

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2019 and 2018 and  
Independent Auditors' 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 September 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the nine months then ended, and related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 September 30, 2019 and 2018, its consolidated financial performance for the three months ended September 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 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 Ruei-Cyuan Chih and Li-Huang Lee.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 7, 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	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 2,767,690	12	\$ 2,064,104	13	\$ 2,138,450	13
Financial assets at fair value through profit or loss - current (Note 7)	158,306	1	2,211,574	14	2,272,266	14
Financial assets at amortized cost - current (Notes 8 and 33)	2,048,687	9	938,671	6	1,326,561	8
Notes receivable	2,701	-	2,420	-	2,884	-
Trade receivables (Notes 10, 24 and 32)	326,832	1	312,711	2	332,135	2
Finance lease receivables (Note 9)	72,513	-	-	-	-	-
Other receivables (Note 32)	102,976	1	84,033	-	80,330	1
Current tax assets	103,702	1	140,450	1	180,346	1
Inventories (Note 11)	772,394	3	761,614	5	721,559	5
Prepayments (Note 18)	211,133	1	429,798	2	446,408	3
Other current assets (Note 18)	6,681	-	23,021	-	18,774	-
Total current assets	6,573,615	29	6,968,396	43	7,519,713	47
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7)	941,758	4	934,085	6	915,552	6
Financial assets at amortized cost - non-current (Notes 8)	1,031,602	5	766,431	5	30,606	-
Investments accounted for using equity method (Note 13)	87,410	-	92,839	1	83,386	1
Property, plant and equipment (Notes 14 and 33)	5,841,657	26	6,143,860	38	6,296,067	39
Right-of-use assets (Note 15)	6,736,537	30	-	-	-	-
Investment properties (Notes 16 and 33)	198,214	1	203,722	1	204,990	1
Intangible assets (Note 17)	46,768	-	47,018	-	44,899	-
Deferred tax assets	146,552	1	110,334	1	102,163	1
Prepaid equipment (Note 18)	259,734	1	227,084	1	124,251	1
Refundable deposits (Note 18)	442,953	2	478,856	3	477,056	3
Long-term finance lease receivables (Note 9)	114,708	1	-	-	-	-
Other non-current assets (Note 18)	1,466	-	193,058	1	193,229	1
Total non-current assets	15,849,359	71	9,197,287	57	8,472,199	53
TOTAL	\$ 22,422,974	100	\$ 16,165,683	100	\$ 15,991,912	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowing (Notes 19 and 33)	\$ 406,262	2	\$ 405,498	3	\$ 591,945	4
Contract liabilities - current (Note 24)	1,535,363	7	1,416,158	9	1,447,486	9
Notes payable	3,567	-	1,023	-	3,999	-
Trade payables (Note 20)	1,479,071	7	1,547,497	10	1,179,733	8
Other payables (Notes 21 and 32)	1,368,638	6	1,512,240	9	1,629,772	10
Current tax liabilities	138,201	1	177,690	1	209,499	1
Lease liabilities - current (Note 15)	1,918,459	8	-	-	-	-
Deferred revenue - current (Notes 21 and 28)	1,908	-	1,962	-	1,946	-
Current portion of long-term borrowings (Notes 19, 32 and 33)	159,989	1	159,600	1	152,576	1
Other current liabilities (Note 21)	44,593	-	47,301	-	45,427	-
Total current liabilities	7,056,051	32	5,268,969	33	5,262,383	33
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 19, 32 and 33)	-	-	-	-	158,684	1
Decommission, restoration and rehabilitation provisions (Note 21)	99,076	-	91,974	-	150,490	1
Deferred tax liabilities	131,045	1	148,046	1	126,258	1
Lease liabilities - non-current (Note 15)	4,788,296	21	-	-	-	-
Deferred revenue - non-current (Notes 21 and 28)	9,383	-	11,117	-	11,514	-
Guarantee deposits received (Note 21)	177,215	1	167,650	1	160,619	1
Total non-current liabilities	5,205,015	23	418,787	2	607,565	4
Total liabilities	12,261,066	55	5,687,756	35	5,869,948	37
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)						
Share capital	1,800,000	8	1,800,000	11	1,800,000	11
Capital surplus						
Additional paid-in capital	2,376,605	10	2,369,956	15	2,369,956	15
Retained earnings						
Reserve	1,145,453	5	978,691	6	978,691	6
Special reserve	317,687	2	227,788	2	227,788	1
Unappropriated earnings	5,013,028	22	5,395,920	33	5,104,333	32
Total retained earnings	6,476,168	29	6,602,399	41	6,310,812	39
Other equity	(487,344)	(2)	(317,687)	(2)	(381,150)	(2)
Total equity attributable to owners of the Company	10,165,429	45	10,454,668	65	10,099,618	63
NON-CONTROLLING INTERESTS	(3,521)	-	23,259	-	22,346	-
Total equity	10,161,908	45	10,477,927	65	10,121,964	63
TOTAL	\$ 22,422,974	100	\$ 16,165,683	100	\$ 15,991,912	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 September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 37)	\$ 5,886,272	100	\$ 5,974,753	100	\$ 17,404,088	100	\$ 18,255,064	100
OPERATING COSTS (Notes 11 and 25)	<u>(2,405,146)</u>	<u>(41)</u>	<u>(2,496,291)</u>	<u>(42)</u>	<u>(7,010,913)</u>	<u>(40)</u>	<u>(7,521,795)</u>	<u>(41)</u>
GROSS PROFIT	<u>3,481,126</u>	<u>59</u>	<u>3,478,462</u>	<u>58</u>	<u>10,393,175</u>	<u>60</u>	<u>10,733,269</u>	<u>59</u>
OPERATING EXPENSES (Note 25)								
Selling and marketing expenses	(2,789,991)	(47)	(2,771,357)	(46)	(8,345,122)	(48)	(8,098,471)	(45)
General and administrative expenses	(261,669)	(5)	(235,715)	(4)	(776,346)	(5)	(728,842)	(4)
Research and development expenses	(9,320)	-	(8,622)	-	(26,811)	-	(26,234)	-
Expected credit loss (Note 10)	<u>6,277</u>	<u>-</u>	<u>(40,384)</u>	<u>(1)</u>	<u>6,277</u>	<u>-</u>	<u>(51,297)</u>	<u>-</u>
Total operating expenses	<u>(3,054,703)</u>	<u>(52)</u>	<u>(3,056,078)</u>	<u>(51)</u>	<u>(9,142,002)</u>	<u>(53)</u>	<u>(8,904,844)</u>	<u>(49)</u>
OPERATING INCOME	<u>426,423</u>	<u>7</u>	<u>422,384</u>	<u>7</u>	<u>1,251,173</u>	<u>7</u>	<u>1,828,425</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES (Notes 25, 28 and 32)								
Other income	71,979	1	94,050	2	244,052	1	261,072	2
Other gains and losses	(62,958)	(1)	(59,475)	(1)	(149,747)	(1)	(121,324)	(1)
Finance costs	(63,160)	(1)	(8,038)	-	(193,856)	(1)	(21,121)	-
Share of profit of associates and joint ventures	<u>2,644</u>	<u>-</u>	<u>3,359</u>	<u>-</u>	<u>8,654</u>	<u>-</u>	<u>10,713</u>	<u>-</u>
Total non-operating income and expenses	<u>(51,495)</u>	<u>(1)</u>	<u>29,896</u>	<u>1</u>	<u>(90,897)</u>	<u>(1)</u>	<u>129,340</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	374,928	6	452,280	8	1,160,276	6	1,957,765	11
INCOME TAX EXPENSE (Note 26)	<u>(132,787)</u>	<u>(2)</u>	<u>(113,064)</u>	<u>(2)</u>	<u>(388,748)</u>	<u>(2)</u>	<u>(589,307)</u>	<u>(3)</u>
NET PROFIT FOR THE PERIOD	<u>242,141</u>	<u>4</u>	<u>339,216</u>	<u>6</u>	<u>771,528</u>	<u>4</u>	<u>1,368,458</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Exchange differences arising on translation to the presentation currency	(394,196)	(7)	(349,224)	(6)	(279,371)	(2)	(284,828)	(2)
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	<u>119,143</u>	<u>2</u>	<u>118,601</u>	<u>2</u>	<u>107,547</u>	<u>1</u>	<u>128,655</u>	<u>1</u>
Total other comprehensive income	<u>(275,053)</u>	<u>(5)</u>	<u>(230,623)</u>	<u>(4)</u>	<u>(171,824)</u>	<u>(1)</u>	<u>(156,173)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ (32,912)</u>	<u>(1)</u>	<u>\$ 108,593</u>	<u>2</u>	<u>\$ 599,704</u>	<u>3</u>	<u>\$ 1,212,285</u>	<u>7</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 September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE								
TO:								
Owners of the Company	\$ 238,396	4	\$ 357,623	6	\$ 770,824	4	\$ 1,376,037	8
Non-controlling interests	<u>3,745</u>	-	<u>(18,407)</u>	-	<u>704</u>	-	<u>(7,579)</u>	-
	<u>\$ 242,141</u>	<u>4</u>	<u>\$ 339,216</u>	<u>6</u>	<u>\$ 771,528</u>	<u>4</u>	<u>\$ 1,368,458</u>	<u>8</u>
TOTAL COMPREHENSIVE								
INCOME ATTRIBUTABLE								
TO:								
Owners of the Company	\$ (33,931)	(1)	\$ 130,103	2	\$ 601,167	3	\$ 1,222,675	7
Non-controlling interests	<u>1,019</u>	-	<u>(21,510)</u>	-	<u>(1,463)</u>	-	<u>(10,390)</u>	-
	<u>\$ (32,912)</u>	<u>(1)</u>	<u>\$ 108,593</u>	<u>2</u>	<u>\$ 599,704</u>	<u>3</u>	<u>\$ 1,212,285</u>	<u>7</u>
EARNINGS PER SHARE (Note								
27)								
Basic	<u>\$ 1.32</u>		<u>\$ 1.99</u>		<u>\$ 4.28</u>		<u>\$ 7.64</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 Exchange Differences on Translating Foreign Operations	Total	Non-controlling Interests	Total Equity
	Shares (Thousand)	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings				
				Legal Reserve	Special Reserve					
BALANCE AT 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
Appropriation of 2017 earning										
Reserve	-	-	-	213,808	-	(213,808)	-	-	-	-
Special reserve	-	-	-	-	132,716	(132,716)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(977,962)	-	(977,962)	-	(977,962)
Share dividends distributed by the Company	707	7,070	-	-	-	(7,070)	-	-	-	-
Other changes in capital surplus										
Issuance of share dividends from capital surplus	16,299	162,994	(162,994)	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(39,217)	(39,217)
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	1,376,037	-	1,376,037	(7,579)	1,368,458
Other comprehensive income (loss) for the nine months ended September 30, 2018, net of income tax	-	-	-	-	-	-	(153,362)	(153,362)	(2,811)	(156,173)
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	1,376,037	(153,362)	1,222,675	(10,390)	1,212,285
BALANCE AT SEPTEMBER 30, 2018	180,000	\$ 1,800,000	\$ 2,369,956	\$ 978,691	\$ 227,788	\$ 5,104,333	\$ (381,150)	\$ 10,099,618	\$ 22,346	\$ 10,121,964
BALANCE AT 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	180,000	1,800,000	2,369,956	978,691	227,788	5,398,865	(317,687)	10,457,613	23,780	10,481,393
Appropriation of 2018 earning										
Reserve	-	-	-	166,762	-	(166,762)	-	-	-	-
Special reserve	-	-	-	-	89,899	(89,899)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(900,000)	-	(900,000)	-	(900,000)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(25,838)	(25,838)
Donations from shareholders	-	-	6,649	-	-	-	-	6,649	-	6,649
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	770,824	-	770,824	704	771,528
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	(169,657)	(169,657)	(2,167)	(171,824)
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	770,824	(169,657)	601,167	(1,463)	599,704
BALANCE AT SEPTEMBER 30, 2019	180,000	\$ 1,800,000	\$ 2,376,605	\$ 1,145,453	\$ 317,687	\$ 5,013,028	\$ (487,344)	\$ 10,165,429	\$ (3,521)	\$ 10,161,908

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 Nine Months Ended September 30	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,160,276	\$ 1,957,765
Adjustments for:		
Depreciation expenses	2,610,341	885,610
Amortization expenses	17,673	17,040
Expected credit loss (reversed) recognized on trade receivables	(6,277)	51,297
Net (gain) loss on fair value change of financial assets/liabilities at fair value through profit or loss	(20,173)	9,407
Finance costs	193,856	21,121
Interest income	(148,664)	(149,882)
Dividend income	(7,260)	(6,930)
Share of profit of associates and joint ventures	(8,654)	(10,713)
Loss on disposal of property, plant and equipment	79,296	34,936
Loss on disposal of intangible assets	-	1
Impairment loss of non-financial assets	9,015	6,753
Amortization of prepayments for leases	-	3,899
Government grants	(1,476)	(1,517)
Changes in operating assets and liabilities		
Notes receivable	(281)	(976)
Trade receivables	(6,156)	(25,168)
Other receivables	5,163	22,318
Inventories	(15,446)	40,452
Prepayments	36,133	18,499
Other current assets	16,340	(1,003)
Other operating assets	1,695	216
Contract liabilities	119,205	89,880
Notes payable	2,544	2,641
Trade payables	(68,426)	(92,289)
Other payables	30,297	(70,595)
Provisions	7,102	30,682
Other current liabilities	(2,708)	376
Cash generated from operations	4,003,415	2,833,820
Interest paid	(195,221)	(19,973)
Income taxes paid	(445,805)	(568,803)
Net cash generated from operating activities	<u>3,362,389</u>	<u>2,245,044</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	(1,525,467)	(6,021,286)
Proceeds from sale of financial assets at fair value through profit or loss	3,648,755	6,841,197
Purchase of financial assets at amortized cost	(2,466,277)	(1,267,812)

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# GOURMET MASTER CO. LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
Proceeds from redemption of financial assets at amortized cost	998,323	183,044
Payments for property, plant and equipment	(585,845)	(1,010,260)
Proceeds from disposal of property, plant and equipment	4,657	32,343
Increase in refundable deposits	(50,509)	(85,157)
Decrease in refundable deposits	38,418	64,309
Payments for intangible assets	(17,896)	(16,234)
Decrease in finance lease receivables	50,747	-
Increase in prepayments for equipment	(254,896)	(442,244)
Increase in prepayments for leases	-	(18,476)
Interest received	53,066	118,391
Dividend received from associates	14,083	15,257
Dividend received from others	<u>7,260</u>	<u>6,930</u>
Net cash used in investing activities	<u>(85,581)</u>	<u>(1,599,998)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	222,306	266,682
Repayments of short-term borrowings	(222,306)	(471,639)
Repayments of long-term borrowings	-	(90,051)
Proceeds from guarantee deposits received	26,096	14,508
Refund of guarantee deposits received	(15,021)	(3,784)
Repayment of the principal portion of lease liabilities	(1,529,955)	-
Dividends paid to owners to the Company	(900,000)	(977,962)
Dividends paid to non-controlling interests	(25,838)	(39,217)
Donations from shareholders	<u>6,649</u>	<u>-</u>
Net cash used in financing activities	<u>(2,438,069)</u>	<u>(1,301,463)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(135,153)</u>	<u>5</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	703,586	(656,412)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>2,064,104</u>	<u>2,794,862</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 2,767,690</u>	<u>\$ 2,138,450</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 NINE MONTHS ENDED SEPTEMBER 30, 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 November 8, 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), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

Except for the following, whenever applied, 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 would not have any material impact on the Group’s accounting policies:

- 1) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures,” were amended in this annual improvement.

- 2) IFRS 9 “Financial Instruments” and related amendment

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

## Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2019, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2019.

	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
<u>Financial assets</u>					
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 2,794,862	\$ 2,794,862	
Equity securities	Held-for-trading	Mandatorily at FVTPL	155,100	155,100	
Mutual funds	Held-for-trading	Mandatorily at FVTPL	10,048	10,048	
Debt securities	Held-to-maturity investments	Amortized cost	29,847	29,847	a)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	3,868,551	3,868,551	a)
Restricted bank deposits	Loans and receivables	Amortized cost	203,522	203,522	a)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	494,392	494,392	b)
<u>Financial liabilities</u>					
Derivatives	Held-for-trading	Held-for-trading	3,134	3,134	
Short-term loan, notes payable, accounts payable, other payables, current portion of long-term borrowings and long-term borrowings	Amortized cost	Amortized cost	3,440,180	3,440,180	

- a) Debt investments previously classified as held-to-maturity financial assets/debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2019, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.
- b) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

### 3) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2019 and recognize the cumulative effect of the change in retained earnings on January 1, 2019.

Impact on assets, liabilities and equity for current period

	<b>January 1, 2019 As Originally Stated</b>	<b>Adjustments Arising from Initial Application</b>	<b>January 1, 2019 Restated</b>
Contract liabilities - current	\$ -	\$ 1,357,606	\$ 1,357,606
Advance receipts	1,230,587	(1,230,587)	-
Deferred revenue - current	<u>129,022</u>	<u>(127,019)</u>	<u>2,003</u>
Total effect on liabilities	<u>\$ 1,359,609</u>	<u>\$ -</u>	<u>\$ 1,359,609</u>

4) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Prior to the amendment, in assessing a deferred tax asset, the Group assumed that it will recover the asset at its carrying amount when estimating probable future taxable profit. The Group applied the above amendments retrospectively in 2019.

5) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2019 within the scope of the Interpretation.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2019

<b>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2018 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2019.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

#### 1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

##### Definition of a lease

Upon initial application of IFRS 16, the Group will elect 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 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

##### The Group as lessee

Upon initial application of IFRS 16, the Group will recognize 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 and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present 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 will be classified within financing activities; cash payments for the interest portion will be classified within operating activities.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

## 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 will have 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 will recognize 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 shall, 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 will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

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

IFRS 9 stipulated 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 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 explained 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 will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

## 5) Annual Improvements to IFRSs 2015-2018 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.

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.

- c. 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 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.

- 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.

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 POLICY**

- 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 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 which 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 13, Tables 7 and 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

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

1) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.



Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

i. Measurement categories

2019

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i) Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

ii) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and others, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial assets, except for:

- Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- Financial assets that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

## 2018

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, and loans and receivables.

### i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Determination of fair value measurement, please see Note 32.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

### ii) Held-to-maturity investments

Corporate bonds, which are above specific credit ratings and which the Group has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

### iii) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalents and debt investments with no active market) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Impairment of financial assets

2019

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group always recognizes lifetime expected credit loss (i.e. ECL) for trade receivables and lease receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

2018

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as trade receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 60 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

### iii. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2019, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2019, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## b) Financial liabilities

### i. Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on such financial liability.

### ii. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

c) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Before 2019, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2019, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

2) Revenue recognition

2019

The Group identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

a) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of beverages, cake, bread and other goods. For sales of goods through its own retail outlets, revenue is recognized when the customer purchases the goods at the retail outlet. When the customer purchases the gift vouchers and stored - value cards, the transaction price received is recognized as a contract liability until the gift vouchers and stored-value-cards have been redeemed.

Under Customer Loyalty Programme, the Group offers award credits which can be used in future purchases when the customer buying goods. The award credits provide a material right to the customer. Transaction price allocated to the award credits are recognized as contract liability when collected and will be recognized as revenue when the award credits have been redeemed or has expired.

b) Licensing revenue

For the franchise license contract, it is the Group's customary business practice to undertake activities that will assist the franchisee selecting store location, staff training and the technical authorization of store management, etc. The nature of franchise license is to provide franchise stores access to intellectual property as it exists at the point in time at which the license is granted. The franchise fee is recognized as revenue when the Group completes the obligations of the license.

2018

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

a) Revenue from the sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- i. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ii. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- iii. The amount of revenue can be measured reliably;
- iv. It is probable that the economic benefits associated with the transaction will flow to the Group; and
- v. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The sale of goods that results in award credits for customers under the Group's award scheme is accounted for as a multiple element revenue transaction, and the fair value of the consideration received or receivable is allocated between the goods supplied and the award with credits granted. The consideration allocated to the award credits is measured with reference to their fair value, i.e. the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transactions but is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

b) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement and provided that it is probable that the economic benefits will flow to the Group and that the amount of revenue can be measured reliably. Royalties are recognized when the Group has no further obligation to the franchisee. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

c) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

### 3) 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 consistent with the accounting for the transaction itself which gives rise to the tax consequence, and 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

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	\$ 66,009	\$ 81,321	\$ 69,208
Checking accounts and demand deposits	1,956,722	2,126,235	2,000,387
Cash equivalent			
Time deposits with original maturities less than three months	<u>115,719</u>	<u>587,306</u>	<u>1,092,612</u>
	<u>\$ 2,138,450</u>	<u>\$ 2,794,862</u>	<u>\$ 3,162,207</u>

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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial assets at FVTPL - current</u>			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts (b)	<u>\$ 3,368</u>	<u>\$ -</u>	<u>\$ -</u>
Non-derivative financial assets			
Domestic quoted shares	-	155,100	147,840
Mutual funds	<u>-</u>	<u>10,048</u>	<u>10,037</u>
	<u>3,368</u>	<u>165,148</u>	<u>157,877</u>

(Continued)

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Domestic quoted shares	\$ 138,270	\$ -	\$ -
Mutual funds	10,080	-	-
Principal protected structured products	354,880	-	-
Non-principal protected structured products (a)	<u>1,765,668</u>	<u>-</u>	<u>-</u>
	<u>2,268,898</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,272,266</u>	<u>\$ 165,148</u>	<u>\$ 157,877</u>

Financial assets at FVTPL - non-current

Financial assets mandatorily classified as at FVTPL

Non-derivative financial assets

Non-principal protected structured products

(a)

\$ 915,552	\$ -	\$ -
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Financial liabilities - current

Financial liabilities held for trading

Derivative financial liabilities (not under hedge accounting)

Foreign exchange forward contracts (b)

\$ -	\$ 3,134	\$ 11,031
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(Concluded)

- Non-principal protected products are mainly for the financial product issued by bank in China. The total subscription amount is RMB584,750 thousand as of September 30, 2019.
- 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>September 30, 2019</u>			
Buy	RMB/USD	2018.11.01-2019.10.31	RMB33,666/USD5,000
<u>December 31, 2018</u>			
Buy	RMB/USD	2018.11.1.-2019.10.31	RMB33,666/USD5,000
<u>September 30, 2018</u>			
Buy	RMB/USD	2016.10.31-2018.11.02	RMB34,286/USD5,000
Buy	RMB/USD	2016.11.03-2018.10.31	RMB20,541/USD3,000
Buy	RMB/USD	2016.12.27-2018.12.29	RMB21,101/USD3,000



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 - 2019

**September 30,  
2019**

### Current

Domestic investments	
Time deposits with original maturity of more than 3 months (a)	\$ 234,463
Restricted bank deposit	47,132
Foreign investments	
Time deposits with original maturity of more than 3 months (a)	31,340
Structured products (b)	<u>1,013,626</u>
	<u>\$ 1,326,561</u>

### Non-current

Foreign investments	
Bonds investment - China Development Bank (c)	<u>\$ 30,606</u>

- a. As of September 30, 2019, the interest rates of the time deposits with original maturity more than 3 months were 0.6%-2.69%. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Note 3 and Note 10 for information relating to their reclassification and comparative information for 2018.
- b. As of September 30, 2019, the interest rates of the structured products were 3.67%-4.35%.
- c. 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). The bonds were classified as held-to-maturity financial assets under IAS 39. Refer to Note 3 and Note 9 for information relating to their reclassification and comparative information for 2018.
- d. Refer to Note 34 for information relating to investments in financial assets at amortized cost pledged as security.

## 9. HELD-TO-MATURITY FINANCIAL ASSETS - 2018

**December 31,      September 30,  
2018                      2018**

### Non-current

Foreign investment		
Bonds investment - China Development Bank	<u>\$ 29,847</u>	<u>\$ 30,359</u>

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).

# **10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2018**

	December 31, 2018	September 30, 2018
<u>Current</u>		
Restricted bank deposit	\$ 62,471	\$ 29,151
Time deposits with original maturity more than 3 months (a)	<u>3,640,301</u>	<u>2,645,874</u>
	<u>\$ 3,702,772</u>	<u>\$ 2,675,025</u>
<u>Non-current</u>		
Restricted bank deposit	\$ 141,051	\$ 146,280
Time deposits with original maturity more than 3 months (a)	<u>228,250</u>	<u>45,510</u>
	<u>\$ 369,301</u>	<u>\$ 191,790</u>

- a. As of December 31, 2018, the market interest rates of the time deposits with original maturities more than 3 months were 0.65%-5%.
- b. Refer to Note 34 for information relating to bond investments with no active market pledged as security.

# **11. NOTES RECEIVABLE AND TRADE RECEIVABLES**

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Notes receivable</u>			
Operating	\$ 2,884	\$ 1,908	\$ 5,648
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,884</u>	<u>\$ 1,908</u>	<u>\$ 5,648</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 387,070	\$ 361,902	\$ 378,942
Less: Allowance for impairment loss	<u>(54,935)</u>	<u>(5,606)</u>	<u>(4,477)</u>
	<u>\$ 332,135</u>	<u>\$ 356,296</u>	<u>\$ 374,465</u>

a. Notes receivable

For the nine months ended September 30, 2019

The aging of notes receivable was as following:

September 30, 2019

	1 to 60 Days	61-90 Days	91-180 Days	181-360 Days	Over 361 Days	Total
Amortized cost	\$ 2,884	\$ -	\$ -	\$ -	\$ -	\$ 2,884

The Group has no notes receivable that were past due at the end of the reporting period but have not been recognized on allowance for impairment. Based on the past experience, there were no impairment loss, it is expected the rate of credit impairment is 0%.

For the nine months ended September 30, 2018

The aging of notes receivable was as follows:

	December 31, 2018	September 30, 2018
1 to 60 day	\$ 1,235	\$ 5,648
61 to 90 day	417	-
91 to 180 day	256	-
181 to 360 day	-	-
Over 361 days	-	-
	<u>\$ 1,908</u>	<u>\$ 5,648</u>

The Group has no notes receivable that were past due at the end of the reporting period but have not been recognized on allowance for impairment. The Group did not recognize any allowance for doubtful debts during January 1, 2018 to September 30, 2018.

b. Trade receivables

For the nine months ended September 30, 2019

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

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. 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 over 361 days past due, 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.

September 30, 2019

	<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 361 Days</b>	<b>Total</b>
Gross carrying amount	\$ 327,630	\$ 9,009	\$ 28,121	\$ 11,049	\$ 11,261	\$ 387,070
Loss allowance (Lifetime ECL)	<u>(1,386)</u>	<u>(6,716)</u>	<u>(25,102)</u>	<u>(10,962)</u>	<u>(10,769)</u>	<u>(54,935)</u>
Amortized cost	<u>\$ 326,244</u>	<u>\$ 2,293</u>	<u>\$ 3,019</u>	<u>\$ 87</u>	<u>\$ 492</u>	<u>\$ 332,135</u>

The Group's expected credit loss rate, the aging less than 360 days is 1% to 100%, over 361 day is 100%.

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

	<b>For the Nine Months Ended September 30, 2019</b>
Balance at January 1, 2019 per IAS 39	\$ 5,606
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2019 per IFRS 9	5,606
Add: Net remeasurement of loss allowance	51,297
Foreign exchange gains and losses	<u>(1,968)</u>
Balance at September 30, 2019	<u>\$ 54,935</u>

For the nine months ended September 30, 2018

The Group applied the same credit policy in 2019 and 2018. The Group recognized an allowance for impairment loss of 100% against all receivables over 60 days because historical experience was that receivables that are past due beyond 60 days are not recoverable. Allowance for impairment loss was recognized against trade receivables between 1 days and 60 days based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For some trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts (which included interest accrued after the receivable was more than X days outstanding) were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of trade receivables was as follows:

	<b>December 31, 2018</b>	<b>September 30, 2018</b>
1 day to 60 days	\$ 342,532	\$ 366,944
61 days to 90 days	5,899	4,889
91 days to 180 days	3,332	326
181 days to 360 days	5,347	2,338
Over 361 days	<u>4,792</u>	<u>4,445</u>
	<u>\$ 361,902</u>	<u>\$ 378,942</u>

The above aging schedule was based on the number of past due days from the invoice date.

The aging of receivables that were past due but not impaired was as follows:

	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Less than 90 days	\$ 14,384	\$ 11,071
91 to 180 days	3,332	326
181 to 360 days	466	1,754
Over 361 days	<u>4,067</u>	<u>552</u>
	<u>\$ 22,249</u>	<u>\$ 13,703</u>

The above aging schedule was based on the number of past due days from the invoice date.

The movements of the allowance for doubtful trade receivables were as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2018	\$ 3,400	\$ -	\$ 3,400
Add: Impairment losses recognized on receivables	3,154	-	3,154
Less: Amounts written off during the period as uncollectible	(2,023)	-	(2,023)
Foreign exchange translation gains and losses	<u>(54)</u>	<u>-</u>	<u>(54)</u>
Balance at September 30, 2018	<u>\$ 4,477</u>	<u>\$ -</u>	<u>\$ 4,477</u>

## 12. INVENTORIES

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Finished goods	\$ 42,021	\$ 51,243	\$ 46,335
Work in progress	5,893	3,681	3,612
Raw materials and supplies	497,126	535,323	575,414
Merchandise	<u>176,519</u>	<u>178,206</u>	<u>223,024</u>
	<u>\$ 721,559</u>	<u>\$ 768,453</u>	<u>\$ 848,385</u>

As of September 30, 2019, December 31, 2018 and September 30, 2018, the allowance for inventory devaluation was \$16,187 thousand, \$23,251 thousand and \$19,624 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended and the nine months ended September 30, 2019 and 2018 was \$2,496,291 thousand, \$2,540,565 thousand, \$7,521,795 thousand and \$6,867,890 thousand, respectively.

The cost of goods sold included inventory write-downs for the three months ended and the nine months ended September 30, 2019 and 2018 was \$4,600 thousand, \$492 thousand, \$6,753 thousand and \$6,393 thousand, respectively.

The obsolescence of inventories recognized as cost of goods sold for the three months ended and the nine months ended September 30, 2019 and 2018 was \$139,702 thousand, \$142,321 thousand, \$413,532 thousand and \$385,814 thousand, respectively.

### 13. SUBSIDIARIES

#### Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Businesses	Proportion of Ownership (%)			Remarks
			September 30, 2019	December 31, 2018	September 30, 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 baking food	100.0	100.0	100.0	
	85 Degrees Café International Pty. Ltd.	Grocery and drink retail	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	Grocery and drink retail	100.0	100.0	100.0	
	Golden 85 Investments, LLC	Grocery and drink retail	65.0	65.0	65.0	
85 Degree Co., Ltd.	Comestibles Master Co., Ltd.	Grocery and drink retail	100.0	100.0	100.0	
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Grocery and drink retail	100.0	100.0	100.0	
	Fang Song Comestibles Ltd.	Grocery and drink retail	-	100.0	100.0	a
Mei Wei Master Co., Ltd.	Mei Wei Fu Xing Ltd.	Grocery and drink retail	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.	Grocery and drink retail	100.0	100.0	100.0	
	He-Shia Food & Beverage Ltd.	Grocery and drink retail	100.0	100.0	100.0	
	Sheng-Pin (Hangzhou) Food Ltd.	Manufacturing and sale of baking food	100.0	100.0	100.0	
	He-Shia (Nanjing) Food & Beverage Ltd.	Grocery and drink retail	100.0	100.0	100.0	
	Beijing 85 Food & Beverage Ltd.	Grocery and drink retail	25.0	25.0	25.0	
	Zhejiang 85 Food & Beverage Ltd.	Grocery and drink retail	100.0	100.0	100.0	
	Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baking food	61.5	61.5	61.5	
	Fuzhou 85 Food & Beverage Ltd.	Grocery and drink retail	100.0	100.0	100.0	
	Sheng-Pin (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	100.0	100.0	100.0	
	Sheng-Pin (Xiamen) Food Ltd.	Manufacturing and sale of baking food	100.0	100.0	100.0	
	Sheng-Pin (Qingdao) Food Ltd.	Manufacturing and sale of baking food	100.0	100.0	100.0	
	Xiamen 85 Food & Beverage Ltd.	Grocery and drink retail	100.0	100.0	100.0	
	Shenyang 85 Food & Beverage Ltd.	Grocery and drink retail	100.0	100.0	100.0	
	Sheng-Pin (Shenyang) Food Ltd.	Manufacturing and sale of baking food	100.0	100.0	100.0	
	85 Degree (Qingdao) Food & Beverage Management Ltd.	Grocery and drink retail	100.0	100.0	100.0	
	85 Degree (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	25.0	25.0	25.0	
	Wincase Limited	Grocery and drink retail	100.0	100.0	100.0	
	Worldinn Limited	Manufacturing and sale of baking food	100.0	100.0	100.0	
	Sheng-Pin (Shanghai) Food Ltd.	Manufacturing and sale of baking food	100.0	100.0	100.0	
	Mai-Jia (Shanghai) Food Ltd.	Manufacturing and sale of baking food	-	100.0	100.0	b
	Shanghai Howco Jing Way Food & Beverage Ltd.	Grocery and drink retail	100.0	100.0	100.0	
	Shenzheng 85 Food & Beverage Ltd.	Grocery and drink retail	85.0	85.0	85.0	
	Chengdu 85 Food & Beverage Ltd.	Grocery and drink retail	100.0	100.0	100.0	
	Sheng-Pin (Wuhan) Food Ltd.	Manufacturing and sale of baking food	100.0	100.0	100.0	
	Wuhan Jing Way Food & Beverage Ltd.	Grocery and drink retail	57.0	57.0	57.0	
	Jianxi Jing Way Food & Beverage Ltd.	Grocery and drink retail	100.0	100.0	100.0	
	Jin Wei Industrial (Shanghai) Ltd.	Grocery retail	100.0	100.0	100.0	
	Guangzhou 85 Degree Food & Beverage Management Ltd.	Grocery and drink retail	100.0	100.0	100.0	
He-Shia Food & Beverage Ltd.	85 Degree (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	75.0	75.0	75.0	
	Mai-Jia (Chengdu) Food Ltd.	Manufacturing and sale of baking food	100.0	100.0	100.0	
	Jia Ding Jing Way Food & Beverage Ltd.	Grocery and drink retail	100.0	100.0	100.0	
	Kunshan 85 Food & Beverage Ltd.	Grocery and drink retail	100.0	100.0	100.0	
	Sheng-Pin (Dongguan) Food Ltd.	Manufacturing and sale of baking food	100.0	40.0	100.0	c
	Wuhan Jing Way Food & Beverage Ltd.	Grocery and drink retail	43.0	43.0	43.0	
	Beijing 85 Food & Beverage Ltd.	Grocery and drink retail	75.0	75.0	75.0	
	Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baking food	38.5	38.5	38.5	
	Sheng-Pin (Shenzheng) Food Ltd.	Manufacturing and sale of baking food	100.0	100.0	100.0	
	Qingdao Jie Wei Food & Beverage Management Ltd.	Grocery and drink retail	100.0	100.0	100.0	

Remarks:

- a. In order to simplify the Group's investment structure, Fang Song Comestibles Ltd. was dissolved in April 2019.
- b. In order to simplify the Group's investment structure, Mai-Jia (Shanghai) Food Ltd. was dissolved in 2019.
- c. Sheng-Pin (Dongguan) Food Ltd. was invested by other investors in November 2018 and the Group held 40% interest in Sheng-Pin (Dongguan) Food Ltd. and also owned call options on the other 60%. Based on the contractual arrangements between the Group and other investors, the Group has the practical ability to direct the relevant activities of Sheng-Pin (Dongguan) Food Ltd., and the call options were exercised in April 2019. After considering these factors, the Group determined that it controls Sheng-Pin (Dongguan) Food Ltd. and deemed it as a subsidiary.

#### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

##### Investment in Associates

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Material associate</u>			
The Hot Pot Food and Beverage Management Co., Ltd.	<u>\$ 83,386</u>	<u>\$ 87,930</u>	<u>\$ 79,337</u>

##### Material Associate

Name of Associate	<u>Proportion of Ownership and Voting Rights</u>		
	September 30, 2019	December 31, 2018	September 30, 2018
The Hot Pot Food and Beverage Management Co., Ltd.	23.01%	23.01%	23.01%

Refer to Table 7 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associate.

Investments were accounted for using the equity method and the 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 accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements that have not been reviewed.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>									
Balance at January 1, 2018	\$ 531,836	\$ 1,733,980	\$ 2,562,446	\$ 2,959,337	\$ 58,345	\$ 581,882	\$ 339,705	\$ 63,395	\$ 8,830,926
Additions	50,297	192,493	302,435	525,355	12,057	61,099	44,340	182,931	1,371,007
Disposal	-	(792)	(277,624)	(273,691)	(10,722)	(84,034)	(29,923)	-	(676,786)
Transfers to investment properties	-	(93,568)	-	-	-	-	-	-	(93,568)
Effect of foreign currency exchange differences	(14,224)	(29,917)	(45,530)	(74,919)	(694)	(10,031)	(9,305)	(5,962)	(190,582)
Balance at September 30, 2018	<u>\$ 567,909</u>	<u>\$ 1,802,196</u>	<u>\$ 2,541,727</u>	<u>\$ 3,136,082</u>	<u>\$ 58,986</u>	<u>\$ 548,916</u>	<u>\$ 344,817</u>	<u>\$ 240,364</u>	<u>\$ 9,240,997</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2018	\$ -	\$ 221,766	\$ 1,404,591	\$ 1,517,433	\$ 38,049	\$ 423,733	\$ 167,834	\$ -	\$ 3,773,406
Depreciation expense	-	65,179	272,467	333,343	6,115	77,309	45,607	-	800,020
Impairment losses	-	-	4,943	4,546	-	23	-	-	9,512
Disposal	-	(792)	(272,086)	(220,689)	(8,732)	(76,516)	(25,836)	-	(604,651)
Transfers to investment properties	-	(19,673)	-	-	-	-	-	-	(19,673)
Effect of foreign currency exchange differences	-	(2,218)	(22,916)	(31,754)	(456)	(6,603)	(4,053)	-	(68,000)
Balance at September 30, 2018	<u>\$ -</u>	<u>\$ 264,262</u>	<u>\$ 1,386,999</u>	<u>\$ 1,602,879</u>	<u>\$ 34,976</u>	<u>\$ 417,946</u>	<u>\$ 183,552</u>	<u>\$ -</u>	<u>\$ 3,890,614</u>
Carrying amounts at September 30, 2018	<u>\$ 567,909</u>	<u>\$ 1,537,934</u>	<u>\$ 1,154,728</u>	<u>\$ 1,533,203</u>	<u>\$ 24,010</u>	<u>\$ 130,970</u>	<u>\$ 161,265</u>	<u>\$ 240,364</u>	<u>\$ 5,350,383</u>
<u>Cost</u>									
Balance at January 1, 2019	\$ 564,497	\$ 2,014,284	\$ 2,563,177	\$ 3,347,585	\$ 58,965	\$ 551,987	\$ 372,774	\$ 181,810	\$ 9,655,079
Additions	193,844	188,081	394,283	525,272	25,435	37,693	81,569	285,000	1,731,177
Disposal	-	-	(229,211)	(118,638)	(17,989)	(50,432)	(27,509)	-	(443,779)
Reclassified	-	-	332	288,800	-	-	-	(289,132)	-
Effect of foreign currency exchange differences	(59)	(52,592)	(45,505)	(47,978)	(1,621)	(12,154)	(2,352)	4,118	(158,143)
Balance at September 30, 2019	<u>\$ 758,282</u>	<u>\$ 2,149,773</u>	<u>\$ 2,683,076</u>	<u>\$ 3,995,041</u>	<u>\$ 64,790</u>	<u>\$ 527,094</u>	<u>\$ 424,482</u>	<u>\$ 181,796</u>	<u>\$ 10,784,334</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2019	\$ -	\$ 361,953	\$ 1,428,047	\$ 1,609,478	\$ 35,353	\$ 431,094	\$ 196,542	\$ -	\$ 4,062,467
Depreciation expense	-	82,283	284,044	402,978	6,805	56,504	48,250	-	880,864
Disposal	-	-	(210,640)	(81,729)	(11,226)	(49,712)	(23,193)	-	(376,500)
Effect of foreign currency exchange differences	-	(10,589)	(24,172)	(32,010)	(640)	(10,838)	(315)	-	(78,564)
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 433,647</u>	<u>\$ 1,477,279</u>	<u>\$ 1,898,717</u>	<u>\$ 30,292</u>	<u>\$ 427,048</u>	<u>\$ 221,284</u>	<u>\$ -</u>	<u>\$ 4,488,267</u>
Carrying amounts at December 31, 2018 and January 1, 2019	<u>\$ 564,497</u>	<u>\$ 1,652,331</u>	<u>\$ 1,135,130</u>	<u>\$ 1,738,107</u>	<u>\$ 23,612</u>	<u>\$ 120,893</u>	<u>\$ 176,232</u>	<u>\$ 181,810</u>	<u>\$ 5,592,612</u>
Carrying amounts at September 30, 2019	<u>\$ 758,282</u>	<u>\$ 1,716,126</u>	<u>\$ 1,205,797</u>	<u>\$ 2,096,324</u>	<u>\$ 34,498</u>	<u>\$ 100,046</u>	<u>\$ 203,198</u>	<u>\$ 181,796</u>	<u>\$ 6,296,067</u>

Additional impairment losses recognized in respect of property, plant and equipment for nine months ended September 30, 2018 amounted to \$9,512 thousand. This loss was attributable to machinery and plants for which the book value of the relevant leasing improvements had been assessed at higher than their recoverable amount. The impairment loss is recognized in other gains and losses in the consolidated statements of comprehensive income.



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 pledged as collateral for bank borrowings is set out in Note 34.

## 16. INVESTMENT PROPERTIES

	<b>Completed Investment Properties</b>
<u>Cost</u>	
Balance at January 1, 2018	\$ 175,991
Transfers from property, plant and equipment	93,568
Effects of foreign currency exchange differences	<u>1,158</u>
Balance at September 30, 2018	<u>\$ 270,717</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2018	\$ (3,748)
Transfers from property, plant and equipment	(19,673)
Depreciation expenses	(2,289)
Effects of foreign currency exchange differences	<u>(258)</u>
Balance at September 30, 2018	<u>\$ (25,968)</u>
Carrying amounts at September 30, 2018	<u>\$ 244,749</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 271,008
Effect of foreign currency exchange differences	<u>(2,373)</u>
Balance at September 30, 2019	<u>\$ 268,635</u>

(Continued)

**Completed  
Investment  
Properties**

Accumulated depreciation and impairment

Balance at January 1, 2019	\$ (60,586)
Depreciation expenses	(4,746)
Effect of foreign currency exchange differences	<u>1,687</u>
Balance at September 30, 2019	<u>\$ (63,645)</u>
Carrying amounts at December 31, 2018 and January 1, 2019	<u>\$ 210,422</u>
Carrying amounts at September 30, 2019	<u>\$ 204,990</u>
	(Concluded)

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

Main buildings	20-49 years
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The carrying amount of the investment properties located in Taichung, Taiwan was \$169,611 thousand. The management of the Group had used the situation of the investment properties and market price that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices of similar properties.

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Fair value	<u>\$ 185,259</u>	<u>\$ 185,259</u>	<u>\$ 185,907</u>

The carrying amount of the investment properties located in Shenyang City, Liaoning Province, China was \$35,379 thousand. The determination of fair value was performed by independent qualified professional valuers and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices of similar properties at December 31, 2018. Management of the Company had assessed and determined that there was no significant changes in the fair value as of September 30, 2019, as compared to that as of December 31, 2018. For the investment properties not valued by independent valuers but valued by the Group, the Group determined that the fair values as of December 31, 2018 were still valid as of September 30, 2019. The management of the Group had used the situation of the investment properties and market price that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices of similar properties.

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Fair value	<u>\$ 38,561</u>	<u>\$ 39,683</u>	<u>\$ 76,122</u>

All of the Group's investment properties are held under freehold interests. The investment properties pledged as collateral for bank borrowing are set out in Note 34.

## 17. OTHER INTANGIBLE ASSETS

	Goodwill	Trademark	Computer Software	Others	Total
<u>Cost</u>					
Balance at January 1, 2018	\$ 745	\$ 5,270	\$ 164,926	\$ -	\$ 170,941
Additions	-	2,480	9,241	-	11,721
Disposal	-	-	(2,246)	-	(2,246)
Effect of foreign currency exchange differences	-	(5)	(2,541)	-	(2,546)
Balance at September 30, 2018	<u>\$ 745</u>	<u>\$ 7,745</u>	<u>\$ 169,380</u>	<u>\$ -</u>	<u>\$ 177,870</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2018	\$ -	\$ 1,357	\$ 105,935	\$ -	\$ 107,292
Amortization expense	-	555	21,512	-	22,067
Disposal	-	-	(2,232)	-	(2,232)
Effect of foreign currency exchange differences	-	-	(1,696)	-	(1,696)
Balance at September 30, 2018	<u>\$ -</u>	<u>\$ 1,912</u>	<u>\$ 123,519</u>	<u>\$ -</u>	<u>\$ 125,431</u>
Carrying amounts at September 30, 2018	<u>\$ 745</u>	<u>\$ 5,833</u>	<u>\$ 45,861</u>	<u>\$ -</u>	<u>\$ 52,439</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 745	\$ 7,890	\$ 172,504	\$ -	\$ 181,139
Additions	-	484	14,286	1,464	16,234
Disposals	-	-	(313)	-	(313)
Effect of foreign currency exchange differences	-	11	(3,607)	(54)	(3,650)
Balance at September 30, 2019	<u>\$ 745</u>	<u>\$ 8,385</u>	<u>\$ 182,870</u>	<u>\$ 1,410</u>	<u>\$ 193,410</u>

(Continued)

	Goodwill	Trademark	Computer Software	Others	Total
<u>Accumulated amortization</u>					
Balance at January 1, 2019	\$ -	\$ 2,130	\$ 132,906	\$ -	\$ 135,036
Amortization expenses	-	662	15,892	486	17,040
Disposals	-	-	(312)	-	(312)
Effect of foreign currency exchange differences	-	2	(3,239)	(16)	(3,253)
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 2,794</u>	<u>\$ 145,247</u>	<u>\$ 470</u>	<u>\$ 148,511</u>
Carrying amounts at December 31, 2018 and January 1, 2019	<u>\$ 745</u>	<u>\$ 5,760</u>	<u>\$ 39,598</u>	<u>\$ -</u>	<u>\$ 46,103</u>
Carrying amounts at September 30, 2019	<u>\$ 745</u>	<u>\$ 5,591</u>	<u>\$ 37,623</u>	<u>\$ 940</u>	<u>\$ 44,899</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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Prepaid rental	\$ 277,752	\$ 218,632	\$ 252,066
Prepayments	41,882	98,989	117,885
Offset against business tax payable	50,704	81,488	39,242
Other prepayments	<u>76,070</u>	<u>65,798</u>	<u>94,494</u>
	446,408	464,907	503,687
Others	<u>18,774</u>	<u>17,771</u>	<u>21,393</u>
	<u>\$ 465,182</u>	<u>\$ 482,678</u>	<u>\$ 525,080</u>
<u>Non-current</u>			
Prepaid equipment	\$ 124,251	\$ 212,640	\$ 305,040
Refundable deposits	477,056	464,575	477,892
Long-term prepayments for leases	189,730	180,950	154,114
Prepayments for property, plant and equipment	-	59,400	-
Others	<u>3,499</u>	<u>3,715</u>	<u>3,298</u>
	<u>\$ 794,536</u>	<u>\$ 921,280</u>	<u>\$ 940,344</u>

- a. Prepaid rental is due to store lease arrangements.
- b. Prepaid 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.
- e. Prepayments for property, plant and equipment are due to the acquisition of the factory in Taichung.

## 19. BORROWINGS

- a. Short-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Secured borrowings (Note 34)</u>			
Bank loan	\$ 591,945	\$ 754,964	\$ 324,068
<u>Unsecured borrowings</u>			
Line of credit borrowings	_____ -	_____ 30,000	_____ -
	<u>\$ 591,945</u>	<u>\$ 784,964</u>	<u>\$ 324,068</u>

The range of weighted average effective interest rate of bank loans was 0.9%-3.74%, 0.99%-2.2% and 0.99%-1.93% per annum as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

- b. Long-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Secured borrowings (Note 34)</u>			
Bank loans (1)	\$ 152,576	\$ 238,622	\$ 422,870
Loans from related parties (2) (Note 33)	158,684	155,109	157,064
Less: Current portions	<u>(152,576)</u>	<u>(238,622)</u>	<u>(422,870)</u>
Long-term borrowings	<u>\$ 158,684</u>	<u>\$ 155,109</u>	<u>\$ 157,064</u>

  

Borrowing Content	September 30, 2019	December 31, 2018	September 30, 2018
Borrowings at floating rate:			
US secured bank loan      Maturity date: January 14, 2019	\$ -	\$ -	\$ 90,615
Repayment term: Due for repayment			
US secured bank loan (3)      Maturity date: January 12, 2019	152,576	238,622	332,255
Repayment term: Due for repayment			
US unsecured loan from      Maturity date: November 7, 2019	158,684	155,109	157,064
related parties                      Repayment term: Due for repayment			
Less: Current portion	<u>(152,576)</u>	<u>(238,622)</u>	<u>(422,870)</u>
	<u>\$ 158,684</u>	<u>\$ 155,109</u>	<u>\$ 157,064</u>

- 1) The range of weighted average effective interest rates of bank loans was 3.334%, 2.471% and 2.406%-2.414% per annum as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively.
- 2) Long-term debt payable to related parties of the Group is repayable to directors. An interest rate of 3.75% per annum was charged on the outstanding balances during the three months and nine months ended September 30, 2019 and 2018.
- 3) The Group requested the creditor to extend the term of the US secured bank loan in December 2018, and the related additional agreement signed in January 2019. 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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Other payables			
Accrued payroll and bonuses	\$ 499,952	\$ 571,725	\$ 534,628
Utilities	81,112	69,674	80,864
Insurance	75,161	78,185	67,560
Rental	99,881	110,492	75,405
Payable for purchases of equipment	426,609	287,220	294,442
Others (shipping expense, and repairing expense, etc.)	<u>447,057</u>	<u>442,534</u>	<u>483,314</u>
	<u>\$ 1,629,772</u>	<u>\$ 1,559,830</u>	<u>\$ 1,536,213</u>
Deferred revenue			
Arising from customer loyalty program	\$ -	\$ 127,019	\$ 109,506
Arising from government grants (Note 28)	<u>1,946</u>	<u>2,003</u>	<u>-</u>
	<u>\$ 1,946</u>	<u>\$ 129,022</u>	<u>\$ 109,506</u>
Other liabilities			
Receipts in advance	\$ -	\$ 1,230,587	\$ 1,225,325
Others	<u>45,427</u>	<u>45,051</u>	<u>42,177</u>
	<u>\$ 45,427</u>	<u>\$ 1,275,638</u>	<u>\$ 1,267,502</u>
<u>Non-current</u>			
Decommission restoration and rehabilitation provision	\$ 150,490	\$ 119,808	\$ 107,117
Guarantee deposits received	160,619	151,534	145,434
Arising from government grants (Note 28)	<u>11,514</u>	<u>13,351</u>	<u>-</u>
	<u>\$ 322,623</u>	<u>\$ 284,693</u>	<u>\$ 252,551</u>

- a. Receipts in advance are mainly gift vouchers which have been issued but not redeemed yet.
- b. Deferred revenue was recognized from the Group's customer loyalty program recognized in accordance with IFRIC 13 "Customer Loyalty Programs".
- c. 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 Plans

Comestibles Master Co., Ltd., Mei Wei Master Co., Ltd., Mei Wei Fu Xing Ltd. and Fang Song Comestibles 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

	September 30, 2019	December 31, 2018	September 30, 2018
Number of shares authorized (in thousands)	850,000	850,000	850,000
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)	180,000	162,994	162,994
Shares issued	<u>\$ 1,800,000</u>	<u>\$ 1,629,936</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 capital surplus of \$148,176 thousand in the shareholders' meeting on June 15, 2018. The subscription based date was determined on July 8, 2018.

The Company's shareholders resolved to issue share dividends from capital surplus and unappropriated retained earnings of \$162,994 thousand and \$7,070 thousand, respectively, in the shareholders' meeting on June 5, 2019. The capital increase date was determined on June 29, 2019.

## **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:

- a. Bonus for employees (including subsidiaries' employees) at 3% or less;
- b. Remuneration of directors and supervisors at 1% or less; and
- c. The remaining earnings appropriated should not be less than 30% of the after-tax earnings. And the cash dividends should not be less than 10% of the sum of cash dividends and share dividends.

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 nine months ended September 30, 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 2018 and 2016 approved in the shareholders' meetings on June 5, 2019 and June 15, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2016</b>	<b>2018</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 capital surplus of \$162,994 thousand and \$148,176 thousand in the shareholders' meeting on June 5, 2019 and June 15, 2018, respectively.

There were no bonuses for employees and the remuneration of directors and supervisors for 2018 and 2016 were approved in the shareholders' meetings held on June 5, 2019 and June 15, 2018, respectively.

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, 2019 and June 15, 2018 and the amounts recognized in the financial statements for the years ended December 31, 2018 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 September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenue from contracts with customer	\$ 5,966,626	\$ 6,178,425	\$ 18,226,818	\$ 16,855,576
Revenue from sale of goods	<u>8,127</u>	<u>9,446</u>	<u>28,246</u>	<u>23,525</u>
Licensing revenue	<u>\$ 5,974,753</u>	<u>\$ 6,187,871</u>	<u>\$ 18,255,064</u>	<u>\$ 16,879,101</u>

### a. Disaggregation of revenue

Refer to Note 38 for information about disaggregation of revenue.

### b. Contract balances

	<b>September 30, 2019</b>	<b>January 1, 2019</b>
Contract liabilities		
Sale of goods	\$ 1,284,762	\$ 1,230,587
Customer loyalty programme	<u>162,724</u>	<u>127,019</u>
Contract liabilities - current	<u>\$ 1,447,486</u>	<u>\$ 1,357,606</u>

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

Revenue of the reporting period recognized from the beginning contract liabilities for the three months and nine months ended September 30, 2019, was \$332,733 thousand and \$974,528 thousand, respectively.

## 25. OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

### a. Other income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Interest income	\$ 49,933	\$ 34,543	\$ 149,882	\$ 94,358
Dividend revenue	6,930	6,000	6,930	6,000
Income from government grants	11,746	4,172	37,970	67,279
Rental income	4,099	3,102	11,502	9,711
Others	<u>21,342</u>	<u>27,582</u>	<u>54,788</u>	<u>68,227</u>
	<u>\$ 94,050</u>	<u>\$ 75,399</u>	<u>\$ 261,072</u>	<u>\$ 245,575</u>

### b. Other gains and losses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net foreign exchange gains (losses)	\$ (29,886)	\$ 9,209	\$ (49,459)	\$ (6,168)
Loss on disposal of property, plant and equipment	(15,358)	(7,983)	(34,936)	(45,863)
Net gain/(loss) arising from financial assets and financial liabilities	6,021	(11,514)	(9,407)	9,096
Impairment loss	-	(2,718)	-	(9,512)
Others	<u>(20,252)</u>	<u>(6,887)</u>	<u>(27,522)</u>	<u>(36,133)</u>
	<u>\$ (59,475)</u>	<u>\$ (19,893)</u>	<u>\$ (121,324)</u>	<u>\$ (88,580)</u>

### c. Finance costs

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ (6,542)	\$ (3,441)	\$ (16,742)	\$ (11,192)
Interest on loans from related parties (Note 33)	<u>(1,496)</u>	<u>(1,483)</u>	<u>(4,379)</u>	<u>(5,447)</u>
	<u>\$ (8,038)</u>	<u>\$ (4,924)</u>	<u>\$ (21,121)</u>	<u>\$ (16,639)</u>

d. Depreciation and amortization

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 295,792	\$ 269,950	\$ 880,864	\$ 800,020
Investment property	1,559	1,537	4,746	2,289
Intangible assets	<u>5,260</u>	<u>6,802</u>	<u>17,040</u>	<u>22,067</u>
	<u>\$ 302,611</u>	<u>\$ 278,289</u>	<u>\$ 902,650</u>	<u>\$ 824,376</u>
An analysis of depreciation by function				
Operating costs	\$ 53,872	\$ 44,328	\$ 153,635	\$ 136,517
Operating expenses	<u>243,479</u>	<u>227,159</u>	<u>731,975</u>	<u>665,792</u>
	<u>\$ 297,351</u>	<u>\$ 271,487</u>	<u>\$ 885,610</u>	<u>\$ 802,309</u>
An analysis of amortization by function				
Operating costs	\$ 179	\$ -	\$ 486	\$ -
Selling and marketing expenses	514	584	1,608	1,798
General and administrative expenses	<u>4,567</u>	<u>6,218</u>	<u>14,946</u>	<u>20,269</u>
	<u>\$ 5,260</u>	<u>\$ 6,802</u>	<u>\$ 17,040</u>	<u>\$ 22,067</u>

e. Employee benefits expense

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Post-employment benefits				
Defined contribution plans	\$ 16,471	\$ 10,677	\$ 43,179	\$ 30,011
Other employee benefits	<u>1,747,023</u>	<u>1,620,922</u>	<u>5,092,429</u>	<u>4,432,235</u>
	<u>\$ 1,763,494</u>	<u>\$ 1,631,599</u>	<u>\$ 5,135,608</u>	<u>\$ 4,462,246</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 273,669	\$ 270,712	\$ 801,820	\$ 667,749
Operating expenses	<u>1,489,825</u>	<u>1,360,887</u>	<u>4,333,788</u>	<u>3,794,497</u>
	<u>\$ 1,763,494</u>	<u>\$ 1,631,599</u>	<u>\$ 5,135,608</u>	<u>\$ 4,462,246</u>

f. Impairment losses on non-financial assets

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Property, plant and equipment (included in other operating income and expenses, net)	\$ -	\$ 2,718	\$ -	\$ 9,512
Inventories (included in operating costs)	<u>4,600</u>	<u>492</u>	<u>6,753</u>	<u>6,393</u>
	<u>\$ 4,600</u>	<u>\$ 3,210</u>	<u>\$ 6,753</u>	<u>\$ 15,905</u>

## 26. INCOME TAX

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current tax				
In respect of the current period	\$ 1,800	\$ 236,164	\$ 477,738	\$ 614,898
Adjustments for prior period	<u>(8)</u>	<u>4,423</u>	<u>465</u>	<u>(3,952)</u>
	1,792	240,587	478,203	610,946
Deferred tax				
In respect of the current period	111,272	(2,499)	104,485	43,860
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>-</u>	<u>6,619</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 113,064</u>	<u>\$ 238,088</u>	<u>\$ 589,307</u>	<u>\$ 654,806</u>

The Income Tax Act in the ROC was amended in 2019 and the corporate income tax rate was adjusted from 17% to 20% effective in 2019. The USA also amended the Income Tax Law, and starting from 2019, the maximum corporate income tax rate will be reduced from 35% to 21%. The effect of the change in tax rate on deferred tax 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 2019 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax assessments

The Company is not subject to income tax. The income tax returns through 2014 of Comestibles Master Co., Ltd. and the income tax returns through 2016 of Mei Wei Master Co., Ltd. and Mei Wei Fu Xing have been assessed by the tax authorities in the ROC. The companies in other jurisdictions have been examined according to their local laws.

## 27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Basic earnings per share				
From continuing operations	\$ <u>1.99</u>	\$ <u>3.36</u>	\$ <u>7.64</u>	\$ <u>8.66</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares in June 29, 2019. The basic earnings per share adjusted retrospectively for the three months ended and nine months ended September 30, 2018 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment		After Retrospective Adjustment	
	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Basic earnings per share	\$ <u>3.71</u>	\$ <u>9.57</u>	\$ <u>3.36</u>	\$ <u>8.66</u>

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

### Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Earnings used in computation of basic earnings per share	\$ <u>357,623</u>	\$ <u>605,345</u>	\$ <u>1,376,037</u>	\$ <u>1,559,387</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>

## 28. GOVERNMENT GRANTS

The amounts of government grants received for the three months ended and the nine months ended September 30, 2019 and 2018 were \$11,240 thousand, \$4,172 thousand, \$36,453 thousand and \$67,279 thousand, respectively. The government grants were recognized in non-operating income and expenses - other income in the consolidated statements of comprehensive income.

In January 2018, the Group received a government grant of \$19,574 thousand towards 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 \$506 thousand and \$1,517 thousand for the three months and nine months ended September 30, 2019, respectively.

## 29. NON-CASH TRANSACTIONS

For the nine months ended September 30, 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 \$1,731,177 thousand, with a cash payment of \$1,010,260 thousand, an offset of prepayments for equipment of \$522,128 thousand reduced from prepaid equipment, \$59,400 thousand was reduced from prepayments for property, plant and equipment, and \$139,389 thousand was increased from payables for equipment for the nine months ended September 30, 2019 (refer to Note 15).
- b. The Group acquired property, plant and equipment with an aggregate fair value of \$1,371,007 thousand, with a cash payment of \$991,319 thousand, an offset of prepayments for equipment of \$261,855 thousand was reduced from prepaid equipment, and \$117,833 thousand was increased from payables for equipment for the nine months ended September 30, 2018 (refer to Note 15).

## 30. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of stores and plants with lease terms between 1 and 10 years. All operating lease contracts over 5 years contain clauses for 1 to 5 years market rental reviews. The Group does not have a bargain purchase option to acquire the leased stores and plants at the expiration of the lease periods.

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

	September 30, 2019	December 31, 2018	September 30, 2018
Not later than 1 year	\$ 2,087,873	\$ 2,046,207	\$ 2,096,242
Later than 1 year and not later than 5 years	4,582,756	4,464,084	4,657,944
Later than 5 years	<u>1,095,672</u>	<u>602,537</u>	<u>902,787</u>
	<u>\$ 7,766,301</u>	<u>\$ 7,112,828</u>	<u>\$ 7,656,973</u>

### 31. 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.

### 32. 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 be approximate amounts of their fair values.

#### b. Categories of financial instruments

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ 3,368	\$ 165,148	\$ 157,877
Mandatorily at FVTPL	3,184,450	-	-
Loans and receivables (Note 1)	-	7,361,327	6,537,266
Held-to-maturity investments (Note 2)	-	29,847	30,359
Financial assets at amortized cost (Note 3)	3,910,966	-	-
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	-	3,134	11,031
Amortized cost (Note 4)	3,216,757	3,440,180	3,113,374

Note 1: The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables and other receivables.

Note 2: The balances include financial bond investments.

Note 3: 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 4: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, trade payables, notes payable, other payables, current portion of long-term loans payable and long-term borrowings.

c. 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 rate (see (b) below).

a) Foreign currency risk

The Group's have foreign deposit and loan, which exposes the Group to foreign currency risk. There is no change in the financial instrument's market risk and exposure of management and measurement since 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 36.

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 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 Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2019</b>	<b>2018</b>
Profit or loss	\$ (869)	\$ 2,812

\* This was mainly attributable to the exposure outstanding on U.S. dollar 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:

	September 30, 2019	December 31, 2018	September 30, 2018
Fair value interest rate risk			
Financial liabilities	\$ 158,684	\$ 155,109	\$ 157,064
Cash flow interest rate risk			
Financial assets	3,036,100	4,072,073	2,866,815
Financial liabilities	744,521	1,023,586	746,938

#### Sensitivity analysis

The sensitivity analyses below were 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 liability 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 nine months ended September 30, 2019 and 2018 would increase/decrease by \$17,187 thousand and \$15,899 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 counterparty will default on its contractual obligations resulting in 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 traded with for over the long-term, and the Group monitors trade receivables from such franchisees continuously. So impairment loss recognized on trade receivables was not significant. Trade receivables consisted of a large number of customers and spread across diverse industries between 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 monetary assets.

Other than the abovementioned franchisees, because counterparties 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 September 30, 2019, December 31, 2018 and September 30, 2018, the Group had available unutilized bank loan facilities set out below.

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured bank loan facility:			
Amount used	\$ -	\$ 30,000	\$ -
Amount unused	<u>30,000</u>	<u>-</u>	<u>30,000</u>
	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>
Secured bank loan facility:			
Amount used	\$ 744,521	\$ 993,586	\$ 746,938
Amount unused	<u>1,132,734</u>	<u>588,873</u>	<u>1,033,156</u>
	<u>\$ 1,877,255</u>	<u>\$ 1,582,459</u>	<u>\$ 1,780,094</u>

## 33. 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
Guo Hong Ltd.	Related parties
Cai Hua Ltd.	Related parties
Long Yao Ltd.	Related parties
Honeyeast (Shanghai) Food and Beverage Management Co., Ltd.	Related parties
Infinity Emerging Markets Limited	Directors

### b. Purchases of goods

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Parties Categories	2019	2018	2019	2018
Related parties	<u>\$ -</u>	<u>\$ 4,165</u>	<u>\$ -</u>	<u>\$ 31,643</u>

The purchases prices are 65% of the sale prices and are paid within 30 days of the date of the purchases.

c. Other transactions

Line Items	Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2019	2018	2019	2018
Rental income	Associates	\$ 175	\$ 175	\$ 524	\$ 524
	Related parties	<u>372</u>	<u>201</u>	<u>951</u>	<u>603</u>
		<u>\$ 547</u>	<u>\$ 376</u>	<u>\$ 1,475</u>	<u>\$ 1,127</u>
Interest expense	Directors	<u>\$ 1,496</u>	<u>\$ 1,483</u>	<u>\$ 4,379</u>	<u>\$ 5,447</u>

The rent paid by the related parties as a place of operation is paid on a monthly basis at the agreed price.

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

Line Items	Related-party Category	September 30, 2019	December 31, 2018	September 30, 2018
Trade receivables	Associates	\$ 362	\$ 32	\$ 23
	Related parties	<u>2</u>	<u>-</u>	<u>-</u>
		<u>\$ 364</u>	<u>\$ 32</u>	<u>\$ 23</u>
Other receivables	Associates	\$ 723	\$ 1,463	\$ 1,363
	Related parties	<u>169</u>	<u>860</u>	<u>341</u>
		<u>\$ 892</u>	<u>\$ 2,323</u>	<u>\$ 1,704</u>

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 30, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

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

Line Items	Related-party Category	September 30, 2019	December 31, 2018	September 30, 2018
Other payables	Directors	<u>\$ 1,041</u>	<u>\$ 339</u>	<u>\$ 344</u>

The outstanding other payables from related parties are unsecured.

f. Loans from related parties

Related-party Category/Name	September 30, 2019	December 31, 2018	September 30, 2018
Directors			
Infinity Emerging Markets Limited	<u>\$ 158,684</u>	<u>\$ 155,109</u>	<u>\$ 157,064</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.

g. Other transactions with related parties

The Group performed technical services for associates and related parties. For the three months and nine months ended September 30, 2019 and 2018, other income amounted to \$368 thousand, \$1,437 thousand, \$2,282 thousand and \$4,151 thousand, respectively.

h. Compensation of key management personnel

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Short-term benefits	<u>\$ 5,931</u>	<u>\$ 8,269</u>	<u>\$ 17,895</u>	<u>\$ 20,165</u>

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

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

The following assets were provided as collateral for bank borrowings and other contracts:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Property, plant and equipment			
Land	\$ 293,761	\$ 293,761	\$ 293,761
Buildings	16,865	18,095	18,506
Bond investments with no active market - current			
Restriicted bank deposits	-	62,471	29,151
Bond investments with no active market - non-current			
Restriicted bank deposits	-	141,051	146,280
Financial assets at amortized cost - current	78,472	-	-
Investment properties	<u>60,859</u>	<u>61,260</u>	<u>61,393</u>
	<u>\$ 449,957</u>	<u>\$ 576,638</u>	<u>\$ 549,091</u>

### 35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of September 30, 2019, December 31, 2018 and September 30, 2018 were as follows:

#### Significant Commitments

Unrecognized commitments are as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Acquisition of property, plant and equipment	<u>\$ 123,191</u>	<u>\$ 232,164</u>	<u>\$ 166,453</u>

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

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

September 30, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 420	6.8792 (USD:RMB)	\$ 12,817
USD	9,840	30.5161 (USD:NTD)	300,278
HKD	2,845	3.9010 (HKD:NTD)	11,097
<u>Financial liabilities</u>			
Monetary items			
USD	7,412	6.8792 (USD:RMB)	226,173
NTD	28,450	0.2254 (NTD:RMB)	28,450
NTD	83,497	0.0454 (NTD:AUD)	83,497
NTD	71,012	0.0328 (NTD:USD)	71,012

December 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 519	6.5342(USD:RMB)	\$ 15,475
USD	775	29.8286 (USD:NTD)	23,130
HKD	1,057	0.8340 (HKD:RMB)	4,023
HKD	5,511	3.8070(HKD:NTD)	20,979
RMB	6,164	4.5650 (RMB:NTD)	28,139
<u>Financial liabilities</u>			
Monetary items			
USD	10,912	6.5342 (USD:RMB)	325,478
NTD	218,768	0.2191 (NTD:RMB)	218,768

September 30, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,167	6.6369 (USD:RMB)	\$ 35,234
USD	11,105	30.8303 (USD:NTD)	342,374
HKD	3,586	0.8563 (HKD:RMB)	13,973
HKD	2,755	3.897 (HKD:NTD)	10,737

Financial liabilities

Monetary items			
USD	21,812	6.6369 (USD:RMB)	658,809

For the three months ended and the nine months ended September 30, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were \$(29,886) thousand, \$9,209 thousand, \$(49,459) thousand and \$(6,168) 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.

### **37. 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 and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 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 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 9) Trading in derivative instruments. (Note 7)
- 10) Intercompany relationships and significant intercompany transactions. (Table 6)
- 11) Information on investees. (Table 7)

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 8)
- 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.

### 38. 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:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Beverages	\$ 1,833,986	\$ 1,974,961	\$ 5,600,906	\$ 5,237,578
Cake	1,964,074	2,029,496	5,795,741	5,437,833
Bread	2,125,273	2,100,180	6,712,289	5,982,500
Others	<u>51,420</u>	<u>83,234</u>	<u>146,128</u>	<u>221,190</u>
	<u>\$ 5,974,753</u>	<u>\$ 6,187,871</u>	<u>\$ 18,255,064</u>	<u>\$ 16,879,101</u>

b. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets is detailed below:

	<b>Revenue from External Customers</b>			
	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
China	\$ 3,692,000	\$ 4,061,309	\$ 11,525,902	\$ 10,838,203
Taiwan	933,211	987,548	2,871,534	2,993,611
USA	1,243,470	1,018,916	3,553,105	2,717,101
Others	<u>106,072</u>	<u>120,098</u>	<u>304,523</u>	<u>330,186</u>
	<u>\$ 5,974,753</u>	<u>\$ 6,187,871</u>	<u>\$ 18,255,064</u>	<u>\$ 16,879,101</u>

c. Significant customer information

The Group has no client who contributes over 10% to the Group's total revenue for the nine months ended September 30, 2019 and 2018.



TABLE 1

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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			
1	Shanghai Gourmet Master Food & Beverage Ltd.	85 Degree (Jiangsu) Food Ltd.	Other receivables - related parties	Yes	\$ 88,720 (RMB 20,000)	\$ 88,720 (RMB 20,000)	\$ 88,720 (RMB 20,000)	2.00	For short-term financing	\$ -	Working capital loan	\$ -	-	\$ -	\$ 837,496	\$ 1,256,244	Note 1.a.
		Prime Scope Trading Limited	Other receivables - related parties	Yes	66,540 (RMB 15,000)	66,540 (RMB 15,000)	66,540 (RMB 15,000)	3.50	For short-term financing	-	Working capital loan	-	-	-	837,496	1,256,244	Note 1.a.
		Prime Scope Trading Limited	Other receivables - related parties	Yes	88,720 (RMB 20,000)	88,720 (RMB 20,000)	- (RMB -)	3.50	For short-term financing	-	Working capital loan	-	-	-	837,496	1,256,244	Note 1.a.
		Sheng-Pin (Dongguan) Food Ltd.	Other receivables - related parties	Yes	88,720 (RMB 20,000)	88,720 (RMB 20,000)	88,720 (RMB 20,000)	2.00	For short-term financing	-	Working capital loan	-	-	-	837,496	1,256,244	Note 1.a.
		85 Degree (Jiangsu) Food Ltd.	Other receivables - related parties	Yes	88,720 (RMB 20,000)	88,720 (RMB 20,000)	88,720 (RMB 20,000)	2.00	For short-term financing	-	Working capital loan	-	-	-	837,496	1,256,244	Note 1.a.
2	He-Shia Food & Beverage Ltd.	Gourmet Master Co. Ltd.	Other receivables - related parties	Yes	133,080 (RMB 30,000)	133,080 (RMB 30,000)	- (RMB -)	4.35	For short-term financing	-	Working capital loan	-	-	-	571,120	856,681	Note 1.b.
		Shenyang 85 Food & Beverage Ltd.	Other receivables - related parties	Yes	110,900 (RMB 25,000)	110,900 (RMB 25,000)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	571,120	856,681	Note 1.b.
		Prime Scope Trading Limited	Other receivables - related parties	Yes	133,080 (RMB 30,000)	133,080 (RMB 30,000)	133,080 (RMB 30,000)	3.50	For short-term financing	-	Working capital loan	-	-	-	571,120	856,681	Note 1.b.
3	He-Shia (Nanjing) Food & Beverage Ltd.	Sheng-Pin (Xiamen) Food Ltd.	Other receivables - related parties	Yes	88,720 (RMB 20,000)	88,720 (RMB 20,000)	88,720 (RMB 20,000)	2.00	For short-term financing	-	Working capital loan	-	-	-	410,688	616,032	Note 1.c.
		85 Degree (Jiangsu) Food Ltd.	Other receivables - related parties	Yes	88,720 (RMB 20,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	410,688	616,032	Note 1.c.
		85 Degree (Jiangsu) Food Ltd.	Other receivables - related parties	Yes	88,720 (RMB 20,000)	88,720 (RMB 20,000)	88,720 (RMB 20,000)	2.00	For short-term financing	-	Working capital loan	-	-	-	410,688	616,032	Note 1.c.
4	Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Other receivables - related parties	Yes	50,000	50,000	50,000	1.00	For short-term financing	-	Working capital loan	-	-	-	730,815	730,815	Note 1.d.
		Mei Wei Master Co., Ltd.	Other receivables - related parties	Yes	50,000	50,000	50,000	1.00	For short-term financing	-	Working capital loan	-	-	-	730,815	730,815	Note 1.d.
		Gourmet Master Co. Ltd.	Other receivables - related parties	Yes	100,000	-	28,450	1.15	For short-term financing	-	Working capital loan	-	-	-	730,815	730,815	Note 1.d.
		Gourmet Master Co. Ltd.	Other receivables related parties	Yes	219,716 (US\$ 7,200)	219,716 (US\$ 7,200)	216,665 (US\$ 7,100)	2.48	For short-term financing	-	Working capital loan	-	-	-	730,815	730,815	Note 1.d.
		Prime Scope Trading Limited	Other receivables - related parties	Yes	220,000	220,000	-	1.00	For short-term financing	-	Working capital loan	-	-	-	730,815	730,815	Note 1.d.
		Worldinn Limited	Other receivables - related parties	Yes	10,728 (HK\$ 2,750)	10,728 (HK\$ 2,750)	10,728 (HK\$ 2,750)	2.50	For short-term financing	-	Working capital loan	-	-	-	730,815	730,815	Note 1.d.
		85 Degree Co., Ltd.	Other receivables - related parties	Yes	10,000	10,000	10,000	1.00	For short-term financing	-	Working capital loan	-	-	-	730,815	730,815	Note 1.d.
		85 Degree Co., Ltd.	Other receivables - related parties	Yes	5,000	5,000	5,000	1.00	For short-term financing	-	Working capital loan	-	-	-	730,815	730,815	Note 1.d.
5	Gourmet Master Co. Ltd.	85 Degrees Cafe' International Pty. Ltd.	Other receivables related parties	Yes	11,018 (AUD 500)	11,018 (AUD 500)	4,407 (AUD 200)	5.49	For short-term financing	-	Working capital loan	-	-	-	4,039,847	4,039,847	Note 1.e.
6	Perfect 85 Degrees C, Inc.	WinUS 85C LLC	Other receivables - related parties	Yes	94,600 (US\$ 3,100)	94,600 (US\$ 3,100)	87,033 (US\$ 2,852)	3.75	For short-term financing	-	Working capital loan	-	-	-	529,257	529,257	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 \$2,093,740 (in thousands) x 60% = \$1,256,244 (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 \$2,093,740 (in thousands) x 40% = \$837,496 (in thousands) of the net worth of Shanghai Gourmet Master Food & Beverage Ltd.
  - b.     The total amount available for lending purpose shall not exceed \$1,427,801 (in thousands) x 60% = \$856,681 (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 \$1,427,801 (in thousands) x 40% = \$571,120 (in thousands) of the net worth of He-Shia Food & Beverage Ltd.
  - c.     The total amount available for lending purpose shall not exceed \$1,026,720 (in thousands) x 60% = \$616,032 (in thousands) of the net worth of He-Shia (Nanjing) Food & Beverage Ltd.     The total amount for lending to a company for funding for a short-term period shall not exceed \$1,026,720 (in thousands) x 40% = \$410,688 (in thousands) of the net worth of He-Shia (Nanjing) Food & Beverage Ltd.
  - d.     The total amount available for lending purpose shall not exceed \$1,827,038 (in thousands) x 40% = \$730,815 (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 \$1,827,038 (in thousands) x 40% = \$730,815 (in thousands) of the net worth of Comestibles Master Co., Ltd.
  - e.     The total amount available for lending purpose shall not exceed \$10,099,618 (in thousands) x 40% = \$4,039,847 (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 \$10,099,618 (in thousands) x 40% = \$4,039,847 (in thousands) of the net worth of Gourmet Master Co. Ltd.
  - f.     The total amount available for lending purpose shall not exceed \$1,323,143 (in thousands) x 40% = \$529,257 (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 \$1,323,143 (in thousands) x 40% = \$529,257 (in thousands) of the net worth of Perfect 85 Degrees C, Inc.

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 NINE MONTHS ENDED SEPTEMBER 30, 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.	85 Degree (Jiangsu) Food Ltd.	b	\$ 2,019,924	\$ 488,258 (US\$ 16,000)	\$ - (US\$ -)	\$ - (US\$ -)	\$ -	4.83	\$ 5,049,809	Y	N	Y	
		85 Degree (Jiangsu) Food Ltd.	b	2,019,924	38,145 (US\$ 1,250)	38,145 (US\$ 1,250)	38,145 (US\$ 1,250)	-	0.38	5,049,809	Y	N	Y	
		85 Degree (Jiangsu) Food Ltd.	b	2,019,924	152,581 (US\$ 5,000)	152,581 (US\$ 5,000)	152,581 (US\$ 5,000)	-	1.51	5,049,809	Y	N	Y	
		Perfect 85 Degrees C, Inc.	b	2,019,924	518,774 (US\$ 17,000)	518,774 (US\$ 17,000)	396,709 (US\$ 13,000)	-	5.14	5,049,809	Y	N	N	
		WinPin 85 Investments, LLC	b	2,019,924	91,548 (US\$ 3,000)	91,548 (US\$ 3,000)	- (US\$ -)	-	0.91	5,049,809	Y	N	N	
		Comestibles Master Co., Ltd.	b	2,019,924	152,581 (US\$ 5,000)	152,581 (US\$ 5,000)	19,000	-	1.51	5,049,809	Y	N	N	
		Comestibles Master Co., Ltd.	b	2,019,924	200,000	200,000	-	-	1.98	5,049,809	Y	N	N	
		Comestibles Master Co., Ltd.	b	2,019,924	152,581 (US\$ 5,000)	152,581 (US\$ 5,000)	- (US\$ -)	-	1.51	5,049,809	Y	N	N	
		Perfect 85 Degrees C, Inc.	b	2,019,924	152,581 (US\$ 5,000)	152,581 (US\$ 5,000)	- (US\$ -)	-	1.51	5,049,809	Y	N	N	
		WinPin 85 Investments, LLC	b	2,019,924	152,581 (US\$ 5,000)	152,581 (US\$ 5,000)	- (US\$ -)	-	1.51	5,049,809	Y	N	N	
1	Comestibles Master Co., Ltd.	Gourmet Master Co. Ltd.	c	365,408	30,516 (US\$ 1,000)	30,516 (US\$ 1,000)	12,560 (US\$ 412)	-	1.67	913,519	N	Y	N	
		Gourmet Master Co. Ltd.	c	365,408	122,064 (US\$ 4,000)	122,064 (US\$ 4,000)	- (US\$ -)	160,416	6.68	913,519	N	Y	N	
		Gourmet Master Co. Ltd.	c	365,408	146,903	146,903	-	211,069	8.04	913,519	N	Y	N	
		WinPin 85 Investments, LLC	d	365,408	152,581 (US\$ 5,000)	152,581 (US\$ 5,000)	61,032 (US\$ 2,000)	-	8.35	913,519	N	N	N	
		Perfect 85 Degrees C, Inc.	d	365,408	183,097 (US\$ 6,000)	183,097 (US\$ 6,000)	- (US\$ -)	211,069	10.02	913,519	N	N	N	
		85 Degrees Café International Pty. Ltd.	a	365,408	6,611 (AUD 300)	6,611 (AUD 300)	6,611 (AUD 300)	-	0.36	913,519	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. Majority owned subsidiary.
- c. A subsidiary jointly owned over fifty percent (50%) by the Company and the Company’s directly-owned subsidiary.
- d. The Company directly and indirectly holds more than 90% of the voting shares.
- 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.
- g. Performance guarantees for pre-sales sales contracts under the Consumer Protection Act.

(Continued)

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.  $\$10,099,618 \text{ (in thousands)} \times 50\% = \$5,049,809 \text{ (in thousands)}$ .
- 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.  $\$10,099,618 \text{ (in thousands)} \times 20\% = \$2,019,924 \text{ (in thousands)}$ .
- c. The total amount of guarantee shall not exceed 50% of the net worth Comestibles Master Co., Ltd.  $\$1,827,038 \text{ (in thousands)} \times 50\% = \$913,519 \text{ (in thousands)}$ .
- d. The total amount of guarantee provided to any individual entity shall not exceed 20% of the net worth of Comestibles Master Co., Ltd.  $\$1,827,038 \text{ (in thousands)} \times 20\% = \$365,408 \text{ (in thousands)}$ .

(Concluded)

**TABLE 3**

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

**MARKETABLE SECURITIES HELD**  
**SEPTEMBER 30, 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	September 30, 2019				Note
				In Thousand Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Comestibles Master Co., Ltd.	<u>Bank debentures</u> China Development Bank	NA	Financial assets at amortized cost - non-current	-	\$ 30,606	-	\$ 30,606	
	<u>Shares</u> Tehmag Foods Corporation	NA	Financial assets at fair value through profit or loss - current	660	138,270	1.96	138,270	
	<u>Fund</u> Taishin 1699 Money Market	NA	Financial assets at fair value through profit or loss - current	-	10,080	-	10,080	

**TABLE 4****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 NINE MONTHS ENDED SEPTEMBER 30, 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	
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd. Perfect 85 Degrees C, Inc.	Parent company	Sales	\$ 198,121	7	25 days	Based on the Group's transfer pricing policy	-	Trade receivables	\$ 76,119	18	Note
		Affiliated company	Sales	104,460	4	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	56,877	14	Note
Jin Wei Industrial (Shanghai) Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	Subsidiary	Sales	712,641	14	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	101,931	16	Note
	He-Shia Food & Beverage Ltd.	Affiliated company	Sales	533,882	10	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	63,170	10	Note
	Beijing 85 Food & Beverage Ltd.	Affiliated company	Sales	266,750	5	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	28,035	4	Note
	He-Shia (Nanjing) Food & Beverage Ltd.	Affiliated company	Sales	1,007,745	20	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	119,693	19	Note
	Zhejiang 85 Food & Beverage Ltd.	Affiliated company	Sales	291,124	6	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	31,664	5	Note
	Fuzhou 85 Food & Beverage Ltd.	Affiliated company	Sales	418,538	8	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	44,669	7	Note
	Xiamen 85 Food & Beverage Ltd.	Affiliated company	Sales	473,711	9	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	48,862	8	Note
	Shenzhen 85 Food & Beverage Ltd.	Affiliated company	Sales	390,720	8	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	42,585	7	Note
	Chengdu 85 Food & Beverage Ltd.	Affiliated company	Sales	220,709	4	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	33,536	5	Note
	Wuhan Jing Way Food & Beverage Ltd.	Affiliated company	Sales	139,280	3	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	15,705	2	Note
Sheng-Pin (Hangzhou) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	403,485	97	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	36,336	100	Note
Sheng-Pin (Xiamen) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	183,573	99	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	16,936	100	Note
85 Degree (Jiangsu) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	1,487,624	95	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	149,743	98	Note
Sheng-Pin (Dongguan) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	128,204	100	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	11,935	100	Note
Perfect 85 Degrees C, Inc.	WinPin 85 Investments, LLC	Subsidiary	Sales	1,397,294	92	30 days	Based on the Group's transfer pricing policy	-	Trade receivables	143,031	88	Note
	Golden 85 Investments, LLC	Subsidiary	Sales	108,441	7	30 days	Based on the Group's transfer pricing policy	-	Trade receivables	9,986	6	Note

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

**TABLE 5**

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SEPTEMBER 30, 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. Gourmet Master Co. Ltd.	Parent company	\$ 100,000	(Note)	\$ -	-	\$ -	\$ -
		Parent company	245,115	(Note)	-	-	-	-
Shanghai Gourmet Master Food & Beverage Ltd.	85 Degree (Jiangsu) Food Ltd.	Affiliated company	177,440	(Note)	-	-	-	-
Jin Wei Industrial (Shanghai) Ltd.	Shanghai Gourmet Master Food & Beverage Ltd. He-Shia (Nanjing) Food & Beverage Ltd.	Parent company	101,931	7.00	-	-	-	-
		Affiliated company	119,693	8.56	-	-	-	-
He-Shia Food & Beverage Ltd.	Prime Scope Trading Limited	Subsidiary	133,080	(Note)	-	-	-	-
He-Shia (Nanjing) Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	Affiliated company	168,986	(Note)	-	-	-	-
85 Degree (Jiangsu) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	149,743	9.74	-	-	-	-
Perfect 85 Degrees C, Inc.	WinPin 85 Investments, LLC	Parent company	143,031	14.29	-	-	-	-

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

TABLE 6

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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.	c	Other receivables	\$ 50,000	Financing provided, annual interest rate 1%	-
		Mei Wei Master Co., Ltd.	c	Other receivables	50,000	Financing provided, annual interest rate 1%	-
		Gourmet Master Co. Ltd.	b	Other receivables	28,450	Financing provided, annual interest rate 1.15%	-
		Gourmet Master Co. Ltd.	b	Other receivables	216,665	Financing provided, annual interest rate 2.48%	1
		Prime Scope Trading Limited	c	Other receivables	66,729	-	-
2	Mei Wei Master Co., Ltd.	Comestibles Master Co., Ltd.	c	Purchases	198,121	25 days	1
		Comestibles Master Co., Ltd.	c	Trade payables	76,119	25 days	-
3	Shanghai Gourmet Master Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	712,641	60 days	4
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	101,931	60 days	1
		Prime Scope Trading Limited	c	Other receivables	66,540	Financing provided, annual interest rate 3.5%	-
		Sheng-Pin (Dongguan) Food Ltd.	c	Other receivables	88,720	Financing provided, annual interest rate 2%	1
		85 Degree (Jiangsu) Food Ltd.	c	Other receivables	177,440	Financing provided, annual interest rate 2%	1
4	He-Shia Food & Beverage Ltd.	Prime Scope Trading Limited	c	Other receivables	133,080	Financing provided, annual interest rate 3.5%	1
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	87,723	-	1
		Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	533,882	60 days	3
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	63,170	60 days	-
5	Beijing 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	266,750	60 days	1
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	47,963	-	-
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	28,035	60 days	-
6	He-Shia (Nanjing) Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	1,007,745	60 days	6
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	119,693	60 days	1
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	168,986	-	1
		85 Degree (Jiangsu) Food Ltd.	c	Other receivables	88,720	Financing provided, annual interest rate 2%	1
		Sheng-Pin (Xiamen) Food Ltd.	c	Other receivables	88,720	Financing provided, annual interest rate 2%	1
7	Zhejiang 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	291,124	60 days	2
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	31,664	60 days	-
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	52,318	-	-

(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)
8	Fuzhou 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	\$ 418,538	60 days	2
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	44,669	60 days	-
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	67,648	-	-
9	Xiamen 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	473,711	60 days	3
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	48,862	60 days	-
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	78,116	-	-
10	Shenzheng 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	390,720	60 days	2
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	42,585	60 days	-
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	68,688	-	-
11	Chengdu 85 Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	30,156	-	-
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	33,536	60 days	-
		Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	220,709	60 days	1
12	Wuhan Jing Way Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	139,280	60 days	1
13	85 Degree (Qingdao) Food & Beverage Management Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	55,737	60 days	-
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	25,786	60 days	-
14	Guangzhou 85 Degree Food & Beverage Management Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	85,413	60 days	-
15	Sheng-Pin (Hangzhou) Food Ltd.	85 Degree (Jiangsu) Food Ltd.	c	Purchases	43,690	60 days	-
16	Jin Wei Industrial (Shanghai) Ltd.	Sheng-Pin (Hangzhou) Food Ltd.	c	Purchases	403,485	60 days	2
		Sheng-Pin (Xiamen) Food Ltd.	c	Purchases	183,573	60 days	1
		85 Degree (Jiangsu) Food Ltd.	c	Purchases	1,487,624	60 days	8
		Sheng-Pin (Beijing) Food Ltd.	c	Purchases	84,831	60 days	-
		Sheng-Pin (Wuhan) Food Ltd.	c	Purchases	54,038	60 days	-
		Sheng-Pin (Qingdao) Food Ltd.	c	Purchases	52,516	60 days	-
		Mai-Jia (Chengdu) Food Ltd.	c	Purchases	61,453	60 days	-
		Sheng-Pin (Dongguan) Food Ltd.	c	Purchases	128,204	60 days	1
		Sheng-Pin (Hangzhou) Food Ltd.	c	Trade payables	36,336	60 days	-
		85 Degree (Jiangsu) Food Ltd.	c	Trade payables	149,743	60 days	1
17	WinPin 85 Investments, LLC	Perfect 85 Degrees C, Inc.	c	Purchases	1,397,294	30 days	8
		Perfect 85 Degrees C, Inc.	c	Trade payables	143,031	30 days	1
		Perfect 85 Degrees C, Inc.	c	Selling and marketing expense - others (miscellaneous incomes)	164,282	-	1
18	Golden 85 Investments, LLC	Perfect 85 Degree C, Inc.	c	Purchases	108,441	30 days	1

(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)
19	Perfect 85 Degrees C, Inc.	WinUS 85C LLC	c	Other receivables	\$ 87,033	Financing provided, annual interest rate 3.75%	1
		Comestibles Master Co., Ltd.	c	Trade payables	56,877	60 days	-
		Comestibles Master Co., Ltd.	c	Purchases	104,460	60 days	1
20	Lucky Bakery Limited	Comestibles Master Co., Ltd.	c	Purchases	42,845	60 days	-
21	85 Degrees Café International Pty. Ltd.	Comestibles Master Co., Ltd.	c	Trade payables	58,625	60 days	-
22	Prime Scope Trading Limited	Jin Wei Industrial (Shanghai) Ltd.	c	Other receivables	72,582	-	-
		Jin Wei Industrial (Shanghai) Ltd.	c	Other operating income (selling and marketing expense - others)	73,950	-	-

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

- a. Number 0 represents the parent company.
- b. Number 1 to 22 represents subsidiaries.

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

- a. “a” represents transactions from parent company to subsidiary.
- b. “b” represents transactions from subsidiary to parent company.
- c. “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 7**

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

**INFORMATION OF INVESTEEES**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 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	\$ 1,763,658	\$ 338,122	\$ 338,122	Note 1
	Prime Scope Trading Limited	Hong Kong	Investment	1,426,414 (US\$ 46,743)	1,426,414 (US\$ 46,743)	46,742,963	100	7,259,548	919,322	919,322	
	Perfect 85 Degrees C, Inc.	USA	Manufacturing and sale of baking food	230,475 (US\$ 7,553)	230,475 (US\$ 7,553)	5,301,000	100	1,323,143	189,247	189,247	Note 1
	85 Degrees Café International Pty. Ltd.	Australia	Grocery and drink retail	39,332 (AUD 1,785)	39,332 (AUD 1,785)	1,785,000	51	(30,593)	(71,446)	(36,438)	Notes 1 and 2
	Lucky Bakery Limited	Samoa	Investment	114,089 (US\$ 3,739)	114,089 (US\$ 3,739)	811,000	100	30,951	4,700	4,700	Notes 1 and 2
	WinWin 85C Holding Co., Ltd.	Cayman	Investment	64,389 (US\$ 2,110)	64,389 (US\$ 2,110)	2,110,000	100	44,580	(628)	(628)	Notes 1 and 2
WinWin 85C Holding Co., Ltd.	WinWin 85C LCC	USA	Investment	39,671 (US\$ 1,300)	39,671 (US\$ 1,300)	-	100	29,840	2,999	2,999	Notes 1 and 2
	WinUS 85C LLC	USA	Investment	23,192 (US\$ 760)	23,192 (US\$ 760)	-	100	13,846	(3,435)	(3,435)	Notes 1 and 2
Prime Scope Trading Limited	Wincase Limited	Hong Kong	Grocery and drink retail	133,197 (HK\$ 34,144)	133,197 (HK\$ 34,144)	-	100	15,256	(580)	(580)	Notes 1 and 2
	Worldinn Limited	Hong Kong	Manufacturing and sale of baking food	139,056 (HK\$ 35,646)	139,056 (HK\$ 35,646)	-	100	16,905	2,027	2,027	Notes 1 and 2
Perfect 85 Degrees C, Inc.	Golden 85 Investments, LLC	USA	Grocery and drink retail	60,160 (US\$ 1,971)	60,160 (US\$ 1,971)	-	65	33,873	42,463	27,601	Notes 1 and 2
	WinPin 85 Investments, LLC	USA	Grocery and drink retail	268,542 (US\$ 8,800)	268,542 (US\$ 8,800)	-	100	788,078	133,860	133,860	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	1,827,038	414,843	414,843	
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	(25,139)	(16,390)	(16,390)	
	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	83,386	46,549	10,713	Note 2
	Fang Song Comestibles Ltd.	Taichung City, Taiwan (R.O.C.)	Food and beverage; grocery and drink retail	-	10,000	-	-	-	(22)	(22)	
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	874	(1,267)	(760)	Note 2

Note 1: The exchange rate was US\$1=NT\$30.516; RMB1=NT\$4.436; AUD1=NT\$22.035; HK\$1=NT\$3.901 as of September 30, 2019.

Note 2: The carrying amount was based on the net assets of the investee, whose financial statements were not reviewed as of September 30, 2019.

Note 3: For information of investments in mainland China, please refer to Table 8.

TABLE 8

## GOURMET MASTER CO. LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2019	Accumulated Repatriation of Investment Income as of September 30, 2019	Note
					Outward	Inward							
Prime Scope Trading Limited	Grocery and drink retail	\$ 303,971	Direct investment	\$ -	\$ -	\$ -	\$ -	\$ 368,856	100.0	\$ 368,856	\$ 2,093,740	\$ -	Note 1
Shanghai Gourmet Master Food & Beverage Ltd.		(US\$ 9,961)											
He-Shia Food & Beverage Ltd.	Grocery and drink retail	74,898	Direct investment	-	-	-	-	35,994	100.0	35,994	1,427,801	-	Note 1
		(US\$ 2,454)											
Sheng-Pin (Hangzhou) Food Ltd.	Manufacturing and sale of baking food	61,032	Direct investment	-	-	-	-	25,695	100.0	26,859	258,940	-	Notes 1 and 2
		(US\$ 2,000)											
He-Shia (Nanjing) Food & Beverage Ltd.	Grocery and drink retail	61,032	Direct investment	-	-	-	-	94,092	100.0	94,092	1,026,720	-	Note 1
		(US\$ 2,000)											
Beijing 85 Food & Beverage Ltd.	Grocery and drink retail	244,129	Direct investment	-	-	-	-	19,619	25.0	4,904	42,679	-	Notes 1 and 2
		(US\$ 8,000)											
Zhejiang 85 Food & Beverage Ltd.	Grocery and drink retail	61,032	Direct investment	-	-	-	-	46,312	100.0	46,312	188,699	-	Notes 1 and 2
		(US\$ 2,000)											
Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baking food	198,355	Direct investment	-	-	-	-	7,638	61.5	5,469	96,084	-	Notes 1 and 2
		(US\$ 6,500)											
Fuzhou 85 Food & Beverage Ltd.	Grocery and drink retail	15,258	Direct investment	-	-	-	-	59,167	100.0	59,167	535,926	-	Note 1
		(US\$ 500)											
Sheng-Pin (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	137,323	Direct investment	-	-	-	-	8,989	100.0	8,989	102,027	-	Notes 1 and 2
		(US\$ 4,500)											
Sheng-Pin (Xiamen) Food Ltd.	Manufacturing and sale of baking food	61,032	Direct investment	-	-	-	-	9,033	100.0	11,877	68,792	-	Notes 1 and 2
		(US\$ 2,000)											
Sheng-Pin (Qingdao) Food Ltd.	Manufacturing and sale of baking food	76,290	Direct investment	-	-	-	-	9,846	100.0	10,169	50,370	-	Notes 1 and 2
		(US\$ 2,500)											
Xiamen 85 Food & Beverage Ltd.	Grocery and drink retail	30,516	Direct investment	-	-	-	-	182,429	100.0	182,429	837,796	-	Note 1
		(US\$ 1,000)											
Shenyang 85 Food & Beverage Ltd.	Grocery and drink retail	30,516	Direct investment	-	-	-	-	89,586	100.0	89,586	16	-	Notes 1 and 2
		(US\$ 1,000)											
Sheng-Pin (Shenyang) Food Ltd.	Manufacturing and sale of baking food	122,065	Direct investment	-	-	-	-	8,524	100.0	8,524	54,607	-	Notes 1 and 2
		(US\$ 4,000)											
85 Degree (Qingdao) Food & Beverage Management Ltd.	Grocery and drink retail	61,032	Direct investment	-	-	-	-	594	100.0	594	90,969	-	Notes 1 and 2
		(US\$ 2,000)											
85 Degree (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	701,871	Direct investment	-	-	-	-	53,840	25.0	16,829	185,777	-	Note 1
		(US\$ 23,000)											
Shanghai Gourmet Master Food & Beverage Ltd.													
Sheng-Pin (Shanghai) Food Ltd.	Manufacturing and sale of baking food	79,848	Direct investment	-	-	-	-	191	100.0	191	20,103	-	Notes 1 and 2
		(RMB 18,000)											
Shanghai Howco Jing Way Food & Beverage Ltd.	Grocery and drink retail	66,540	Direct investment	-	-	-	-	5,641	100.0	5,641	76,641	-	Notes 1 and 2
		(RMB 15,000)											
Shenzhen 85 Food & Beverage Ltd.	Grocery and drink retail	59,280	Direct investment	-	-	-	-	84,872	85.0	72,141	186,534	-	Notes 1 and 2
		(RMB 13,363)											
Chengdu 85 Food & Beverage Ltd.	Grocery and drink retail	117,953	Direct investment	-	-	-	-	(5,234)	100.0	(5,234)	102,803	-	Notes 1 and 2
		(RMB 26,590)											

(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 September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2019	Accumulated Repatriation of Investment Income as of September 30, 2019	Note
					Outward	Inward							
Sheng-Pin (Wuhan) Food Ltd.	Manufacturing and sale of baking food	\$ 70,976 (RMB 16,000)	Direct investment	\$ -	\$ -	\$ -	\$ -	\$ 13,862	100.0	\$ 14,445	\$ 38,832	\$ -	Notes 1 and 2
Wuhan Jing Way Food & Beverage Ltd.	Grocery and drink retail	204,056 (RMB 46,000)	Direct investment	-	-	-	-	14,137	57.0	7,991	80,919	-	Notes 1 and 2
Jianxi Jing Way Food & Beverage Ltd.	Grocery and drink retail	26,616 (RMB 6,000)	Direct investment	-	-	-	-	(790)	100.0	(790)	(2,792)	-	Notes 1 and 2
Jin Wei Industrial (Shanghai) Ltd.	Grocery sale	8,872 (RMB 2,000)	Direct investment	-	-	-	-	113,482	100.0	114,267	198,985	-	Note 1
Guangzhou 85 Degree Food & Beverage Management Ltd.	Grocery and drink retail	70,976 (RMB 16,000)	Direct investment	-	-	-	-	2,186	100.0	2,186	60,074	-	Notes 1 and 2
Mai-Jia (Chengdu) Food Ltd.	Manufacturing and sale of baking food	109,791 (RMB 24,750)	Direct investment	-	-	-	-	(2,657)	100.0	(1,475)	100,322	-	Notes 1 and 2
85 Degree (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	701,871 (US\$ 23,000)	Direct investment	-	-	-	-	53,840	75.0	49,974	639,054	-	Note 1
Jia Ding Jing Way Food & Beverage Ltd.	Grocery and drink retail	4,436 (RMB 1,000)	Direct investment	-	-	-	-	2,154	100.0	2,154	9,783	-	Notes 1 and 2
Kunshan 85 Food & Beverage Ltd.	Grocery and drink retail	44,360 (RMB 10,000)	Direct investment	-	-	-	-	(166)	100.0	(166)	47,194	-	Notes 1 and 2
Sheng-Pin (Dongguan) Food Ltd.	Manufacturing and sale of baking food	310,520 (RMB 70,000)	Direct investment	-	-	-	-	1,191	100.0	48	309,132	-	Notes 1 and 2
Shenzheng 85 Food & Beverage Ltd.	Manufacturing and sale of baking food	28,834 (RMB 6,500)	Direct investment	-	-	-	-	1,180	85.0	4,282	13,989	-	Notes 1 and 2
Sheng-Pin (Shenzheng) Food Ltd.													
85 Degree (Qingdao) Food & Beverage Management Ltd.	Grocery and drink retail	6,654 (RMB 1,500)	Direct investment	-	-	-	-	1,093	100.0	1,093	7,416	-	Notes 1 and 2
Qingdao Jie Wei Food & Beverage Management Ltd.													
He-Shia Food & Beverage Ltd.	Grocery and drink retail	204,056 (RMB 46,000)	Direct investment	-	-	-	-	14,137	43.0	6,145	62,245	-	Notes 1 and 2
Wuhan Jing Way Food & Beverage Ltd.													
Beijing 85 Food & Beverage Ltd.	Grocery and drink retail	244,129 (US\$ 8,000)	Direct investment	-	-	-	-	19,619	75.0	14,714	128,037	-	Notes 1 and 2
Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baking food	198,355 (US\$ 6,500)	Direct investment	-	-	-	-	7,638	38.5	3,424	60,150	-	Notes 1 and 2

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 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\$30.516, RMB1=NT\$4.436 as of September 30, 2019.

Note 2: The carrying amount was based on the net assets of the investee, whose financial statements were not reviewed as of September 30, 2019.

(Concluded)