance bond of logistics companies and other manufacturers.

## 22. RETIREMENT BENEFIT PLANS

### Defined Contribution Plan

Comestibles Master Co., Ltd., Mei Wei Master Co., Ltd. and Mei Wei Fu Xing Ltd. of the Group adopted a pension plan under the Labor Pension Act (the "LPA") of the R.O.C., which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries are required to contribute a specified percentage of the payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.



## 23. SHAREHOLDERS' EQUITY

### Share Capital

#### Ordinary shares

	March 31, 2019	December 31, 2018	March 31, 2018
Number of shares authorized (in thousands)	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>
Shares authorized	<u>\$ 8,500,000</u>	<u>\$ 8,500,000</u>	<u>\$ 8,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>180,000</u>	<u>180,000</u>	<u>162,994</u>
Shares issued	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,629,936</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

The Company's shareholders resolved to issue share dividends from the capital surplus and unappropriated retained earnings of \$162,994 thousand and \$7,070 thousand, respectively, in the shareholders' meeting on June 5, 2018. The capital increase date was determined as June 29, 2018.

### Capital Surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of ordinary shares) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's capital surplus and once a year).

### Retained Earnings and Dividend Policy

According to Company's Articles of Incorporation, the Company may declare dividends in the form of an ordinary resolution, but its amount must not exceed the amount recommended by the board of directors, the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The reserve for the Company is used as the Company's operation or investment in a manner deemed appropriate by the board of directors, and the investment does not need to be part of the reserve separately from other investments. In addition, a special reserve should be appropriated as needed. The remainder of the income should be appropriated in the following order:

- Bonus for employees (including subsidiaries' employees) at 3% or less;
- Remuneration of directors and supervisors at 1% or less; and
- The earnings appropriated should not be less than 30% of the after-tax earning, and the cash dividends distributed should not be less than 10% of the total of cash dividends and share dividends distributed.

In accordance with the amendments to the Company Act of the ROC in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. Because the Company is incorporated in the Cayman Islands, the Company Act of the ROC is not applicable to the Company. The Company does not need to propose amendments to its Articles of Incorporation.

For the three months ended March 31, 2019 and 2018, there were no accruals of bonuses for employees and remuneration of directors and supervisors. Material differences between estimated amounts and the amounts proposed by the board of directors on or before the consolidated financial statements are authorized for issue are adjusted in the year the bonuses and remuneration were recognized. If there is a change in the proposed amounts after the consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate. If a share bonuses are resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonuses by the fair value of the shares. The fair value of the shares is stated at the closing price (after considering the effect of cash and share dividends) of the shares on the day immediately preceding the shareholders' meeting.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", shall be appropriated to or reversed from a special reserve by the Company. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and may thereafter be distributed.

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on June 5, 2018 and June 15, 2017, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
	<b>For the Year Ended</b>		<b>(NT\$)</b>	
	<b>December 31</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Reserve	\$ 213,808	\$ 174,104	\$ -	\$ -
Special reserve	132,716	56,974	-	-
Cash dividends	977,962	740,880	6.00	5.00
Share dividends	7,070	-	0.04	-

The Company's shareholders also resolved to issue share dividends from the capital surplus of \$162,994 thousand and \$148,176 thousand in the shareholders' meeting on June 5, 2018 and June 15, 2017.

The Company held their regular shareholders' meetings on June 5, 2018 and June 15, 2017 and resolved that there would be no distribution of bonuses to employees and remuneration of directors and supervisors for 2017 and 2016, respectively.

The appropriation of earnings for 2018 was proposed by the Company's board of directors on March 7, 2019. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Reserve	\$ 166,762	\$ -
Special reserve	89,899	-
Cash dividends	900,000	5.00

The appropriation of earnings for 2018 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 14, 2019.

There was no difference between the amounts of bonuses for employees and the remuneration of directors and supervisors approved in the shareholders' meetings held on June 5, 2018 and June 15, 2017 the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016, respectively.

Information on the bonuses for employees and the remuneration of directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

## 24. REVENUE

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 5,697,955	\$ 6,125,788
Licensing revenue	<u>8,880</u>	<u>10,449</u>
	<u>\$ 5,706,835</u>	<u>\$ 6,136,237</u>

### a. Disaggregation of revenue

Refer to Note 37 for information about disaggregation of revenue.

### b. Contract balances

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>	<b>January 1, 2018</b>
Trade receivables (Note 9)	<u>\$ 263,687</u>	<u>\$ 312,711</u>	<u>\$ 318,801</u>	<u>\$ 356,296</u>
Contract liabilities				
Sale of goods	\$ 1,374,718	\$ 1,241,603	\$ 1,398,301	\$ 1,230,587
Customer loyalty program	<u>190,445</u>	<u>174,555</u>	<u>142,684</u>	<u>127,019</u>
Contract liabilities - current	<u>\$ 1,565,163</u>	<u>\$ 1,416,158</u>	<u>\$ 1,540,985</u>	<u>\$ 1,357,606</u>

The changes in the contract liability balances primarily result from the timing difference between the Group's satisfaction of performance obligations and the customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities for the three months ended March 31, 2019 and 2018, were \$307,765 thousand and \$326,936 thousand, respectively.

## 25. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

### a. Other income

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income	\$ 58,406	\$ 46,427
Income from government grants	30,027	23,101
Rental income	4,511	3,501
Others	<u>23,056</u>	<u>19,348</u>
	<u>\$ 116,000</u>	<u>\$ 92,377</u>

b. Other gains and losses

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Net foreign exchange losses	\$ (1,630)	\$ (4,559)
Loss on disposal of property, plant and equipment	(17,630)	(5,935)
Fair value change of financial assets	12,660	(11,014)
Impairment loss	(4,565)	-
Others	<u>(6,707)</u>	<u>(9,528)</u>
	<u>\$ (17,872)</u>	<u>\$ (31,036)</u>

c. Finance costs

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on lease liabilities	\$ (59,738)	\$ -
Interest on bank loans	(4,026)	(5,044)
Interest on loans from related parties (Note 32)	<u>(1,501)</u>	<u>(1,429)</u>
	<u>\$ (65,265)</u>	<u>\$ (6,473)</u>

d. Depreciation and amortization

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 304,035	\$ 291,830
Investment properties	1,579	1,586
Right-of-use asset	568,090	-
Intangible assets	<u>4,797</u>	<u>6,225</u>
	<u>\$ 878,501</u>	<u>\$ 299,641</u>
An analysis of depreciation by function		
Operating costs	\$ 61,955	\$ 49,652
Operating expenses	<u>811,749</u>	<u>243,764</u>
	<u>\$ 873,704</u>	<u>\$ 293,416</u>
An analysis of amortization by function		
Operating costs	\$ 181	\$ 122
Selling and marketing expenses	304	587
General and administrative expenses	<u>4,312</u>	<u>5,516</u>
	<u>\$ 4,797</u>	<u>\$ 6,225</u>

e. Employee benefits expense

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Post-employment benefits		
Defined contribution plans (Note 22)	\$ 17,556	\$ 13,203
Other employee benefits	<u>1,774,227</u>	<u>1,668,838</u>
	<u>\$ 1,791,783</u>	<u>\$ 1,682,041</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 248,947	\$ 264,591
Operating expenses	<u>1,542,836</u>	<u>1,417,450</u>
	<u>\$ 1,791,783</u>	<u>\$ 1,682,041</u>

f. Impairment loss on non-financial assets

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment (included in other gains and losses)	\$ 4,565	\$ -
Inventories (included in operating costs)	<u>2,318</u>	<u>2,153</u>
	<u>\$ 6,883</u>	<u>\$ 2,153</u>

## 26. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current period	\$ 158,219	\$ 258,907
Deferred tax		
Adjustments to deferred tax attributable to changes in tax rates and laws	5,845	675
In respect of the current period	<u>-</u>	<u>6,619</u>
Income tax expense recognized in profit or loss	<u>\$ 164,064</u>	<u>\$ 266,201</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income/expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

The USA also amended the Income Tax Law, and starting from 2018, the maximum corporate income tax rate will be reduced from 35% to 21%.

- b. With respect to the income tax assessments of the Company and its subsidiaries, except for the Company which is not subject to income tax, the income tax returns of Comestibles Master Co., Ltd. through 2016, except 2015, and the income tax returns of Mei Wei Master Co., Ltd. and Mei Wei Fu Xing through 2017 have been assessed by the tax authorities in the ROC. The companies in other jurisdictions have been assessed based on their local tax laws.

## 27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2019	2018
Basic earnings per share		
From continuing operations	\$ <u>1.76</u>	\$ <u>2.78</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on June 29, 2018. The basic earnings per share adjusted retrospectively for the three months ended March 31, 2018 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	\$ <u>3.07</u>	\$ <u>2.78</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Period

	For the Three Months Ended March 31	
	2019	2018
Earnings used in the computation of basic earnings per share	\$ <u>317,314</u>	\$ <u>499,949</u>

### Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)

	For the Three Months Ended March 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic and diluted earnings per share	<u>180,000</u>	<u>180,000</u>

## **28. GOVERNMENT GRANTS**

The amounts of project subsidies and incentives received for the three months ended March 31, 2019 and 2018 were \$29,526 thousand and \$22,595 thousand, respectively. The government grants were recognized in non-operating income and expenses - other income in the consolidated statements of comprehensive income.

In January 2017, the Group received a government grant of \$19,574 thousand for its contraction of a manufacturing plant. The amount was recognized as deferred revenue and subsequently transferred to profit or loss over the useful life of the related asset. The policy resulted in a credit to income of \$501 thousand and \$506 thousand for the three months ended March 31, 2019 and 2018.

## **29. NON-CASH TRANSACTIONS**

For the three months ended March 31, 2019 and 2018, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

- a. The Group acquired property, plant and equipment with an aggregate fair value of \$248,619 thousand, with a cash payment of \$235,523 thousand, an offset of prepayments for equipment of \$44,086 thousand reduced from prepaid equipment, and \$30,990 thousand was decrease from payables for equipment for the three months ended March 31, 2019. (Refer to Note 14).
- b. The Group acquired property, plant and equipment with an aggregate fair value of \$700,590 thousand, with a cash payment of \$479,765 thousand, an offset of prepayments for equipment of \$146,059 thousand reduced from prepaid equipment, \$59,400 thousand was reduced from prepayments for property, plant and equipment, and \$15,366 thousand was increase from payables for equipment for the three months ended March 31, 2018. (Refer to Note 14).

## **30. CAPITAL MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued and the amount of existing debt redeemed.

### 31. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments

##### Fair value of financial instruments not carried at fair value

The management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements to approximate their fair values.

#### b. Fair value of financial instruments measured at fair value on a recurring basis

##### 1) Fair value hierarchy

##### March 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Listed shares and emerging market shares	\$ 140,580	\$ -	\$ -	\$ 140,580
Mutual funds	10,107	-	-	10,107
Principal protected products	-	-	1,063,781	1,063,781
Non-principal protected products	-	-	2,072,190	2,072,190
	<u>\$ 150,687</u>	<u>\$ -</u>	<u>\$ 3,135,971</u>	<u>\$ 3,286,658</u>

##### December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Listed shares and emerging market shares	\$ 128,040	\$ -	\$ -	\$ 128,040
Mutual funds	10,093	-	-	10,093
Principal protected products	-	-	427,431	427,431
Non-principal protected products	-	-	2,580,095	2,580,095
	<u>\$ 138,133</u>	<u>\$ -</u>	<u>\$ 3,007,526</u>	<u>\$ 3,145,659</u>

##### March 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Listed shares and emerging market shares	\$ 151,140	\$ -	\$ -	\$ 151,140
Mutual funds	10,059	-	-	10,059
Principal protected products	-	-	23,918	23,918
Non-principal protected products	-	-	4,179,171	4,179,171
	<u>\$ 161,199</u>	<u>\$ -</u>	<u>\$ 4,203,089</u>	<u>\$ 4,364,288</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.



2) Reconciliation of Level 3 fair value measurements of financial instruments

For the three months ended March 31, 2019

	<b>Financial Instruments</b>
Balance at January 1, 2019	\$ 3,007,526
Recognized in profit or loss (other gains and losses)	33,453
Additions	1,538,974
Repayments/settlements	(1,516,794)
Effect of foreign currency exchange differences	<u>72,812</u>
Balance at March 31, 2019	<u>\$ 3,135,971</u>

For the year ended December 31, 2018

	<b>Financial Instruments</b>
Balance at January 1, 2018	\$ 3,855,123
Recognized in profit or loss (other gains and losses)	46,159
Additions	4,638,430
Repayments/settlements	(4,401,211)
Effect of foreign currency exchange difference	<u>64,588</u>
Balance at December 31, 2018	<u>\$ 4,203,089</u>

The only financial liability subsequently measured at fair value based on Level 3 fair value measurement is the contingent consideration relating to the acquisition of the Group. No gain or loss relating to this contingent consideration was recognized in profit or loss for the three months ended March 31, 2018.

c. Categories of financial instruments

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily classified as at FVTPL	\$ 3,286,658	\$ 3,145,659	\$ 4,364,288
Financial assets at amortized cost (Note 1)	4,530,729	4,168,370	3,548,345
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	-	-	9,647
Amortized cost (Note 2)	2,803,425	3,151,273	3,294,871

Note 1: The balance include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade receivables and other receivables.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, trade and other payables, current portion of long-term loans payable and long-term borrowings.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, trade receivables, trade payables and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group has foreign currency denominated deposits and loans, which exposes the Group to foreign currency risk. There had been no change in the financial instrument's exposure to market risk and the management and measurement method of the risk exposure since the prior period.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 35.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 1% increase and decrease in the Renminbi (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit associated with the Renminbi weakening 1% against the relevant currency. For a 1% strengthening of the Renminbi against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	<b>U.S. Dollar Impact</b>	
	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2019</b>	<b>2018</b>
Profit or loss	\$ <u>2,143</u>	\$ <u>1,873</u>

\* This was mainly attributable to the exposure outstanding on U.S. dollar receivables, cash in the bank and borrowings, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	March 31, 2019	December 31, 2018	March 31, 2018
Fair value interest rate risk			
Financial liabilities	\$ 160,365	\$ 159,600	\$ 151,948
Cash flow interest rate risk			
Financial assets	3,135,971	3,007,526	4,203,089
Financial liabilities	407,469	405,498	695,662

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2019 and 2018 would increase/decrease by \$6,821 thousand and \$8,769 thousand, respectively, which would be mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates increased during the current year mainly due to the increase in variable rate debt investments.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

At the end of the reporting period, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arose from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

Most of the Group's counterparties are franchisees with whom the Group has business relationships with for a long time, and the Group monitors trade receivables from such franchisees continuously. Thus, impairment loss recognized on these trade receivables was not significant. Trade receivables cover a large number of customers spread across diverse industries and geographical areas. Therefore, the Group assessed that the concentration of credit risk was limited.

The concentration of credit risk with such counterparties was never more than 10% of the Group's non-monetary assets.

Other than the abovementioned franchisees, because the counterparties of liquid funds were banks monitored by regulators in the People's Republic of China and Republic of China, such credit risk was limited.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2019, December 31, 2018 and March 31, 2018, the Group had available unutilized bank loan facilities set out below.

	March 31, 2019	December 31, 2018	March 31, 2018
Unsecured bank loan facilities:			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>
Secured bank loan facilities:			
Amount used	\$ 407,469	\$ 405,498	\$ 695,662
Amount unused	<u>1,329,307</u>	<u>1,171,768</u>	<u>777,066</u>
	<u>\$ 1,736,776</u>	<u>\$ 1,577,266</u>	<u>\$ 1,472,728</u>

## 32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides as disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed below:

### a. Name and relationship of related parties

Name of Related-Party	Related-party Category
The Hot Pot Food and Beverage Management Co., Ltd.	Associates
Xiang Tian (Shanghai) Food and Beverage Management Co., Ltd.	Related parties
The Hot Pot (Shanghai) Food and Beverage Management Co., Ltd.	Related parties
Honeyeast (Shanghai) Food and Beverage Management Co., Ltd.	Related parties
Infinity Emerging Markets Limited	Directors

b. Other transactions

Line Items	Related-party Category	For the Three Months Ended March 31	
		2019	2018
Rental income	Associates	\$ 175	\$ 175
	Related parties	<u>-</u>	<u>207</u>
		<u>\$ 175</u>	<u>\$ 382</u>
Interest expense	Director		
	Infinity Emerging Markets Limited	<u>\$ 1,501</u>	<u>\$ 1,429</u>

The rent paid by the related parties for the rent of commercial space for operational purposes is paid on a monthly basis at the agreed price.

c. Receivables from related parties (excluding loans to related parties)

Line Items	Related-party Category	March 31, 2019	December 31, 2018	March 31, 2018
Trade receivables	Associates	\$ 550	\$ 564	\$ 40
	Related parties	<u>2</u>	<u>2</u>	<u>-</u>
		<u>\$ 552</u>	<u>\$ 566</u>	<u>\$ 40</u>
Other receivables	Associates	\$ 1,772	\$ 1,693	\$ 1,076
	Related parties	<u>290</u>	<u>235</u>	<u>195</u>
		<u>\$ 2,062</u>	<u>\$ 1,928</u>	<u>\$ 1,271</u>

The outstanding trade receivables from related parties are unsecured. For the three months ended March 31, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

d. Payables to related parties (excluding loans from related parties)

Line Items	Related-party Category	March 31, 2019	December 31, 2018	March 31, 2018
Other payables	Directors	<u>\$ 1,052</u>	<u>\$ 2,095</u>	<u>\$ 997</u>

e. Loans from related parties

Related-party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Directors			
Infinity Emerging Markets Limited	<u>\$ 160,365</u>	<u>\$ 159,600</u>	<u>\$ 151,948</u>

The Group obtained loans at rates comparable to market interest rates for the loans from related parties.

The loans from the director were unsecured.

f. Other transactions with related parties

The Group performed technical services for associates and related parties. For the three months ended March 31, 2019 and 2018, other income amounted to \$188 thousand and \$1,235 thousand, respectively.

g. Compensation of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term benefits	<u>\$ 6,765</u>	<u>\$ 5,971</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral to banks for bank borrowings and for the issuance of stored-value cards:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Property, plant and equipment			
Land	\$ 293,761	\$ 330,189	\$ 293,761
Buildings	16,045	40,755	17,685
Financial assets at amortized cost - current	44,334	74,319	61,403
Financial assets at amortized cost - non-current	-	-	142,013
Investment properties	<u>60,726</u>	<u>60,726</u>	<u>61,126</u>
	<u>\$ 414,866</u>	<u>\$ 505,989</u>	<u>\$ 575,988</u>

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of March 31, 2019, December 31, 2018 and March 31, 2018 were as follows:

#### Significant Commitments

Unrecognized commitments are as follows:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Acquisition of property, plant and equipment	<u>\$ 87,056</u>	<u>\$ 81,925</u>	<u>\$ 71,392</u>

### 35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

March 31, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,766	6.7335 (USD:RMB)	\$ 146,991
USD	2,182	30.8394 (USD:NTD)	67,279
NTD	8,425	0.2183 (NTD:RMB)	8,425
AUD	714	4.7718 (AUD:RMB)	15,606

Financial liabilities

Monetary items			
NTD	96,402	0.0458 (NTD:AUD)	96,402
NTD	74,050	0.0324 (NTD:USD)	74,050

December 31, 2018

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 6,420	6.8632 (USD:RMB)	\$ 197,044
USD	2,192	30.6922 (USD:NTD)	67,291
NTD	2,263	0.2236 (NTD:RMB)	2,263
AUD	201	4.8446 (AUD:RMB)	4,352

Financial liabilities

Monetary items			
NTD	92,175	0.0462 (NTD:AUD)	92,175
NTD	86,491	0.2236 (NTD:RMB)	86,491

March 31, 2018

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 221	6.2881 (USD:RMB)	\$ 6,444
USD	782	29.2208 (USD:NTD)	22,844
HKD	6,317	0.7979 (HKD:RMB)	23,422
HKD	2,750	3.7080 (HKD:NTD)	10,198

Financial liabilities

Monetary items			
USD	7,412	6.2881 (USD:RMB)	216,573
NTD	247,218	0.2152 (NTD:RMB)	247,218

For the three months ended March 31, 2019 and 2018, realized and unrealized net foreign exchange losses were \$1,630 thousand and \$4,559 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

### 36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financings provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 9) Trading in derivative instruments (Note 7)
- 10) Intercompany relationships and significant intercompany transactions (Table 7)
- 11) Information on investees (Table 8)



b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of the investee, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and the limit on the amount of investment in the mainland China area (Table 9)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
  - c) The amount of property transactions and the amount of the resultant gains or losses
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services

### 37. SEGMENT INFORMATION

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

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:

	For the Three Months Ended March 31	
	2019	2018
Beverages	\$ 1,728,853	\$ 1,816,756
Cakes	1,808,271	1,945,116
Bread	2,130,787	2,316,633
Others	<u>38,924</u>	<u>57,732</u>
	<u>\$ 5,706,835</u>	<u>\$ 6,136,237</u>

b. Geographical information

The Group's revenue from continuing operations from external customers by location of operations is detailed below:

	<b>Revenue from External Customers</b>	
	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
China	\$ 3,392,077	\$ 3,907,799
Taiwan	937,028	997,335
USA	1,287,429	1,129,562
Others	<u>90,301</u>	<u>101,541</u>
	<u>\$ 5,706,835</u>	<u>\$ 6,136,237</u>

c. Significant customer information

The Group has no customer who contributes over 10% to the Group's total revenue for the three months ended March 31, 2019 and 2018.

**TABLE 1**

**GOURMET MASTER CO. LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Foreign Currencies in Thousands)	Ending Balance (Foreign Currencies in Thousands)	Actual Borrowing Amount (Foreign Currencies in Thousands)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	Gourmet Master Co. Ltd.	85 Degrees Café International Pty. Ltd.	Other receivables - related parties	Yes	\$ 10,928 (AUD 500)	\$ 10,928 (AUD 500)	\$ 6,557 (AUD 300)	5.49%	For short-term financing	\$ -	Working capital loan	\$ -	-	\$ -	\$ 4,384,090	\$ 4,384,090	Note 1.a.
1	Shanghai Gourmet Master Food & Beverage Ltd.	85 Degree (Jiangsu) Food Ltd.	Other receivables - related parties	Yes	(RMB 91,600 20,000)	(RMB - 91,600 -)	(RMB - 91,600 -)	2.00%	For short-term financing	-	Working capital loan	-	-	-	898,171	1,347,256	Note 1.b.
		85 Degree (Jiangsu) Food Ltd.	Other receivables - related parties	Yes	(RMB 91,600 20,000)	(RMB 91,600 20,000)	(RMB 91,600 20,000)	2.00%	For short-term financing	-	Working capital loan	-	-	-	898,171	1,347,256	Note 1.b.
		85 Degree (Jiangsu) Food Ltd.	Other receivables - related parties	Yes	(RMB 91,600 20,000)	(RMB 91,600 20,000)	(RMB 91,600 20,000)	2.00%	For short-term financing	-	Working capital loan	-	-	-	898,171	1,347,256	Note 1.b.
		85 Degree (Jiangsu) Food Ltd.	Other receivables - related parties	Yes	(RMB 91,600 20,000)	(RMB 91,600 20,000)	(RMB 91,600 20,000)	2.00%	For short-term financing	-	Working capital loan	-	-	-	898,171	1,347,256	Note 1.b.
		Prime Scope Trading Limited	Other receivables - related parties	Yes	(RMB 68,700 15,000)	(RMB 68,700 15,000)	(RMB - 91,600 -)	3.50%	For short-term financing	-	Working capital loan	-	-	-	898,171	1,347,256	Note 1.b.
		Prime Scope Trading Limited	Other receivables - related parties	Yes	(RMB 91,600 20,000)	(RMB 91,600 20,000)	(RMB 91,600 20,000)	3.50%	For short-term financing	-	Working capital loan	-	-	-	898,171	1,347,256	Note 1.b.
		Prime Scope Trading Limited	Other receivables - related parties	Yes	(RMB 68,700 15,000)	(RMB 68,700 15,000)	(RMB - 91,600 -)	3.50%	For short-term financing	-	Working capital loan	-	-	-	898,171	1,347,256	Note 1.b.
		Chengdu 85 Food & Beverage Ltd.	Other receivables - related parties	Yes	(RMB 45,800 10,000)	(RMB 45,800 10,000)	(RMB 45,800 10,000)	2.00%	For short-term financing	-	Working capital loan	-	-	-	898,171	1,347,256	Note 1.b.
		Sheng-Pin (Dongguan) Food Ltd.	Other receivables - related parties	Yes	(RMB 91,600 20,000)	(RMB 91,600 20,000)	(RMB 91,600 20,000)	2.00%	For short-term financing	-	Working capital loan	-	-	-	898,171	1,347,256	Note 1.b.
		Sheng-Pin (Xiamen) Food Ltd.	Other receivables - related parties	Yes	(RMB 91,600 20,000)	(RMB 91,600 20,000)	(RMB 77,860 17,000)	2.00%	For short-term financing	-	Working capital loan	-	-	-	898,171	1,347,256	Note 1.b.
2	He-Shia Food & Beverage Ltd.	Gourmet Master Co. Ltd.	Other receivables - related parties	Yes	(RMB 137,400 30,000)	(RMB 137,400 30,000)	(RMB - 137,400 -)	4.35%	For short-term financing	-	Working capital loan	-	-	-	620,699	931,049	Note 1.c.
		Prime Scope Trading Limited	Other receivables - related parties	Yes	(RMB 137,400 30,000)	(RMB 137,400 30,000)	(RMB 137,400 30,000)	3.50%	For short-term financing	-	Working capital loan	-	-	-	620,699	931,049	Note 1.c.
		Prime Scope Trading Limited	Other receivables - related parties	Yes	(RMB 137,400 30,000)	(RMB 137,400 30,000)	(RMB - 137,400 -)	3.50%	For short-term financing	-	Working capital loan	-	-	-	620,699	931,049	Note 1.c.
		Guangzhou 85 Degree Food & Beverage Management Ltd.	Other receivables - related parties	Yes	(RMB 22,900 5,000)	(RMB 22,900 5,000)	(RMB 22,900 5,000)	2.00%	For short-term financing	-	Working capital loan	-	-	-	620,699	931,049	Note 1.c.
3	Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Other receivables - related parties	Yes	(US\$ 50,000 7,200)	(US\$ 50,000 -)	(US\$ 50,000 -)	1.00%	For short-term financing	-	Working capital loan	-	-	-	588,197	588,197	Note 1.d.
		Mei Wei Master Co., Ltd.	Other receivables - related parties	Yes	(US\$ 50,000 7,200)	(US\$ 50,000 -)	(US\$ 50,000 -)	1.00%	For short-term financing	-	Working capital loan	-	-	-	588,197	588,197	Note 1.d.
		Gourmet Master Co. Ltd.	Other receivables - related parties	Yes	(US\$ 222,044 7,200)	(US\$ - 7,200)	(US\$ - 7,200)	2.48%	For short-term financing	-	Working capital loan	-	-	-	588,197	588,197	Note 1.d.
		85 Degree Co. Ltd.	Other receivables - related parties	Yes	(US\$ 10,000 7,200)	(US\$ 10,000 -)	(US\$ 10,000 -)	1.00%	For short-term financing	-	Working capital loan	-	-	-	588,197	588,197	Note 1.d.
		85 Degree Co. Ltd.	Other receivables - related parties	Yes	(US\$ 5,000 7,200)	(US\$ 5,000 -)	(US\$ 5,000 -)	1.00%	For short-term financing	-	Working capital loan	-	-	-	588,197	588,197	Note 1.d.
4	Perfect 85 Degrees C, Inc.	WinUS 85C LLC	Other receivables - related parties	Yes	(US\$ 95,602 3,100)	(US\$ 95,602 3,100)	(US\$ 87,955 2,852)	3.75%	For short-term financing	-	Working capital loan	-	-	-	586,481	586,481	Note 1.e.
5	Prime Scope Trading Limited	85 Degrees Café International Pty. Ltd.	Other receivables - related parties	Yes	(AUD 21,855 1,000)	(AUD 21,855 1,000)	(AUD 8,742 400)	5.49%	For short-term financing	-	Working capital loan	-	-	-	3,105,196	3,105,196	Note 1.f.

(Continued)

- Note 1:   The limit of amount is calculated as follow:
- a.

The total amount available for lending purpose shall not exceed \$10,960,226 (in thousands) x 40% = \$4,384,090 (in thousands) 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 \$10,960,226 (in thousands) x 40% = \$4,384,090 (in thousands) of the net worth of Gourmet Master Co. Ltd.
- b.

The total amount available for lending purpose shall not exceed \$2,245,427 (in thousands) x 60% = \$1,347,256 (in thousands) of the net worth of Shanghai Gourmet Master Food & Beverage Ltd. The total amount for lending to a company for funding for a short-term period shall not exceed \$2,245,427 (in thousands) x 40% = \$898,171 (in thousands) of the net worth of Shanghai Gourmet Master Food & Beverage Ltd.
- c.

The total amount available for lending purpose shall not exceed \$1,551,748 (in thousands) x 60% = \$931,049 (in thousands) of the net worth of He-Shia Food & Beverage Ltd. The total amount for lending to a company for funding for a short-term period shall not exceed \$1,551,748 (in thousands) x 40% = \$620,699 (in thousands) of the net worth of He-Shia Food & Beverage Ltd.
- d.

The total amount available for lending purpose shall not exceed \$1,470,492 (in thousands) x 40% = \$588,197 (in thousands) of the net worth of Comestibles Master Co., Ltd. The total amount for lending to a company for funding for a short-term period shall not exceed \$1,470,492 (in thousands) x 40% = \$588,197 (in thousands) of the net worth of Comestibles Master Co., Ltd.
- e.

The total amount available for lending purpose shall not exceed \$1,466,202 (in thousands) x 40% = \$586,481 (in thousands) of the net worth of Perfect 85 Degrees C, Inc. The total amount for lending to a company for funding for a short-term period shall not exceed \$1,466,202 (in thousands) x 40% = \$586,481 (in thousands) of the net worth of Perfect 85 Degrees C, Inc.
- f.

The total amount available for lending purpose shall not exceed \$7,762,990 (in thousands) x 40% = \$3,105,196 (in thousands) of the net worth of Prime Scope Trading Limited. The total amount for lending to a company for funding for a short-term period shall not exceed \$7,762,990 (in thousands) x 40% = \$3,105,196 (in thousands) of the net worth of Prime Scope Trading Limited.

Note 2:   Transactions have been written off in these consolidated financial statements.

(Concluded)

**TABLE 2**

**GOURMET MASTER CO. LTD. AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE THREE MONTHS ENDED MARCH 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/Guara nteed During the Period (Foreign Currencies in Thousands)	Outstanding Endorsement/ Guarantee at the End of the Period (Foreign Currencies in Thousands)	Actual Borrowing Amount (Foreign Currencies in Thousands)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
0	Gourmet Master Co. Ltd.	Perfect 85 Degrees C, Inc.	b	\$ 2,192,045	\$ 616,788 (US\$ 20,000)	\$ 616,788 (US\$ 20,000)	\$ 400,912 (US\$ 13,000)	\$ -	5.62	\$ 5,480,113	Y	N	N	
		Comestibles Master Co., Ltd.	b	2,192,045	154,197 (US\$ 5,000)	154,197 (US\$ 5,000)	- (US\$ -)	-	1.82	5,480,113	Y	N	N	
		Comestibles Master Co., Ltd.	b	2,192,045	200,000	200,000	-	-	1.41	5,480,113	Y	N	N	
		Comestibles Master Co., Ltd.	b	2,192,045	154,197 (US\$ 5,000)	154,197 (US\$ 5,000)	- (US\$ -)	-	1.69	5,480,113	Y	N	N	
		Comestibles Master Co., Ltd.	b	2,192,045	185,036 (US\$ 6,000)	185,036 (US\$ 6,000)	- (US\$ -)	-	1.41	5,480,113	Y	N	N	
		Perfect 85 Degrees C, Inc.	b	2,192,045	154,197 (US\$ 5,000)	154,197 (US\$ 5,000)	- (US\$ -)	-	1.41	5,480,113	Y	N	N	
		WinPin 85 Investments, LLC	b	2,192,045	154,197 (US\$ 5,000)	154,197 (US\$ 5,000)	- (US\$ -)	-	0.10	5,480,113	Y	N	N	
1	Comestibles Master Co., Ltd.	Gourmet Master Co. Ltd.	c	294,098	1,542 (US\$ 50)	1,542 (US\$ 50)	- (US\$ -)	-	8.39	735,246	N	Y	N	
		Gourmet Master Co. Ltd.	c	294,098	123,358 (US\$ 4,000)	123,358 (US\$ 4,000)	- (US\$ -)	159,854	9.86	735,246	N	Y	N	
		Gourmet Master Co. Ltd.	c	294,098	144,964	144,964	-	210,544	12.48	735,246	N	Y	N	
		WinPin 85 Investments, LLC	d	294,098	183,494 (US\$ 5,950)	183,494 (US\$ 5,950)	- (US\$ -)	-	12.58	735,246	N	N	N	
		Perfect 85 Degrees C, Inc.	d	294,098	185,036 (US\$ 6,000)	185,036 (US\$ 6,000)	- (US\$ -)	210,544	0.45	735,246	N	N	N	
		85 Degrees Café International Pty. Ltd.	a	294,098	6,557 (AUD 300)	6,557 (AUD 300)	6,557 (AUD 300)	-	-	735,246	N	N	N	

Note 1: Number should be noted in number column.

- a. Number 0 represents the issuer.
- b. Number 1 (onward) represents the order of the investee.

Note 2: Relationship information of endorser and endorsee should be noted.

- a. Trading partner.
- b. Subsidiary of which more than 50% of its ordinary shares are directly owned by the endorser.
- c. Investee company of which more than fifty percent (50%) of its ordinary shares are owned by the parent company and its subsidiaries.
- d. Subsidiary of which over fifty percent (50%) of its ordinary shares are directly or indirectly owned by the Company.
- e. Guaranteed by the Company according to the construction contract.
- f. An investee company of which the guarantees were provided based on the Company's proportionate share in the investee company.

Note 3: The limit of amount is calculated as follows:

- a. The total amount of guarantee shall not exceed 50% of the net worth Gourmet Master Co. Ltd.  $\$10,960,226 \times 50\% = \$5,480,113$  (in thousands).
- b. The total amount of the guarantee provided by Gourmet Master Co. Ltd. to any individual entity shall not exceed 20% of the net worth of Gourmet Master Co. Ltd.  $\$10,960,226 \times 20\% = \$2,192,045$  (in thousands).
- c. The total amount of guarantee shall not exceed 50% of the net worth Comestibles Master Co., Ltd.  $\$1,470,492 \times 50\% = \$735,246$  (in thousands).
- d. The total amount of guarantee provided to any individual entity shall not exceed 20% of the net worth of Comestibles Master Co., Ltd.  $\$1,470,492 \times 20\% = \$294,098$  (in thousands).

**TABLE 3****GOURMET MASTER CO. LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****MARCH 31, 2019****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Price	
Comestibles Master Co., Ltd.	<u>Bank debentures</u> China Development Bank	NA	Financial asset at amortized cost - non-current	-	\$ 30,892	-	\$ 30,892	
	<u>Shares</u> Tehmag Foods Corporation	NA	Financial assets at fair value through profit or loss - current	660	140,580	1.96	140,580	
	<u>Fund</u> Taishin 1699 Money Market	NA	Financial assets at fair value through profit or loss - current	-	10,107	-	10,107	
Prime Scope Trading Limited and its subsidiaries	<u>Principal protected products</u> Ying Qing series	NA	Financial assets at fair value through profit or loss - current	-	385,607	-	385,607	
	Ju Yi Sheng Jin series	NA	Financial assets at fair value through profit or loss - current	-	678,174	-	678,174	
	<u>Non-principal protected products</u> Bubu Sheng Jin series	NA	Financial assets at fair value through profit or loss - current	-	275,432	-	275,432	
	Zeng Li series	NA	Financial assets at fair value through profit or loss - current	-	828,991	-	828,991	
	Zeng Li series	NA	Financial assets at fair value through profit or loss - non-current	-	967,767	-	967,767	
	<u>Guaranteed products</u> Structured products	NA	Financial asset at amortized cost - current	-	293,120	-	293,120	
	Negotiable certificates of deposit for 3 years	NA	Financial asset at amortized cost - non-current	-	799,210	-	799,210	

TABLE 4

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Prime Scope Trading Limited and its subsidiaries	Principal protected products Ju Yi Sheng Jin series	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	-	\$ 678,174	-	\$ -	\$ -	\$ -	-	\$ 678,174
	Non-principal protected products Bubu Sheng Jin series	Financial assets at fair value through profit or loss - current	-	-	-	803,964	-	884,627	-	-	1,413,159	-	-	275,432
	Guaranteed products Structured products	Financial asset at amortized cost - current	-	-	-	742,352	-	17,928	-	-	467,160	-	-	293,120

**TABLE 5**

**GOURMET MASTER CO. LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2019  
(In Thousands of New Taiwan Dollars)**

Seller	Related Party	Relationship	Transaction Detail				Abnormal Transaction	Notes/Accounts Payable or Receivable				Note
			Purchases/ Sales	Amount	% of Total	Payment Term	Unit Price	Payment Term	Account	Ending Balance	% of Total	
Jin Wei Industrial (Shanghai) Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	Parent company	Sales	\$ 202,655	13	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	\$ 101,203	17	Note
	He-Shia Food & Beverage Ltd.	Affiliated company	Sales	179,505	12	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	79,256	13	Note
	He-Shia (Nanjing) Food & Beverage Ltd.	Affiliated company	Sales	313,741	21	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	134,517	22	Note
	Zhejiang 85 Food & Beverage Ltd.	Affiliated company	Sales	133,304	9	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	53,193	9	Note
	Xiamen 85 Food & Beverage Ltd.	Affiliated company	Sales	145,827	10	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	58,798	10	Note
	Shenzheng 85 Food & Beverage Ltd.	Affiliated company	Sales	110,328	7	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	43,771	7	Note
85 Degree (Jiangsu) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	424,249	96	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	150,923	94	Note
Perfect 85 Degrees C, Inc.	WinPin 85 Investments, LLC	Affiliated company	Sales	471,116	93	30 days	Based on the Group’s transfer pricing policy	-	Trade receivables	134,648	86	Note

Note: Transactions have been written off in these consolidated financial statements.



**TABLE 6**

**GOURMET MASTER CO. LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**MARCH 31, 2019**  
**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Affiliated company	\$ 100,000	(Note)	\$ -	-	\$ -	\$ -
Shanghai Gourmet Master Food & Beverage Ltd.	85 Degree (Jiangsu) Food Ltd.	Affiliated company	274,800	(Note)	-	-	-	-
Jin Wei Industrial (Shanghai) Ltd.	Shanghai Gourmet Master Food & Beverage Ltd. He-Shia (Nanjing) Food & Beverage Ltd.	Parent company	101,203	7.73	-	-	-	-
		Affiliated company	134,517	9.11	-	-	-	-
He-Shia Food & Beverage Ltd.	Prime Scope Trading Limited Shanghai Gourmet Master Food & Beverage Ltd.	Parent company	137,400	(Note)	-	-	-	-
		Affiliated company	125,977	(Note)	-	-	-	-
He-Shia (Nanjing) Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	Affiliated company	210,134	(Note)	-	-	-	-
85 Degree (Jiangsu) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	150,923	9.58	-	-	-	-
Xiamen 85 Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	Affiliated company	108,934	(Note)	-	-	-	-
Perfect 85 Degrees C, Inc.	WinPin 85 Investments, LLC	Parent company	134,648	12.74	-	-	-	-

Note: The ending balance is primarily comprised of other receivables, which are not applicable in the calculation of the turnover ratio.

**TABLE 7****GOURMET MASTER CO. LTD. AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2019****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
1	Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd. Prime Scope Trading Limited	c c	Other receivables	\$ 100,000	Financing provided, annual interest rate 1%	-
				Other receivables	87,479	-	-
2	Mei Wei Master Co., Ltd.	Comestibles Master Co., Ltd. Comestibles Master Co., Ltd.	c c	Purchases	59,859	25 days	1
				Trade payables	66,314	25 days	-
3	Shanghai Gourmet Master Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	202,655	60 days	4
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	101,203	60 days	-
		Prime Scope Trading Limited	c	Other receivables	91,600	Financing provided, annual interest rate 3.5%	-
		Sheng-Pin (Dongguan) Food Ltd.	c	Other receivables	91,600	Financing provided, annual interest rate 2%	-
		85 Degree (Jiangsu) Food Ltd.	c	Other receivables	274,800	Financing provided, annual interest rate 2%	1
		Sheng-Pin (Xiamen) Food Ltd.	c	Other receivables	77,860	Financing provided, annual interest rate 2%	-
		Chengdu 85 Food & Beverage Ltd.	c	Other receivables	45,800	Financing provided, annual interest rate 2%	-
4	He-Shia Food & Beverage Ltd.	Prime Scope Trading Limited	c	Other receivables	137,400	Financing provided, annual interest rate 3.5%	1
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	125,977	-	1
		Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	179,505	60 days	3
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	79,256	60 days	-
5	Beijing 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	69,615	60 days	1
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	27,508	-	-
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	29,541	60 days	-
6	He-Shia (Nanjing) Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	313,741	60 days	5
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	134,517	60 days	1
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	210,134	-	1
7	Zhejiang 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	39,369	60 days	-
		Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	92,718	60 days	2
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	71,392	-	-
8	Fuzhou 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	133,304	60 days	2
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	53,193	60 days	-
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	96,877	-	-

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
9	Xiamen 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	\$ 145,827	60 days	3
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	58,798	60 days	-
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	108,934	-	-
10	Shenzheng 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	110,328	60 days	2
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	43,771	60 days	-
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	84,832	-	-
11	Chengdu 85 Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	37,391	-	-
		Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	62,823	60 days	1
12	Wuhan Jing Way Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	31,515	-	-
13	Jin Wei Industrial (Shanghai) Ltd.	Sheng-Pin (Hangzhou) Food Ltd.	c	Purchases	96,559	60 days	2
		Sheng-Pin (Xiamen) Food Ltd.	c	Purchases	53,771	60 days	1
		85 Degree (Jiangsu) Food Ltd.	c	Purchases	424,249	60 days	7
		Sheng-Pin (Hangzhou) Food Ltd.	c	Trade payables	39,885	60 days	-
		85 Degree (Jiangsu) Food Ltd.	c	Trade payables	150,923	60 days	1
14	WinPin 85 Investments, LLC	Perfect 85 Degrees C, Inc.	c	Purchases	471,116	30 days	8
		Perfect 85 Degrees C, Inc.	c	Trade payables	134,648	30 days	1
		Perfect 85 Degrees C, Inc.	c	Selling and marketing expense - others	60,166	-	1
15	Golden 85 Investments, LLC	Perfect 85 Degrees C, Inc.	c	Purchases	34,504	30 days	1
16	Perfect 85 Degrees C, Inc.	WinUS 85C LLC	c	Other receivables	87,955	Financing provided, annual interest rate 3.75%	-
		Comestibles Master Co., Ltd.	c	Trade payables	61,731	60 days	-
		Comestibles Master Co., Ltd.	c	Purchases	59,696	60 days	1
17	85 Degrees Café International Pty. Ltd.	Comestibles Master Co., Ltd.	c	Trade payables	66,763	60 days	-
18	Prime Scope Trading Limited	Jin Wei Industrial (Shanghai) Ltd.	c	Other receivables	56,012	-	-

Note 1: Intercompany relationships and significant intercompany transactions information are noted within the number column as follows:

- Number 0 represents the parent company.
- Number 1 to 16 represents subsidiaries.

Note 2: Parties involved in the transaction have a directional relationship noted by the following:

- “a” represents transactions from parent company to subsidiary.
- “b” represents transactions from subsidiary to parent company.
- “c” represents transactions between subsidiaries.

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

(Concluded)

**TABLE 8**

**GOURMET MASTER CO. LTD. AND SUBSIDIARIES**

**INFORMATION OF INVESTEEES**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**  
**(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Foreign Currencies in Thousands)		As of March 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2019	December 31, 2018	Shares	%	Carrying Amount			
Gourmet Master Co. Ltd.	85 Degree Co. Ltd.	Malaysia	Investment	\$ 553,447	\$ 553,447	12,899,078	100	\$ 1,464,606	\$ 99,905	\$ 99,905	Note 1
	Prime Scope Trading Limited	Hong Kong	Investment	1,441,526 (US\$ 46,743)	1,441,526 (US\$ 46,743)	46,742,963	100	7,762,394	160,139	160,139	
	Perfect 85 Degrees C, Inc.	USA	Manufacturing and sale of baking food	232,917 (US\$ 7,553)	232,917 (US\$ 7,553)	5,301,000	100	1,466,202	60,759	60,759	Note 1
	85 Degrees Café International Pty. Ltd.	Australia	Grocery and drink retail	39,011 (AUD 1,785)	39,011 (AUD 1,785)	1,785,000	51	(43,940)	(10,895)	(5,557)	Notes 1 and 2
	Lucky Bakery Limited	Samoa	Investment	115,297 (US\$ 3,739)	115,297 (US\$ 3,739)	811,000	100	35,791	2,361	2,361	Notes 1 and 2
	WinWin 85C Holding Co., Ltd.	Cayman	Investment	65,071 (US\$ 2,110)	65,071 (US\$ 2,110)	2,110,000	100	44,509	(387)	(387)	Notes 1 and 2
WinWin 85C Holding Co., Ltd.	WinWin 85C LCC	USA	Investment	40,091 (US\$ 1,300)	40,091 (US\$ 1,300)	-	100	32,266	1,060	1,060	Notes 1 and 2
	WinUS 85C LLC	USA	Investment	23,438 (US\$ 760)	23,438 (US\$ 760)	-	100	11,523	(1,264)	(1,264)	Notes 1 and 2
Prime Scope Trading Limited	Wincase Limited	Hong Kong	Grocery and drink retail	134,051 (HK\$ 34,144)	134,051 (HK\$ 34,144)	-	100	15,329	(23)	(23)	Notes 1 and 2
	Worldinn Limited	Hong Kong	Manufacturing and sale of baking food	139,947 (HK\$ 35,646)	139,947 (HK\$ 35,646)	-	100	18,664	888	888	Notes 1 and 2
Perfect 85 Degrees C, Inc.	Golden 85 Investments, LLC	USA	Grocery and drink retail	60,798 (US\$ 1,971)	60,798 (US\$ 1,971)	-	65	55,232	15,850	10,302	Notes 1 and 2
	WinPin 85 Investments, LLC	USA	Grocery and drink retail	271,387 (US\$ 8,800)	271,387 (US\$ 8,800)	-	100	922,646	55,534	55,534	Note 1
85 Degree Co. Ltd.	Comestibles Master Co., Ltd.	Taichung City, Taiwan (R.O.C.)	Grocery and drink retail	493,447	493,447	35,908,727	100	1,470,492	116,838	116,838	
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Taichung City, Taiwan (R.O.C.)	Grocery and drink retail	129,349	129,349	3,155,893	100	(25,822)	(7,234)	(7,234)	
	The Hot Pot Food and Beverage Management Co., Ltd.	Taichung City, Taiwan (R.O.C.)	Grocery and drink retail	58,679	58,679	5,864,660	23	97,504	20,273	4,665	Note 2
Mei Wei Master Co., Ltd.	Mei Wei Fu Xing Ltd.	Taichung City, Taiwan (R.O.C.)	Grocery and drink retail	1,800	1,800	-	60	683	(309)	(185)	Note 2

Note 1: The exchange rate was US\$1=NT\$30.839; RMB1=NT\$4.580; AUD1=NT\$21.855; HK\$1=NT\$3.926 as of March 31, 2019.

Note 2: The carrying amount was based on the net assets of the investee, whose financial statements were not reviewed as of March 31, 2019.

Note 3: For information of investments in mainland China, please refer to Table 9.

TABLE 9

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Foreign Currencies in Thousands) (Note)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2019	Accumulated Repatriation of Investment Income as of March 31, 2019	Note
					Outward	Inward							
Prime Scope Trading Limited													
Shanghai Gourmet Master Food & Beverage Ltd.	Grocery and drink retail	\$ 246,404 (US\$ 7,990)	Direct investment	\$ -	\$ -	\$ -	\$ -	\$ 46,703	100.0	\$ 46,703	\$ 2,245,427	\$ -	Note 1
He-Shia Food & Beverage Ltd.	Grocery and drink retail	67,846 (US\$ 2,200)	Direct investment	-	-	-	-	31,119	100.0	31,119	1,551,748	-	Note 1
Sheng-Pin (Hangzhou) Food Ltd.	Manufacturing and sale of baking food	61,678 (US\$ 2,000)	Direct investment	-	-	-	-	7,318	100.0	7,771	286,877	-	Notes 1 and 2
He-Shia (Nanjing) Food & Beverage Ltd.	Grocery and drink retail	61,678 (US\$ 2,000)	Direct investment	-	-	-	-	28,284	100.0	28,284	1,134,840	-	Note 1
Beijing 85 Food & Beverage Ltd.	Grocery and drink retail	246,712 (US\$ 8,000)	Direct investment	-	-	-	-	2,445	25.0	611	45,090	-	Notes 1 and 2
Zhejiang 85 Food & Beverage Ltd.	Grocery and drink retail	61,678 (US\$ 2,000)	Direct investment	-	-	-	-	2,871	100.0	2,871	209,818	-	Notes 1 and 2
Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baking food	200,454 (US\$ 6,500)	Direct investment	-	-	-	-	(1,062)	61.5	(402)	100,760	-	Notes 1 and 2
Fuzhou 85 Food & Beverage Ltd.	Grocery and drink retail	15,420 (US\$ 500)	Direct investment	-	-	-	-	7,158	100.0	7,158	565,188	-	Note 1
Sheng-Pin (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	138,776 (US\$ 4,500)	Direct investment	-	-	-	-	4,567	100.0	4,567	111,180	-	Notes 1 and 2
Sheng-Pin (Xiamen) Food Ltd.	Manufacturing and sale of baking food	61,678 (US\$ 2,000)	Direct investment	-	-	-	-	(294)	100.0	937	71,067	-	Notes 1 and 2
Sheng-Pin (Qingdao) Food Ltd.	Manufacturing and sale of baking food	77,098 (US\$ 2,500)	Direct investment	-	-	-	-	415	100.0	534	54,120	-	Notes 1 and 2
Xiamen 85 Food & Beverage Ltd.	Grocery and drink retail	30,839 (US\$ 1,000)	Direct investment	-	-	-	-	33,497	100.0	33,497	918,586	-	Note 1
Shenyang 85 Food & Beverage Ltd.	Grocery and drink retail	30,839 (US\$ 1,000)	Direct investment	-	-	-	-	-	100.0	-	148	-	Notes 1 and 2
Sheng-Pin (Shenyang) Food Ltd.	Manufacturing and sale of baking food	123,356 (US\$ 4,000)	Direct investment	-	-	-	-	3,331	100.0	3,331	62,967	-	Notes 1 and 2
85 Degree (Qingdao) Food & Beverage Management Ltd.	Grocery and drink retail	61,678 (US\$ 2,000)	Direct investment	-	-	-	-	(2,219)	100.0	(2,219)	86,320	-	Notes 1 and 2
85 Degree (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	709,297 (US\$ 23,000)	Direct investment	-	-	-	-	5,096	25.0	2,046	197,583	-	Note 1
Shanghai Gourmet Master Food & Beverage Ltd.													
Sheng-Pin (Shanghai) Food Ltd.	Manufacturing and sale of baking food	82,440 (RMB 18,000)	Direct investment	-	-	-	-	20	100.0	20	20,824	-	Notes 1 and 2
Shanghai Howco Jing Way Food & Beverage Ltd.	Grocery and drink retail	9,160 (RMB 2,000)	Direct investment	-	-	-	-	622	100.0	622	21,053	-	Notes 1 and 2
Shenzhen 85 Food & Beverage Ltd.	Grocery and drink retail	61,203 (RMB 13,363)	Direct investment	-	-	-	-	5,663	85.0	4,814	165,378	-	Notes 1 and 2
Chengdu 85 Food & Beverage Ltd.	Grocery and drink retail	121,782 (RMB 26,590)	Direct investment	-	-	-	-	(5,994)	100.0	(5,994)	76,882	-	Notes 1 and 2

(Continued)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Foreign Currencies in Thousands) (Note)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2019	Accumulated Repatriation of Investment Income as of March 31, 2019	Note
					Outward	Inward							
Sheng-Pin (Wuhan) Food Ltd.	Manufacturing and sale of baking food	\$ 73,280 (RMB 16,000)	Direct investment	\$ -	\$ -	\$ -	\$ -	\$ 4,245	100.0	\$ 4,339	\$ 48,285	\$ -	Notes 1 and 2
Wuhan Jing Way Food & Beverage Ltd.	Grocery and drink retail	210,680 (RMB 46,000)	Direct investment	-	-	-	-	(2,321)	57.0	(1,311)	81,945	-	Notes 1 and 2
Jianxi Jing Way Food & Beverage Ltd.	Grocery and drink retail	27,480 (RMB 6,000)	Direct investment	-	-	-	-	(1)	100.0	(1)	870	-	Notes 1 and 2
Jin Wei Industrial (Shanghai) Ltd.	Grocery sale	9,160 (RMB 2,000)	Direct investment	-	-	-	-	25,393	100.0	25,927	239,261	-	Note 1
Guangzhou 85 Degree Food & Beverage Management Ltd.	Grocery and drink retail	73,280 (RMB 16,000)	Direct investment	-	-	-	-	(6,684)	100.0	(6,684)	44,738	-	Notes 1 and 2
Mai-Jia (Chengdu) Food Ltd.	Manufacturing and sale of baking food	113,355 (RMB 24,750)	Direct investment	-	-	-	-	(196)	100.0	47	101,204	-	Notes 1 and 2
85 Degree (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	709,297 (US\$ 23,000)	Direct investment	-	-	-	-	5,096	75.0	6,078	676,948	-	Note 1
Jia Ding Jing Way Food & Beverage Ltd.	Grocery and drink retail	4,580 (RMB 1,000)	Direct investment	-	-	-	-	744	100.0	744	11,610	-	Notes 1 and 2
Kunshan 85 Food & Beverage Ltd.	Grocery and drink retail	45,800 (RMB 10,000)	Direct investment	-	-	-	-	594	100.0	594	51,362	-	Notes 1 and 2
Sheng-Pin (Dongguan) Food Ltd.	Manufacturing and sale of baking food	320,600 (RMB 70,000)	Direct investment	-	-	-	-	(1,680)	100.0	(1,237)	317,692	-	Notes 1 and 2
Shenzheng 85 Food & Beverage Ltd.	Manufacturing and sale of baking food	29,770 (RMB 6,500)	Direct investment	-	-	-	-	7	85.0	7	7	-	Notes 1 and 2
Sheng-Pin (Shenzheng) Food Ltd.													
85 Degree (Qingdao) Food & Beverage Management Ltd.	Grocery and drink retail	6,870 (RMB 1,500)	Direct investment	-	-	-	-	192	100.0	192	7,921	-	Notes 1 and 2
Qingdao Jie Wei Food & Beverage Management Ltd.													
He-Shia Food & Beverage Ltd.	Grocery and drink retail	210,680 (RMB 46,000)	Direct investment	-	-	-	-	(2,321)	43.0	(1,009)	63,034	-	Notes 1 and 2
Wuhan Jing Way Food & Beverage Ltd.													
Beijing 85 Food & Beverage Ltd.	Grocery and drink retail	246,712 (US\$ 8,000)	Direct investment	-	-	-	-	2,445	75.0	1,833	135,269	-	Notes 1 and 2
Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baking food	200,454 (US\$ 6,500)	Direct investment	-	-	-	-	(1,062)	38.5	(252)	63,078	-	Notes 1 and 2

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
NA	NA	NA

Note 1: The exchange rate was US\$1=NT\$30.839, RMB1=NT\$4.580 as of March 31, 2019.

Note 2: The carrying amount was based on the net assets of the investee, whose financial statements were not reviewed as of March 31, 2019.

(Concluded)