Gourmet Master Co. Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report

Deloitte.
勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan, R.O.C.

Tel : +886 (2) 2545-9988
Fax: +886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Gourmet Master Co. Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

March 11, 2016

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 audit such consolidated financial statements are those generally applied in the Republic of China.

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

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015		2014	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 3,054,982	25	$ 2,480,103	25
Financial assets at fair value through profit or loss - current (Note 7)	108,900	1	-	-
Debt investments with no active market - current (Notes 9 and 31)	979,185	8	56,070	1
Notes receivable	6,522	-	218	-
Trade receivables (Notes 10 and 30)	262,608	2	238,551	2
Other receivables (Note 30)	85,503	1	76,950	1
Current tax assets	140	-	7,291	-
Inventories (Note 11)	636,774	5	533,994	5
Prepayments (Note 16)	414,433	3	361,089	4
Other current assets (Note 16)	21,524	-	12,616	-
Total current assets	5,570,571	45	3,766,882	38
NON-CURRENT ASSETS				
Held-to-maturity financial assets - non-current (Note 8)	32,969	-	-	-
Debt investments with no active market - non-current (Notes 9 and 31)	195,568	2	-	-
Investments accounted for using equity method (Note 13)	71,072	1	58,710	1
Property, plant and equipment (Notes 14 and 31)	5,318,642	43	4,922,226	50
Investment properties	173,747	1	-	-
Intangible assets	92,275	1	75,936	1
Deferred tax assets (Notes 5 and 22)	128,349	1	81,596	1
Prepaid equipment (Note 16)	125,761	1	297,939	3
Refundable deposits (Note 16)	507,662	4	545,718	5
Other non-current assets (Note 16)	73,082	1	73,748	1
Total non-current assets	6,719,127	55	6,055,873	62
TOTAL	$ 12,289,698	100	$ 9,822,755	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 31,073	-	$ -	-
Trade payables (Note 18)	1,203,149	10	994,015	10
Other payables (Note 19)	1,240,067	10	1,171,192	12
Current tax liabilities	131,479	1	83,823	1
Receipts in advance (Note 19)	822,404	7	641,974	7
Current portion of long-term borrowings (Note 17)	54,235	-	934	-
Other current liabilities (Note 19)	23,099	-	15,594	-
Total current liabilities	3,505,506	28	2,907,532	30
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	966,327	8	14,846	-
Decommission, restoration and rehabilitation provisions (Note 19)	72,843	1	56,726	-
Deferred tax liabilities (Notes 5 and 22)	597	-	653	-
Guarantee deposits received (Note 19)	51,814	-	67,923	1
Total non-current liabilities	1,091,581	9	140,148	1
Total liabilities	4,597,087	37	3,047,680	31
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)				
Share capital	1,411,200	11	1,411,200	14
Capital surplus				
Additional paid-in capital	2,681,126	22	2,681,126	27
Retained earnings				
Reserve	476,860	4	424,109	4
Special reserve	38,098	-	38,098	1
Unappropriated earnings	2,689,963	22	1,772,876	18
Total retained earnings	3,204,921	26	2,235,083	23
Other equity	336,894	3	396,484	4
Total equity attributable to owners of the Company	7,634,141	62	6,723,893	68
NON-CONTROLLING INTERESTS	58,470	1	51,182	1
Total equity	7,692,611	63	6,775,075	69
TOTAL	$ 12,289,698	100	$ 9,822,755	100

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

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 30)	$ 20,457,364	100	$ 17,921,236	100
OPERATING COSTS (Notes 21 and 30)	(8,868,154)	(43)	(7,836,415)	(44)
GROSS PROFIT	11,589,210	57	10,084,821	56
OPERATING EXPENSES (Note 21)				
Selling and marketing expenses	(8,893,598)	(44)	(8,265,903)	(46)
General and administrative expenses	(979,232)	(5)	(935,236)	(5)
Research and development expenses	(36,033)	-	(35,868)	-
Total operating expenses	(9,908,863)	(49)	(9,237,007)	(51)
PROFIT FROM OPERATIONS	1,680,347	8	847,814	5
NON-OPERATING INCOME AND EXPENSES (Notes 21 and 30)				
Gain from bargain purchase acquisition of subsidiaries	-	-	8,310	-
Other income	203,103	1	169,001	1
Other gains and losses	(318,812)	(1)	(90,602)	(1)
Finance costs	(6,397)	-	-	-
Share of profit or loss of associates	11,653	-	(21,622)	-
Total non-operating income and expenses	(110,453)	-	65,087	-
PROFIT BEFORE INCOME TAX	1,569,894	8	912,901	5
INCOME TAX EXPENSE (Note 22)	(403,851)	(2)	(369,115)	(2)
NET PROFIT FOR THE YEAR	1,166,043	6	543,786	3

(Continued)

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	$ (139,707)	(1)	$ 222,766	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	78,167	-	(44,786)	-
Other comprehensive income (loss) for the year, net of income tax	(61,540)	(1)	177,980	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,104,503	5	$ 721,766	4
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	$ 1,139,182	6	$ 527,509	3
Non-controlling interests	26,861	-	16,277	-
	$ 1,166,043	6	$ 543,786	3
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	$ 1,079,592	5	$ 705,756	4
Non-controlling interests	24,911	-	16,010	-
	$ 1,104,503	5	$ 721,766	4
EARNINGS PER SHARE (Note 23)				
Basic	$ 8.07		$ 3.74	

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

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	Equity Attributable to the Owners of the Company									
				Retained Earnings			Other Equity			
	Share (Thousand)	Share Capital	Capital Surplus	Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2014	141,120	$ 1,411,200	$ 2,681,126	$ 366,706	$ 38,098	$ 1,487,603	$ 218,237	$ 6,202,970	$ 71,184	$ 6,274,154
Appropriation of 2013 earnings										
Reserve	-	-	-	57,403	-	(57,403)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(183,456)	-	(183,456)	-	(183,456)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(36,012)	(36,012)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	-	-	-	(1,377)	-	(1,377)	-	(1,377)
Net profit for the year ended December 31, 2014	-	-	-	-	-	527,509	-	527,509	16,277	543,786
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	-	-	178,247	178,247	(267)	177,980
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	527,509	178,247	705,756	16,010	721,766
BALANCE AT DECEMBER 31, 2014	141,120	1,411,200	2,681,126	424,109	38,098	1,772,876	396,484	6,723,893	51,182	6,775,075
Appropriation of 2014 earnings										
Reserve	-	-	-	52,751	-	(52,751)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(169,344)	-	(169,344)	-	(169,344)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(17,623)	(17,623)
Net profit for the year ended December 31, 2015	-	-	-	-	-	1,139,182	-	1,139,182	26,861	1,166,043
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	-	(59,590)	(59,590)	(1,950)	(61,540)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	1,139,182	(59,590)	1,079,592	24,911	1,104,503
BALANCE AT DECEMBER 31, 2015	141,120	$ 1,411,200	$ 2,681,126	$ 476,860	$ 38,098	$ 2,689,963	$ 336,894	$ 7,634,141	$ 58,470	$ 7,692,611

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

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,569,894	$ 912,901
Adjustments for:		
Depreciation expenses	1,079,035	898,613
Amortization expenses	29,765	21,685
Impairment loss recognized (reversal of impairment loss) on trade receivables	(6,869)	10,335
Net gain on fair value change of financial assets at fair value through profit or loss	(3,900)	-
Interest expense	6,397	-
Interest income	(54,810)	(35,732)
Share of (profit) loss of associates	(11,653)	21,622
Loss on disposal of property, plant and equipment	165,692	60,274
Loss on disposal of intangible assets	597	149
Impairment loss of non-financial assets	8,785	1,688
Amortization of prepayments for lease	1,329	-
Gain from bargain purchase acquisition of subsidiaries	-	(8,310)
Changes in operating assets and liabilities		
Financial assets held for trading	(105,000)	-
Notes receivable	(6,304)	823
Trade receivables	(17,037)	(12,852)
Other receivables	(311)	(15,172)
Inventories	(111,499)	(72,522)
Prepayments	(53,344)	41,067
Other current assets	(8,908)	(9)
Other operating assets	(663)	(60,180)
Notes payable	-	(296)
Trade payables	209,134	174,742
Other payables	50,065	179,968
Provisions	16,117	19,511
Receipts in advance	180,430	73,348
Other current liabilities	7,505	(7,810)
Cash generated from operations	2,944,447	2,203,843
Interest paid	(6,397)	-
Income taxes paid	(395,194)	(336,681)
Net cash generated from operating activities	2,542,856	1,867,162
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of debt investments with no active market	(1,118,683)	-
Purchase of held-to-maturity financial assets	(32,969)	-
Proceeds from sale of debt investments with no active market	-	229,625
Acquisition of investment accounted for by equity method	(164)	(841)
Net cash outflow on acquisition of subsidiaries	-	(21,859)

(Continued)

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014
Proceeds from capital reduction of investment accounted for by equity method	$ -	$ 53,239
Payment for property, plant and equipment	(1,328,655)	(1,864,835)
Proceeds from disposal of property, plant and equipment	34,376	114,219
Increase in refundable deposits	(75,856)	(144,284)
Decrease in refundable deposits	107,547	48,559
Acquisition of intangible assets	(47,814)	(21,520)
Proceeds from disposal of intangible assets	7	94
Increase in prepaid equipment	(450,738)	(116,450)
Interest received	46,568	34,407
Net cash used in investing activities	(2,866,381)	(1,689,646)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	31,073	-
Proceeds from long-term borrowings	1,026,912	15,780
Repayments of long-term borrowings	(13,161)	-
Increase in guarantee deposits received	37,635	47,653
Decrease in guarantee deposits received	(53,302)	(68,670)
Dividends paid to owners of the Company	(169,344)	(183,456)
Dividends paid to non-controlling interests	(17,623)	(36,012)
Net cash generated from (used in) financing activities	842,190	(224,705)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	56,214	23,576
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	574,879	(23,613)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,480,103	2,503,716
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,054,982	$ 2,480,103

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

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 engages in the production and wholesale of bakery products, retail of beverages, wholesale of bakery machinery, and the business of multiple shops and alliance shops.

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

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 stocks 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 March 11, 2016.

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 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

   Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

   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 2013 IFRSs version would not have any material impact on the Group's accounting policies:

   1) IFRS 12 "Disclosure of Interests in Other Entities"

      IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive, please refer to Notes 12 and 13 for related disclosures.

2) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive, for example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015. Refer to Note 30 for related disclosures.

3) Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss is the exchange differences arising on translation to the presentation currency. Items expected to be reclassified to profit or loss is the exchange differences on translating foreign operations. However, the application of the above amendments will not have any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

b. New IFRSs in issue but not yet endorsed by the FSC

On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
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
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

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 amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

2) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments" were amended in this annual improvement.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 "Investment Property", were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

5) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 "Property, Plant and Equipment" requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 "Intangible Assets" requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

6) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

7) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards, including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34, were amended in this annual improvement.

8) Amendment to IAS 1 “Disclosure Initiative”

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

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

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

Basis of Preparation

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

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

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

b. 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

c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

Principles for preparing consolidated financial statements

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 date of acquisition and up to the effective date of disposal, 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 Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12 and Table 7, 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess are recognized immediately in profit or loss as a bargain purchase gain.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group entities (including subsidiaries, associates in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate). The exchange differences accumulated in equity which resulted from the translation of the assets and liabilities of the Group entities into the presentation currency are not subsequently reclassified to profit or loss.

Inventories

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

Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

a. Intangible assets acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. The recoverable amount was estimated by pre-tax discounting future cash flows. The discounting rate reflects the current market for the value of money and not adjusted the certain risk of assessment to future cash flows.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

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 issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss 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.

1) Measurement category

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

<u>Financial assets at fair value through profit or loss</u>

Financial assets are classified as at fair value through profit or loss when the financial asset is 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 incorporate any dividend or interest earned on the financial asset.

Fair value is determined in the manner described in Note 29.

Held-to-maturity investments

Bank debentures that have above - specific credit ratings and 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.

Loans and receivables

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

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

2) Impairment of financial assets

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 that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets 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 of 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 default on receivables, and other situation.

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

For financial assets measured 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 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 that financial asset because of financial difficulties.

The carrying amount of the 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 a trade receivable is considered uncollectible, it is 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.

3) 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.

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 that had been recognized in other comprehensive income is recognized in profit or loss.

b. Financial liabilities

1) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

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

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Revenue Recognition

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. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

a. Sale of goods

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

1) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

2) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3) The amount of revenue can be measured reliably;

4) It is probable that the economic benefits associated with the transaction will flow to the Group; and

5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

b. Interest income

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 effective interest rate applicable.

c. Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

Leasing

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

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Income Taxes

As of December 31, 2015 and 2014, the carrying amount of the deferred tax assets in relation to unused tax losses was $70,449 thousand and $19,707 thousand, respectively. As of December 31, 2015 and 2014, no deferred tax asset has been recognized on the tax loss of $954,302 thousand and $989,540 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand	$ 99,744	$ 115,765
Checking accounts and demand deposits	1,976,643	1,116,362
Cash equivalent		
Time deposits with original maturities less than three months	978,595	1,247,976
	$ 3,054,982	$ 2,480,103

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2015	2014
Bank deposits	0.001%-0.385%	0.01%-0.5%
Time deposits	0.65%-3.2%	0.87%-3.2%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	2014
Financial assets at FVTPL - current		
Financial assets held for trading		
Non-derivative financial assets		
Domestic quoted shares	$ 108,900	$ -

8. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2015	2014
Non-current		
Bank debentures - China Development Bank	$ 32,969	$ -

In May 2015, the Group bought 10-year bank debentures issued by China Development Bank with a coupon rate of 4.25% and 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).

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2015	2014
Current		
Time deposits with original maturity more than 3 months	$ 979,185	$ 5,150
Restricted bank deposit	-	50,920
	$ 979,185	$ 56,070
Non-current		
Restricted bank deposit	$ 195,568	$ -

a. The market interest rates of the time deposits with original maturity more than 3 months were 0.65%-4.6% and 0.88%-1.345% per annum respectively as of December 31, 2015 and 2014.

b. Refer to Note 31 for information relating to bond investments with no active market pledged as security.

10. TRADE RECEIVABLES

	December 31	
	2015	2014
Trade receivables	$ 266,286	$ 249,249
Less: Allowance for doubtful accounts	(3,678)	(10,698)
	$ 262,608	$ 238,551

The average credit period on sales of goods was between 30 days and 60 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all receivables over 60 days because historical experience had been that receivables that are past due beyond 60 days were not recoverable.

For the 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 not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

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

	December 31	
	2015	2014
1 day to 60 days	$ 240,843	$ 176,641
61 days to 90 days	5,180	8,378
91 days to 180 days	4,129	3,936
181 days to 360 days	88	31,351
Over 361 days	16,046	28,943
	$ 266,286	$ 249,249

The above aging schedule was based on the invoice date.

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

	December 31	
	2015	2014
Less than 90 days	$ 16,517	$ 8,378
90 days to 180 days	4,129	3,936
181 days to 361 days	88	31,351
Over 361 days	12,368	18,245
	$ 33,102	$ 61,910

The above aging schedule was based on the invoice date.

On the above receivables that were past due but not impaired, the receivables of outlets in shopping malls are collected by the mall first, which means the procedures and timing for the billing of the Company are longer. The experience shows that the receivables are collectable, so there was no impairment loss recognized.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2014	$ -	$ -	$ -
Add: Impairment losses recognized on receivables	10,335	-	10,335
Foreign exchange translation gains and losses	363	-	363
Balance at December 31, 2014	$ 10,698	$ -	$ 10,698
Balance at January 1, 2015	$ 10,698	$ -	$ 10,698
Less: Impairment losses reversed	(6,869)		(6,869)
Foreign exchange translation gains and losses	(151)	-	(151)
Balance at December 31, 2015	$ 3,678	$ -	$ 3,678

11. INVENTORIES

	December 31	
	2015	2014
Finished goods	$ 35,116	$ 29,500
Work in process	4,293	2,999
Raw materials and supplies	458,734	409,322
Merchandise	138,631	92,173
	$ 636,774	$ 533,994

As of December 31, 2015 and 2014, the allowance for inventory devaluation was $13,090 thousand and $4,371 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 was $8,868,154 thousand and $7,836,415 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 included inventory write-down of $8,785 thousand and $1,688 thousand, respectively.

The obsolescence of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 was $349,078 thousand and $241,700 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Businesses	% of Ownership December 31 2015	% of Ownership December 31 2014	Note
Gourmet Master Co. Ltd.	85 Degree Co., Ltd.	Investment	100	100	
	Prime Scope Trading Limited	Investment	100	100	
	Perfect 85 Degrees C, Inc.	Manufacturing and sale of baking food	100	100	
	85 Degrees Café International Pty Ltd.	Grocery and drink retailing	51	51	
	Lucky Bakery Limited	Investment	100	100	
	WinPin 85 Investments, Inc.	Grocery and drink retailing	-	100	c
Perfect 85 Degrees C, Inc.	WinPin 85 Investments, LLC	Grocery and drink retailing	100	-	c
	Golden 85 Investments, LLC	Grocery and drink retailing	65	65	
85 Degree Co., Ltd.	Comestibles Master Co., Ltd.	Grocery and drink retailing	100	100	
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Grocery and drink retailing	100	100	a
	Fang Song Comestibles Ltd.	Grocery and drink retailing	100	-	d
Mei Wei Master Co., Ltd.	Mei Wei Fu Xing Ltd.	Grocery and drink retailing	60	60	
Lucky Bakery Limited	Profit Sky International Limited	Investment	100	100	b
Profit Sky International Limited	WinCase Limited	Grocery and drink retailing	100	100	b
	Worldinn Limited	Manufacturing and sale of baking food	100	100	b
Prime Scope Trading Limited	Shanghai Gourmet Master Food & Beverage Ltd.	Grocery and drink retailing	100	100	
	He-Shia Food & Beverage Ltd.	Grocery and drink retailing	100	100	
	Sheng-Pin (Hangzhou) Food Ltd.	Manufacturing and sale of baking food	100	100	
	He-Shia (Nanjing) Food & Beverage Ltd.	Grocery and drink retailing	100	100	
	Beijing 85 Food & Beverage Ltd.	Grocery and drink retailing	27	100	
	Zhejiang 85 Food & Beverage Ltd.	Grocery and drink retailing	100	100	
	Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baking food	61	100	
	Fuzhou 85 Food & Beverage Ltd.	Grocery and drink retailing	100	100	

(Continued)

Investor	Investee	Main Businesses	% of Ownership December 31 2015	2014	Note
	Sheng-Pin (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	100	100	
	Sheng-Pin (Xiamen) Food Ltd.	Manufacturing and sale of baking food	100	100	
	Sheng-Pin (Qingdao) Food Ltd.	Manufacturing and sale of baking food	100	100	
	Xiamen 85 Food & Beverage Ltd.	Grocery and drink retailing	100	100	
	Shenyang 85 Food & Beverage Ltd.	Grocery and drink retailing	100	100	
	Sheng-Pin (Shenyang) Food Ltd.	Manufacturing and sale of baking food	100	100	
	85 Degree (Qingdao) Food & Beverage Management Ltd.	Grocery and drink retailing	100	100	
	85 Degree (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	25	25	
Shanghai Gourmet Master Food & Beverage Ltd.	Sheng-Pin (Shanghai) Food Ltd.	Manufacturing and sale of baking food	100	100	
	Mai-Jia (Shanghai) Food Ltd.	Manufacturing and sale of baking food	100	100	
	Shanghai Howco Jing Way Food & Beverage Ltd.	Grocery and drink retailing	100	100	
	Shenzheng 85 Food & Beverage Ltd.	Grocery and drink retailing	85	85	
	Chengdu 85 Food & Beverage Ltd.	Grocery and drink retailing	100	100	
	Sheng-Pin (Wuhan) Food Ltd.	Manufacturing and sale of baking food	100	100	
	Wuhan Jing Way Food & Beverage Ltd.	Grocery and drink retailing	57	57	
	Jianxi Jing Way Food & Beverage Ltd.	Grocery and drink retailing	100	100	
	Jin Wei Industrial (Shanghai) Ltd.	Grocery sale	100	100	
	Guangzhou 85 Degree Food & Beverage Management Ltd.	Grocery and drink retailing	100	100	
	85 Degree (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	75	75	
	Mai-Jia (Chengdu) Food Ltd.	Manufacturing and sale of baking food	100	100	
	Jia Ding Jing Way Food & Beverage Ltd.	Grocery and drink retailing	100	100	
He-Shia Food Beverage Ltd.	Wuhan Jing Way Food & Beverage Ltd.	Grocery and drink retailing	43	43	
	Beijing 85 Food & Beverage Ltd.	Grocery and drink retailing	73	-	
	Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baking food	39	-	
Shenzheng 85 Food & Beverage Ltd.	Sheng-Pin (Shenzheng) Food Ltd.	Manufacturing and sale of baking food	100	100	
85 Degree (Qingdao) Food & Beverage Management Ltd.	Qingdao Jie Wei Food & Beverage Management Ltd.	Grocery and drink retailing	100	100	

(Concluded)

a. In order to improve the efficiency of the management and operation of the factories and stores, Comestibles Master Co., Ltd. has transferred the management and operation of most stores to Mei Wei Master Co., Ltd. since May 2014.

b. In November 2014, the Group acquired 50% ownership interest in Profit Sky International Limited. As a result, the Group gained control over Profit Sky International Limited and its subsidiaries. Therefore, Profit Sky International Limited and its subsidiaries have been included in the consolidated financial statements since December 2014.

c. In order to simplify the investment structure of the Group, WinPin 85 Investments, Inc. has been changed to be held by Perfect 85 Degree C, Inc., and the Company type of WinPin 85 Investments, Inc. has been changed to LLC since January 2015.

d. Fang Song Comestibles Ltd. was established in Taiwan in April 2015.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2015	**2014**
Investment in associates	$ 71,072	$ 58,710

Investment in Associates

	December 31	
	2015	**2014**
Material associate		
The Hot Pot Food and Beverage Management Co., Ltd.	$ 71,072	$ 58,710

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

	December 31	
Name of Associate	**2015**	**2014**
The Hot Pot Food and Beverage Management Co., Ltd.	22.75%	22.68%

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

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2015 and 2014 were based on the associate's financial statements audited by auditors for the same years.

The summarized financial information in respect of the Group's associate is set out below:

The Hot Pot Food and Beverage Management Co., Ltd.

	December 31	
	2015	**2014**
Current assets	$ 145,922	$ 114,365
Non-current assets	250,234	203,439
Current liabilities	(83,750)	(58,920)
Non-current liabilities	-	(20)
Equity	$ 312,406	$ 258,864
Proportion of the Group's ownership	22.75%	22.68%
Equity attributable to the Group	$ 71,072	$ 58,710
Carrying amount	$ 71,072	$ 58,710

	For the Year Ended December 31	
	2015	2014
Revenue	$ 511,579	$ 280,244
Profit for the year	$ 53,542	$ 3,864
Other comprehensive income	$ -	$ -

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost									
Balance at January 1, 2015	$ 526,638	$ 766,870	$ 2,453,486	$ 2,511,621	$ 52,158	$ 533,539	$ 226,092	$ 442,698	$ 7,513,102
Additions	-	446,728	414,949	533,470	12,448	133,309	33,657	317,286	1,891,840
Disposal	-	(1,956)	(221,969)	(254,633)	(8,737)	(59,000)	(35,836)	(3,323)	(585,614)
Reclassified	-	626,881	9,549	84,405	-	94	5,491	(726,420)	-
Transfer to investment property	(101,505)	(74,486)	-	-	-	-	-	-	(175,991)
Effect of foreign currency exchange differences	5,387	(18,482)	(30,766)	(22,455)	(891)	(10,077)	1,787	(4,410.)	(79,740)
Balance at December 31, 2015	$ 430,520	$ 1,745,555	$ 2,625,249	$ 2,852,408	$ 54,978	$ 597,865	$ 231,191	$ 25,831	$ 8,563,597
Accumulated depreciation and impairment									
Balance at January 1, 2015	$ -	$ 100,892	$ 1,040,730	$ 1,031,079	$ 29,075	$ 293,231	$ 95,869	$ -	$ 2,590,876
Depreciation expense	-	49,209	402,080	450,367	9,346	129,787	37,494	-	1,078,283
Disposal	-	(1,956)	(181,106)	(133,228)	(4,074)	(52,066)	(13,116)	-	(385,546)
Reclassified	-	(16)	79	16	-	10	(89)	-	-
Transfer to investment property	-	(1,492)	-	-	-	-	-	-	(1,492)
Effect of foreign currency exchange differences	-	(1,341)	(15,593)	(14,794)	(465)	(5,859)	886	-	(37,166)
Balance at December 31, 2015	$ -	$ 145,296	$ 1,246,190	$ 1,333,440	$ 33,882	$ 365,103	$ 121,044	$ -	$ 3,244,955
Carrying amounts at December 31, 2015	$ 430,520	$ 1,600,259	$ 1,379,059	$ 1,518,968	$ 21,096	$ 232,762	$ 110,147	$ 25,831	$ 5,318,642
Cost									
Balance at January 1, 2014	$ 420,211	$ 660,046	$ 2,038,066	$ 1,921,773	$ 53,411	$ 452,426	$ 153,315	$ 148,095	$ 5,847,343
Additions	-	83,136	482,286	551,636	9,683	139,933	89,531	531,635	1,887,840
Disposal	-	(1,178)	(197,460)	(214,444)	(12,062)	(37,868)	(80,707)	-	(543,719)
Reclassified	102,714	5,261	40,362	140,236	-	(38,128)	96	(250,541)	-
Acquisitions through business combinations	-	-	24,147	38,711	-	-	62,473	401	125,732
Effect of foreign currency exchange differences	3,713	19,605	66,085	73,709	1,126	17,176	1,384	13,108	195,906
Balance at December 31, 2014	$ 526,638	$ 766,870	$ 2,453,486	$ 2,511,621	$ 52,158	$ 533,539	$ 226,092	$ 442,698	$ 7,513,102
Accumulated depreciation and impairment									
Balance at January 1, 2014	$ -	$ 63,086	$ 764,567	$ 754,836	$ 27,021	$ 234,296	$ 104,147	$ -	$ 1,947,953
Depreciation expense	-	36,909	357,510	363,979	10,161	105,625	24,429	-	898,613
Disposal	-	(1,178)	(138,831)	(134,518)	(8,782)	(32,545)	(53,372)	-	(369,226)
Reclassified	-	-	24,180	-	-	(24,186)	6	-	-
Acquisitions through business combinations	-	-	4,437	13,660	-	-	19,882	-	37,979
Effect of foreign currency exchange differences	-	2,075	28,867	33,122	675	10,041	777	-	75,557
Balance at December 31, 2014	$ -	$ 100,892	$ 1,040,730	$ 1,031,079	$ 29,075	$ 293,231	$ 95,869	$ -	$ 2,590,876
Carrying amounts at December 31, 2014	$ 526,638	$ 665,978	$ 1,412,756	$ 1,480,542	$ 23,083	$ 240,308	$ 130,223	$ 442,698	$ 4,922,226

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Building	
Main buildings	20-49 years
Power system engineering	11 years
Furnishing	3-41 years
Machinery and equipment	1-20 years
Leasehold improvements	1-40 years
Transportation equipment	1-15 years
Office equipment	1-11 years
Other equipment	1-11 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 31.

15. INVESTMENT PROPERTIES

	Completed Investment Property
Cost	
Balance at January 1, 2015	$ -
Transferred from property, plant and equipment	175,991
Balance at December 31, 2015	$ 175,991
Accumulated depreciation and impairment	
Balance at January 1, 2015	$ -
Transferred from property, plant and equipment	(1,492)
Depreciation expense	(752)
Balance at December 31, 2015	$ (2,244)
Carrying amounts at December 31, 2015	$ 173,747

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

Main buildings	49 years

The management of the Group had used the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

	December 31, 2015
Fair value	$ 185,907

All of the Group's investment properties are held under freehold interests. The investment properties pledged as collateral for bank borrowing were set out in Note 31.

16. OTHER ASSETS

	December 31	
	2015	2014
Current		
Prepaid rent	$ 199,581	$ 205,603
Prepayments	40,160	69,333
Offset against business tax payable	111,585	47,329
Other prepayments	63,107	38,824
	414,433	361,089
Others	21,524	12,616
	$ 435,957	$ 373,705
Noncurrent		
Prepaid equipment	$ 125,761	$ 297,939
Refundable deposits	507,662	545,718
Long-term prepayments for lease	66,924	63,616
Others	6,158	10,132
	$ 706,505	$ 917,405

a. Prepaid rent is due to store lease arrangement.

b. Prepaid equipment is due to purchasing new equipment for factory.

c. Refundable deposits are for rental of store and factories.

d. Long-term prepayments for lease are land use right in China.

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2015	2014
Unsecured borrowings		
Line of credit borrowings	$ 31,073	$ -

The weighted average effective interest rate of bank loans was 1.46% per annum as of December 31, 2015.

b. Long-term borrowings

	December 31	
	2015	2014
Secured borrowings (Note 31)		
Bank loans	$ 1,020,562	$ 15,780
Less: Current portion	(54,235)	(934)
Long-term borrowings	$ 966,327	$ 14,846

	Borrowing Content	December 31 2015	December 31 2014
Borrowings at floating rate:			
NT secured bank loan	Maturity date: January 28, 2020 Repayment term: Repayable in quarterly installments from January 2015	$ 74,800	$ -
	Maturity date: January 28, 2018 Repayment program: Repayable in quarterly installments from January 2016	88,000	-
US secured bank loan	Maturity date: December 16, 2019 Repayment term: Repayable in quarterly installments from December 2015	14,516	15,780
	Maturity date: January 14, 2018 Repayment term: Due for repayment	486,488	-
	Maturity date: January 12, 2018 Repayment term: Due for repayment	356,758	-
Less: Current portion		54,235	(934)
		$ 966,327	$ 14,846

The range of weighted average effective interest rates of bank loans was 1.42%-2.22% and 1.70% per annum as of December 31, 2015 and 2014, respectively.

18. 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.

19. OTHER LIABILITIES

	December 31	
	2015	2014
Current		
Other payables		
Accrued payroll and bonus	$ 433,223	$ 460,869
Utilities	78,727	91,127
Insurance	60,265	58,194
Rent	49,511	38,308
Payable for purchase of equipment	169,952	151,142
Others (shipping expense and repairing expense, etc.)	448,389	371,552
	$ 1,240,067	$ 1,171,192
Other liabilities		
Receipts in advance	$ 797,249	$ 641,974
Deferred revenue arising from customer loyalty program	25,155	-
Others	23,099	15,594
	$ 845,503	$ 657,568
Noncurrent		
Decommission restoration and rehabilitation provision	$ 72,843	$ 56,726
Guarantee deposits received	51,814	67,923
	$ 124,657	$ 124,649

Receipts in advance are mainly gift vouchers which have been issued but not redeemed yet.

20. SHAREHOLDERS' EQUITY

Share Capital

Ordinary shares

	December 31	
	2015	2014
Number of shares authorized (in thousands)	850,000	850,000
Shares authorized	$ 8,500,000	$ 8,500,000
Number of shares issued and fully paid (in thousands)	141,120	141,120
Shares issued	$ 1,411,200	$ 1,411,200

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

Capital Surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common 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

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

a. 3% or less as bonus to employees (including subsidiaries' employees);

b. 1% or less as remuneration to directors and supervisors; and

c. The earnings appropriated should not be less than 30% of the after-tax earnings. And the cash dividends should not be less than 10% of the sum of cash dividends and stock dividends.

In accordance with the amendments to the ROC Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. Because the Company is incorporated in Cayman Islands, the Company Act of the Republic of China is not applicable to the Company. The Company does not need to propose amendments to its Articles of Incorporation in its 2016 annual shareholders' meeting.

For the years ended December 31, 2015 and 2014, there were no accruals for bonus to employees and remuneration to 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 bonus 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 accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the fair value of the shares. The fair value of the shares refer to the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' meeting.

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

The appropriations of earnings for 2014 and 2013 were approved in the shareholders' meeting held on June 9, 2015 and June 6, 2014, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2014	**2013**	**2014**	**2013**
Reserve	$ 52,751	$ 57,403	$ -	$ -
Cash dividends	169,344	183,456	1.2	1.3

There was no bonus to employees and the remuneration to directors and supervisors for 2014 and 2013 was approved in the shareholders' meeting held on June 9, 2015 and June 6, 2014, respectively.

The appropriations of earnings for 2015 had been proposed by the Company's board of directors on March 11, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Reserve	$ 113,918	$ -
Cash dividends	352,800	2.5
Share dividends	70,560	0.5

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2015 are subject to the resolution of the shareholders' meeting to be held on June 3, 2016.

There was no difference between the amounts of bonuses to employees and the remuneration to directors and supervisors approved in shareholders' meetings in 2015 and 2014 and the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013.

Information on the bonus to employees, 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.

21. OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2015	2014
Interest income	$ 54,810	$ 35,732
Income from government grants	86,368	75,809
Others	61,925	57,460
	$ 203,103	$ 169,001

b. Other gains and losses

	For the Year Ended December 31	
	2015	2014
Net foreign exchange gains (losses)	$ (14,420)	$ 12,369
Loss on disposal of property, plant and equipment	(165,692)	(60,274)
Others	(138,700)	(42,697)
	$ (318,812)	$ (90,602)

c. Finance costs

	For the Year Ended December 31	
	2015	2014
Interest on bank loans	$ 13,772	$ -
Less: Amounts included in the cost of qualifying assets	(7,375)	-
	$ 6,397	$ -

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2015	2014
Capitalized interest	$ 7,375	$ -
Capitalization rate	1.15%-1.44%	-

d. Depreciation and amortization

	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	$ 1,078,283	$ 898,613
Investment property	752	-
Intangible assets	29,765	21,685
	$ 1,108,800	$ 920,298
An analysis of depreciation by function		
Operating costs	$ 181,009	$ 157,251
Operating expenses	898,026	741,362
	$ 1,079,035	$ 898,613
An analysis of amortization by function		
Selling and marketing expenses	$ 1,508	$ 2,051
General and administrative expenses	28,257	19,634
	$ 29,765	$ 21,685

e. Employee benefits expense

	For the Year Ended December 31	
	2015	2014
Post-employment benefits		
Defined contribution plans	$ 41,350	$ 39,468
Other employee benefits	5,011,360	4,711,572
	$ 5,052,710	$ 4,751,040
An analysis of employee benefits expense by function		
Operating costs	$ 690,980	$ 623,204
Operating expenses	4,361,730	4,127,836
	$ 5,052,710	$ 4,751,040

22. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2015	2014
Current tax		
In respect of the current year	$ 438,390	$ 366,035
Adjustments for prior periods	12,906	5,335
	451,296	371,370
Deferred tax		
In respect of the current year	(47,445)	(2,255)
Income tax expense recognized in profit or loss	$ 403,851	$ 369,115

A reconciliation of accounting income and income tax expenses used is as follow:

	For the Year Ended December 31	
	2015	2014
Profit before income tax	$ 1,569,894	$ 912,901
Income tax expense calculated at the statutory rate	$ 404,071	$ 237,522
Nondeductible expense in determining taxable income	10,947	4,381
Tax exempt income	(27,205)	(7,901)
Oversea earnings repatriate tax withholdings	20,379	55,621
Unrecognized deductible temporary differences	(41,477)	6,195
Unrecognized loss carryforwards	24,230	67,962
Adjustment for prior year’s tax	12,906	5,335
Income tax expense recognized in profit or loss	$ 403,851	$ 369,115

The applicable tax rate used by the subsidiaries in ROC is 17%, in China is 25%, and in Hong Kong is 16.5%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2016 appropriations of earnings is uncertain, the potential income tax consequences of 2015, unappropriated earnings are not reliably determinable.

b. Deferred tax assets

The movements of deferred tax assets were as follows:

For the year ended December 31, 2015

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Salary and wages payable	$ 45,878	$ (1,245)	$ (865)	$ 43,768
Write-down of inventories	421	859	(1)	1,279
Others	15,590	(2,458)	(279)	12,853
	61,889	(2,844)	(1,145)	57,900
Tax losses	19,707	50,233	509	70,449
	$ 81,596	$ 47,389	$ (636)	$128,349

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Unrealized foreign exchange gains	$ 653	$ (56)	$ -	$ 597

For the year ended December 31, 2014

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Effect of Consoli-dation of Subsidiary	Exchange Differences	Closing Balance
Temporary differences					
Unrealized foreign exchange losses	$ 719	$ (718)	$ -	$ (1)	$ -
Salary and wages payable	42,737	1,588	-	1,553	45,878
Write-down of inventories	281	140	-	-	421
Others	11,440	3,634	-	516	15,590
	55,177	4,644	-	2,068	61,889
Tax losses	8,169	(1,737)	12,757	518	19,707
	$ 63,346	$ 2,907	$ 12,757	$ 2,586	$ 81,596

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Effect of Consoli-dation of Subsidiary	Exchange Differences	Closing Balance
Temporary differences					
Unrealized foreign exchange gains	$ -	$ 652	$ -	$ 1	$ 653

c. Items for which no deferred tax assets have been recognized

	December 31			
	2015		2014	
	Applicable Tax Rate 25%	Applicable Tax Rate 17%	Applicable Tax Rate 25%	Applicable Tax Rate 17%
Loss carryforwards				
Expired 2016	$ 26,256	$ -	$ 53,188	$ -
Expired 2017	112,460	117	171,812	117
Expired 2018	263,923	21,674	357,027	21,674
Expired 2019	236,918	9,369	295,209	9,369
Expired 2020	113,360	2,012	-	2,012
Expired 2022	-	1,352	-	1,352
Expired 2023	-	113	-	113
Expired 2024	-	77,018	-	77,667
Expired 2025	-	94,120	-	-
	$ 752,917	$ 205,775	$ 877,236	$ 112,304

d. Information about unused loss carryforward and tax-exemption

Loss carryforwards as of December 31, 2015 comprised of:

Unused Amount				
Applicable Tax Rate 25%	Applicable Tax Rate 17%	Applicable Tax Rate 16.5%	Total	Expiry Year
$ 26,256	$ -	$ -	$ 26,256	2016
135,014	117	-	135,131	2017
317,678	21,674	38,301	377,653	2018
297,797	9,369	2,200	309,366	2019
168,865	2,012	41,539	212,416	2020
-	-	52,964	52,964	2021
-	1,352	-	1,352	2022
-	113	-	113	2023
-	77,018	-	77,018	2024
-	94,120	-	94,120	2025
$ 945,610	$ 205,775	$ 135,004	$ 1,286,389	

As of December 31, 2015, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	Tax-exemption Period
Construction and expansion of 2009 by Comestibles Master Co., Ltd.	2014 to 2016

e. The Company is not subject to income tax. The income tax returns through 2013 of Comestibles Master Co., Ltd., 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 local laws.

23. EARNINGS PER SHARE

	For the Year Ended December 31	
	2015	2014
Basic earnings per share		
From continuing operations	$ 8.07	$ 3.74

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

Net Profit for the Year

	For the Year Ended December 31	
	2015	2014
Earnings used in computation of basic earnings per share	$ 1,139,182	$ 527,509

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

	For the Year Ended December 31	
	2015	2014
Weighted average number of ordinary shares used in the computation of basic and diluted earnings per share	141,120	141,120

24. GOVERNMENT GRANTS

The amounts of project subsidies and incentives received for the years ended December 31, 2015 and 2014 were $86,368 thousand and $75,809 thousand, respectively. The government grants were recognized in non-operating income and expenses - other income in the consolidated statements of comprehensive income.

25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Profit Sky International Limited and its subsidiaries	Grocery and drink retailing	November 30, 2014	50	$ 46,296

Profit Sky International Limited and its subsidiaries were acquired in order to continue the expansion of the Group’s activities in the Hong Kong market.

b. Assets acquired and liabilities assumed at the date of acquisition

	Profit Sky International Limited and Its Subsidiaries
Current assets	
Cash and cash equivalents	$ 24,437
Inventories	7,811
Prepayments	5,356
Non-current assets	
Plant and equipment	87,753
Deferred tax assets	12,757
Other non-current assets	22,402
Current liabilities	
Trade and other payables	(40,444)
Other current liabilities	(124)
Non-current liabilities	
Decommission restoration and rehabilitation provision	(7,982)
	$ 111,966

c. Net cash outflow on acquisition of subsidiaries

	2014
Consideration paid in cash	$ 46,296
Less: Cash and cash equivalent balances acquired	(24,437)
	$ 21,859

d. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	2014
Revenue - Profit Sky International Limited and its subsidiaries	$ 20,126
Profit - Profit Sky International Limited and its subsidiaries	$ (4,152)

26. NON-CASH TRANSACTIONS

For the years ended December 31, 2015 and 2014, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

a. The Group acquired property, plant and equipment with an aggregate fair value of $1,891,840 thousand, with cash payment of $1,328,655 thousand, offset of prepayment for equipment of $544,375 thousand was reduce from prepaid equipment and $18,810 thousand recognized as other payables. (Please refer to Note 14).

b. The Group acquired property, plant and equipment with an aggregate fair value of $1,887,840 thousand, of which amount $23,005 thousand was recognized as other payables. Net cash used in acquiring property, plant and equipment was $1,864,835 thousand in the year ended December 31, 2014. (Please refer to Note 14).

27. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of store and plant 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 property and plant at the expiration of the lease periods.

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

	December 31	
	2015	2014
Not later than 1 year	$ 1,983,507	$ 1,845,335
Later than 1 year and not later than 5 years	4,699,588	4,463,857
Later than 5 years	697,321	998,484
	$ 7,380,416	$ 7,307,676

28. 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 stakeholders 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.

29. 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 as approximate amounts of their fair values.

b. Categories of financial instruments

	December 31	
	2015	**2014**
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 108,900	$ -
Loans and receivables (Note 1)	4,584,368	2,851,892
Held-to-maturity investments (Note 2)	32,969	-
<u>Financial liabilities</u>		
Amortized cost (Note 3)	3,061,628	1,720,118

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

Note 2: The balances included bank debentures investments.

Note 3: The balances included financial liabilities measured at amortized cost, which are short-term borrowings, trade and 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 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 primary financial risk is foreign exchange 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 33.

Sensitivity analysis

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

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 an increase in pre-tax profit associated with Renminbi weaken 1% against the relevant currency. For a 1% strengthening of Renminbi against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	U.S. Dollars Impact	
	For the Year Ended December 31	
	2015	**2014**
Profit or loss	$ (4,947)	$ 3,317

* This was mainly attributable to the exposure outstanding on U.S. dollars receivables, cash in 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.

	December 31	
	2015	**2014**
Cash flow interest rate risk		
Financial assets	$ 1,174,753	$ 56,070
Financial liabilities	1,051,635	15,780

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and 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 and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2015 and 2014 would increase by $1,231 thousand and $403 thousand, respectively, which was 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 will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the balance sheet.

Most of the Group's counterparties are franchisees traded for a long-term, and the Group monitors trade receivables from 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 counterparties was never more than 10 percent of non-monetary assets.

Because counterparties were banks monitored by regulators in the People's Republic of China and Republic of China, the 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 December 31, 2015 and 2014, the Group had available unutilized short-term bank loan facilities set out below.

	December 31	
	2015	**2014**
Unsecured bank loan facility:		
Amount used	$ 31,073	$ -
Amount unused	426,520	-
	$ 457,593	$ -
Secured bank loan facility:		
Amount used	$ 1,020,562	$ 15,780
Amount unused	714,188	634,220
	$ 1,734,750	$ 650,000

30. 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. Sales of goods

Line Items	Related Party Categories	For the Year Ended December 31 2015	2014
Sales	Joint ventures	$ -	$ 17,827
	Associates	-	44
		$ -	$ 17,871

There is no significant difference between sales to related parties and sales to other customers.

b. Purchases of goods

Related Party Categories	For the Year Ended December 31 2015	2014
Related party	$ 71,656	$ 98,133

The purchases price is 65% of the sale price, and paid 30 days date of purchases.

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

Line Items	Related Party Categories	December 31 2015	2014
Trade receivables	Associates	$ 320	$ 37
Other receivables	Associates	$ 2,994	$ 745

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2015 and 2014, no impairment loss was recognized for trade receivables from related parties.

d. Other transactions with related parties

The Group performed technical services for joint ventures and associates. For the years ended December 31, 2015 and 2014, other income amounted to $2,413 thousand and $6,809 thousand, respectively.

e. Compensation of key management personnel

	For the Year Ended December 31 2015	2014
Short-term benefits	$ 14,432	$ 23,716

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2015	**2014**
Property, plant and equipment		
Land	$ 293,761	$ 293,761
Buildings	21,377	69,835
Bond investments with no active market - current		
Restiricted bank deposits	-	50,920
Bond investments with no active market - non-current		
Restiricted bank deposits	195,568	-
Investment properties	62,328	-
	$ 573,034	$ 414,516

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2015 and 2014 were as follows:

Significant Commitments

a. As of December 31, 2015 and 2014, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately US$0 thousand and US$4,000 thousand, respectively.

b. Unrecognized commitments are as follows:

	December 31	
	2015	**2014**
Acquisition of property, plant and equipment	$ 116,309	$ 671,290

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2015

	Foreign Currencies	**Exchange Rate**	**Carrying Amount**
Financial assets			
Monetary items			
USD	$ 1,290	6.4936 (USD:RMB)	$ 41,833
USD	12,558	32.4355 (USD:NTD)	407,316
HKD	3,013	4.235 (HKD:NTD)	12,761

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 29,099	6.4936(USD:NTD)	$ 943,843
			(Concluded)

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 10,645	6.119 (USD:RMB)	$ 331,671

The Group is mainly exposed to USD. The following information was aggregated by the functional currencies of the Group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2015		2014	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	31.477 (USD:NTD)	$ (580)	30.328 (USD:NTD)	$ (314)
NTD	0.96 (NTD:NTD)	12,256	1 (NTD:NTD)	12,689
RMB	5.013 (RMB:NTD)	(26,636)	4.938 (RMB:NTD)	453
HKD	4.011 (HKD:NTD)	341	3.939 (HKD:NTD)	(446)
AUD	22.967 (AUD:NTD)	199	25.748 (AUD:NTD)	(13)
		$ (14,420)		$ 12,369

34. 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. (None)

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 investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and 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 receiving of services.

35. 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 Stated (USA).

a. Revenue from major products and services

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

	For the Year Ended December 31	
	2015	2014
Beverages	$ 5,985,819	$ 5,020,383
Cake	7,017,181	6,274,571
Bread	7,220,634	6,591,746
Others	233,730	34,536
	$ 20,457,364	$ 17,921,236

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 are detailed below:

	Revenue from External Customers	
	For the Year Ended December 31	
	2015	2014
China	$ 14,498,295	$ 12,933,689
Taiwan	3,360,433	3,028,661
USA	2,176,690	1,774,290
Others	421,946	184,596
	$ 20,457,364	$ 17,921,236

c. Significant customer information

The Group has no client that its revenue is over 10% of the income statement at years ended December 31, 2015 and 2014.

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	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.	Sheng-Pin (Shanghai) Food Ltd.	Other receivable - related parties	Yes	$ 74,925 (RMB 15,000)	$ -	$ -	3.75	For short-term financing	$ -	Working capital loan	$ -	-	$ -	$ 622,544	$ 933,815	Note 1,a.
		Prime Scope Trading Limited	Other receivable - related parties	Yes	124,875 (RMB 25,000)	124,875 (RMB 25,000)	-	3.75	For short-term financing	-	Working capital loan	-	-	-	622,544	933,815	Note 1,a.
		Sheng-Pin (Wuhan) Food Ltd.	Other receivable - related parties	Yes	49,950 (RMB 10,000)	-	-	3.75	For short-term financing	-	Working capital loan	-	-	-	622,544	933,815	Note 1,a.
		85 Degree (Jiangsu) Food Ltd.	Other receivable - related parties	Yes	99,900 (RMB 20,000)	99,900 (RMB 20,000)	99,900 (RMB 20,000)	3.75	For short-term financing	-	Working capital loan	-	-	-	622,544	933,815	Note 1,a.
2	He-Shia Food & Beverage Ltd.	Sheng-Pin (Beijing) Food Ltd.	Other receivable - related parties	Yes	74,925 (RMB 15,000)	-	-	3.75	For short-term financing	-	Working capital loan	-	-	-	652,774	979,162	Note 1,b.
		Beijing 85 Food & Beverage Ltd.	Other receivable - related parties	Yes	124,875 (RMB 25,000)	-	-	3.75	For short-term financing	-	Working capital loan	-	-	-	652,774	979,162	Note 1,b.
		Zhejiang 85 Food & Beverage Ltd.	Other receivable - related parties	Yes	99,900 (RMB 20,000)	-	-	3.75	For short-term financing	-	Working capital loan	-	-	-	652,774	979,162	Note 1,b.
		Shenyang 85 Food & Beverage Ltd.	Other receivable - related parties	Yes	74,925 (RMB 15,000)	74,925 (RMB 15,000)	74,925 (RMB 15,000)	3.75	For short-term financing	-	Working capital loan	-	-	-	652,774	979,162	Note 1,b.
		Guangzhou 85 Degree Food & Beverage Management Ltd.	Other receivable - related parties	Yes	74,925 (RMB 15,000)	74,925 (RMB 15,000)	69,930 (RMB 14,000)	3.75	For short-term financing	-	Working capital loan	-	-	-	652,774	979,162	Note 1,b.
		Chengdu 85 Food & Beverage Ltd.	Other receivable - related parties	Yes	99,900 (RMB 20,000)	99,900 (RMB 20,000)	99,900 (RMB 20,000)	3.75	For short-term financing	-	Working capital loan	-	-	-	652,774	979,162	Note 1,b.
3	He-Shia (Nanjing) Food & Beverage Ltd.	Sheng-Pin (Xiamen) Food Ltd.	Other receivable - related parties	Yes	99,900 (RMB 20,000)	49,950 (RMB 10,000)	49,950 (RMB 10,000)	3.75	For short-term financing	-	Working capital loan	-	-	-	285,978	428,968	Note 1,c.
		Shenzheng 85 Food & Beverage Ltd.	Other receivable - related parties	Yes	99,900 (RMB 20,000)	99,900 (RMB 20,000)	99,900 (RMB 20,000)	3.75	For short-term financing	-	Working capital loan	-	-	-	285,978	428,968	Note 1,c.
4	Comestibles Master Co., Ltd.	Perfect 85 Degrees C, Inc.	Other receivable - related parties	Yes	58,384 (US$ 1,800)	-	-	3.75	For short-term financing	-	Working capital loan	-	-	-	635,835	635,835	Note 1,d.
		WinPin 85 Investments Inc.	Other receivable - related parties	Yes	58,384 (US$ 1,800)	-	-	3.75	For short-term financing	-	Working capital loan	-	-	-	635,835	635,835	Note 1,d.
		Perfect 85 Degrees C, Inc.	Other receivable - related parties	Yes	178,395 (US$ 5,500)	-	-	3.75	For short-term financing	-	Working capital loan	-	-	-	635,835	635,835	Note 1,d.
		85 Degree Co., Ltd.	Other receivable - related parties	Yes	50,000	-	-	3.75	For short-term financing	-	Working capital loan	-	-	-	635,835	635,835	Note 1,d.
		Mei Wei Master Co., Ltd.	Other receivable - related parties	Yes	50,000	-	-	3.75	For short-term financing	-	Working capital loan	-	-	-	635,835	635,835	Note 1,d.
		Mei Wei Master Co., Ltd.	Other receivable - related parties	Yes	50,000	50,000	50,000	3.75	For short-term financing	-	Working capital loan	-	-	-	635,835	635,835	Note 1,d.
		Wincase Limited	Other receivable - related parties	Yes	12,705 (HK$ 3,000)	12,705 (HK$ 3,000)	12,705 (HK$ 3,000)	5.25	For short-term financing	-	Working capital loan	-	-	-	635,835	635,835	Note 1,d.
		Gourmet Master Co. Ltd.	Other receivable - related parties	Yes	48,653 (US$ 1,500)	48,653 (US$ 1,500)	48,653 (US$ 1,500)	3.75	For short-term financing	-	Working capital loan	-	-	-	635,835	635,835	Note 1,d.
		Perfect 85 Degrees C, Inc.	Other receivable - related parties	Yes	178,395 (US$ 5,500)	178,395 (US$ 5,500)	178,395 (US$ 5,500)	3.75	For short-term financing	-	Working capital loan	-	-	-	635,835	635,835	Note 1,d.
		85 Degree Co., Ltd.	Other receivable - related parties	Yes	50,000	50,000	50,000	3.75	For short-term financing	-	Working capital loan	-	-	-	635,835	635,835	Note 1,d.
		Mei Wei Master Co., Ltd.	Other receivable - related parties	Yes	50,000	50,000	50,000	3.75	For short-term financing	-	Working capital loan	-	-	-	635,835	635,835	Note 1,d.
		Wincase Limited	Other receivable - related parties	Yes	13,764 (HK$ 3,250)	13,764 (HK$ 3,250)	-	5.25	For short-term financing	-	Working capital loan	-	-	-	635,835	635,835	Note 1,d.
		Worldinn Limited	Other receivable - related parties	Yes	11,646 (HK$ 2,750)	11,646 (HK$ 2,750)	-	5.25	For short-term financing	-	Working capital loan	-	-	-	635,835	635,835	Note 1,d.
5	Profit Sky International Limited	Wincase Limited	Other receivable - related parties	Yes	7,623 (HK$ 1,800)	7,623 (HK$ 1,800)	7,623 (HK$ 1,800)	5.25	For short-term financing	-	Working capital loan	-	-	-	40,769	40,769	Note 1,e.
		Wincase Limited	Other receivable - related parties	Yes	7,623 (HK$ 1,800)	7,623 (HK$ 1,800)	-	5.25	For short-term financing	-	Working capital loan	-	-	-	40,769	40,769	Note 1,e.

(Continued)

Note 1: The limit of amount is calculated as follow:

a. The total amount for lending to a company for funding for a short-term period shall not exceed $1,556,359 (in thousands) x 60% = $933,815 (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 $1,556,359 (in thousands) x 40% = $622,544 (in thousands) of the net worth of Shanghai Gourmet Master Food & Beverage Ltd.

b. The total amount for lending to a company for funding for a short-term period shall not exceed $1,631,936 (in thousands) x 60% = $979,162 (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 $1,631,936 (in thousands) x 40% = $652,774 (in thousands) of the net worth of He-Shia Food & Beverage Ltd.

c. The total amount for lending to a company for funding for a short-term period shall not exceed $714,946 (in thousands) x 60% = $428,968 (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 $714,946 (in thousands) x 40% = $285,978 (in thousands) of the net worth of He-Shia (Nanjing) Food & Beverage Ltd.

d. The total amount for lending to a company for funding for a short-term period shall not exceed $1,589,587 (in thousands) x 40% = $635,835 (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 $1,589,587 (in thousands) x 40% = $635,835 (in thousands) of the net worth of Comestibles Master Co., Ltd.

e. The total amount for lending to a company for funding for a short-term period shall not exceed $101,922 (in thousands) x 40% = $40,769 (in thousands) of the net worth of Profit Sky International Limited. The total amount for lending to a company for funding for a short-term period shall not exceed $101,922 (in thousands) x 40% = $40,769 (in thousands) of the net worth of Profit Sky International Limited.

Note 2: Transaction above is already written off in consolidated financial statements.

(Concluded)

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2015
(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/Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	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.	c	$ 1,526,828	$ 1,232,549 (US$ 38,000)	$ 1,232,549 (US$ 38,000)	$ 843,323 (US$ 26,000)	$ -	16.15	$ 3,817,071	Yes	No	Yes	
1	He-Shia Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	c	1,526,828	249,750 (RMB 50,000)	-	-	-	3.27	3,817,071	No	No	Yes	
2	Comestibles Master Co., Ltd.	Gourmet Master Co. Ltd.	d	317,785	129,742 (US$ 4,000)	129,742 (US$ 4,000)	16,218 (US$ 500)	163,505	8.17	794,462	No	Yes	No	
		WinPin 85 Investments, LLC	c	317,785	194,613 (US$ 6,000)	194,613 (US$ 6,000)	-	-	12.25	794,462	No	No	No	

Note 1: Number should be noted in number column.

a. Number 0 represents issuer.
b. Start from number 1 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. The Company and subsidiary owns over fifty percent (50%) ownership of the investee company.
d. A subsidiary jointly owned over fifty percent (50%) by the Company and the Company’s directly-owned subsidiary.
e. Guaranteed by the Company according to the construction contract.
f. An investee company. The guarantees were provided based on the Company’s proportionate share in the investee company.

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

a. The total amount of guarantee shall not exceed fifty percent (50%) of net worth Gourmet Master Co. Ltd. $7,634,141 × 50% = $3,817,071 (in thousands).
b. The total amount of the guarantee provided by Gourmet Master Co. Ltd. to any individual entity shall not exceed twenty percent (20%) of net worth of Gourmet Master Co. Ltd. $7,634,141 × 20% = $1,526,828 (in thousands).
c. The total amount of guarantee shall not exceed fifty percent (50%) of net worth Comestibles Master Co., Ltd. $1,589,587 × 50% = 794,794 (in thousands).
d. The total amount of guarantee provided to any individual entity shall not exceed twenty percent (20%) of net worth of Comestibles Master Co., Ltd. $1,589,587 × 20% = $317,917 (in thousands).

TABLE 3

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2015
(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	December 31, 2015				Note
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Comestibles Master Co., Ltd.	Bank debentures							
	China Development Bank	NA	Held-to-maturity financial assets	-	$ 32,969	-	$ 32,969	
	Shares							
	Tehmag Foods Corporation	NA	Financial assets held for trading	600	108,900	1.96	108,900	

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 YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Payable or Receivable			Note
			Purchases/ Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Account	Ending Balance	% to Total	
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Parent company	Sales	$ 469,082	16	25 days	Based on the Group's transfer pricing policy	-	Trade receivables	$ 44,735	19	Note
Jin Wei Industrial (Shanghai) Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	Parent company	Sales	1,229,562	22	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	67,424	12	Note
	He-Shia Food & Beverage Ltd.	Affiliated company	Sales	508,024	9	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	63,110	11	Note
	Beijing 85 Food & Beverage Ltd.	Affiliated company	Sales	407,051	7	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	49,449	9	Note
	He-Shia (Nanjing) Food & Beverage Ltd.	Affiliated company	Sales	1,094,677	19	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	131,044	23	Note
	Wuhan Jing Way Food & Beverage Ltd.	Affiliated company	Sales	144,023	3	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	19,680	3	Note
	Zhejiang 85 Food & Beverage Ltd.	Affiliated company	Sales	299,398	5	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	38,557	7	Note
	Fuzhou 85 Food & Beverage Ltd.	Affiliated company	Sales	390,719	7	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	48,709	8	Note
	Xiamen 85 Food & Beverage Ltd.	Affiliated company	Sales	293,145	5	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	35,176	6	Note
	Shenzheng 85 Food & Beverage Ltd.	Affiliated company	Sales	352,598	6	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	45,462	8	Note
	Chengdu 85 Food & Beverage Ltd.	Affiliated company	Sales	218,211	4	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	20,916	4	Note
Sheng-Pin (Shanghai) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	508,860	96	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	25,920	98	Note
Sheng-Pin (Hangzhou) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	467,128	99	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	25,838	94	Note
Sheng-Pin (Jiangsu) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	289,782	97	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	-	-	Note
Mai-Jia (Chengdu) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	151,952	100	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	13,891	100	Note
Sheng-Pin (Xiamen) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	363,795	100	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	43,789	100	Note
Sheng-Pin (Shenzheng) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	200,857	100	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	24,475	100	Note
Sheng-Pin (Beijing) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	233,275	100	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	17,440	100	Note
Sheng-Pin (Wuhan) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	111,897	100	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	10,771	100	Note
85 Degree (Jiangsu) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	345,671	78	60 days	Based on the Group's transfer pricing policy	-	Trade receivables	145,462	100	Note
Perfect 85 Degrees C, Inc.	WinPin 85 Investments, Inc.	Parent company	Sales	755,531	82	30 days	Based on the Group's transfer pricing policy	-	Trade receivables	75,402	64	Note
Perfect 85 Degrees C, Inc.	Golden 85 Investment, LLC.	Parent company	Sales	167,296	18	30 days	Based on the Group's transfer pricing policy	-	Trade receivables	14,525	13	Note
Worldinn Limited	Wincase Limited	Affiliated company	Sales	104,964	100	30 days	Based on the Group's transfer pricing policy	-	Trade receivables	-	-	Note

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

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2015
(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.	Perfect 85 Degrees C, Inc.	Affiliated company	$ 178,395	(Note)	$ -	-	$ -	$ -
	Mei Wei Master Co., Ltd.	Parent company	100,000	(Note)	-	-	-	-
He-Shia Food & Beverage Ltd.	Beijing 85 Food & Beverage Ltd.	Affiliated company	119,620	(Note)	-	-	-	-
Jin Wei Industrial (Shanghai) Ltd.	He-Shia (Nanjing) Food & Beverage Ltd.	Affiliated company	131,044	16.71	-	-	-	-
85 Degree (Jiangsu) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	145,462	18.86	-	-	-	-
Worldinn Limited	Wincase Limited	Affiliated company	121,756	(Note)	-	-	-	-

Note: The ending balance is primarily consisted of other receivables, which is not applicable for the calculation of turnover ratio.

TABLE 6

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
1	Comestibles Master Co., Ltd.	Perfect 85 Degrees C, Inc.	c	Other receivables	$ 178,395	Financings provided, annual interest rate 3.75%	1
		Mei Wei Master Co., Ltd.	c	Other receivables	100,000	Financings provided, annual interest rate 3.75%	1
		85 Degrees Co., Ltd.	c	Other receivables	50,000	Financings provided, annual interest rate 3.75%	-
		Wincase Limited	c	Other receivables	12,705	Financings provided, annual interest rate 5.25%	-
		Gourmet Master Co. Ltd.	b	Other receivables	48,653	Financings provided, annual interest rate 3.75%	-
2	Mei Wei Master Co., Ltd.	Comestibles Master Co., Ltd.	c	Purchases	469,082	25 days	2
		Comestibles Master Co., Ltd.	c	Trade payables	44,735	25 days	-
3	Shanghai Gourmet Master Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	1,229,562	60 days	6
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	67,424	60 days	1
		Sheng-Pin (Shenzheng) Food Ltd.	c	Other receivables	67,433	-	1
		Sheng-Pin (Hangzhou) Food Ltd.	c	Other receivables	39,940	-	-
		85 Degree (Jiangsu) Food Ltd.	c	Other receivables	99,900	Financings provided, annual interest rate 3.75%	1
4	He-Shia Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	49,056	-	-
		Beijing 85 Food & Beverage Ltd.	c	Other receivables	119,620	-	1
		Shenyang 85 Food & Beverage Ltd.	c	Other receivables	58,581	-	-
		Shenyang 85 Food & Beverage Ltd.	c	Other receivables	74,925	Financings provided, annual interest rate 3.75%	1
		Guangzhou 85 Degree Food & Beverage Management Ltd.	c	Other receivables	69,930	Financings provided, annual interest rate 3.75%	1
		Chengdu 85 Food & Beverage Ltd.	c	Other receivables	99,900	Financings provided, annual interest rate 3.75%	1
		Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	508,024	60 days	3
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	63,110	60 days	1
		Zhejiang 85 Food & Beverage Ltd.	c	Other receivables	97,188	-	1
5	Beijing 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	407,051	60 days	2
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	49,449	60 days	-
6	He-Shia (Nanjing) Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	1,094,677	60 days	5
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	131,044	60 days	1
		Sheng-Pin (Xiamen) Food Ltd.	c	Other receivables	49,950	Financings provided, annual interest rate 3.75%	-
		Shenzheng 85 Food & Beverage Ltd.	c	Other receivables	99,900	Financings provided, annual interest rate 3.75%	1
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	93,921	-	1
		Sheng-Pin (Wuhan) Food Ltd.	c	Other receivables	59,940	-	-
		Sheng-Pin (Shenyang) Food Ltd.	c	Other receivables	89,910	-	1
7	Wuhan Jing Way Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	144,023	60 days	1

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
8	Zhejiang 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	$ 299,398	60 days	1
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	38,557	60 days	-
		Jin Wei Industrial (Shanghai) Ltd.	c	Other receivables	40,749	-	-
9	Fuzhou 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	390,719	60 days	2
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	48,709	60 days	-
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	38,147	-	-
		Chengdu 85 Food & Beverage Ltd.	c	Other receivables	35,484	-	-
10	Xiamen 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	293,145	60 days	1
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	35,176	60 days	-
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	34,301	-	-
11	Shenzheng 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	352,598	60 days	2
		Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	45,462	60 days	-
		Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	38,362	-	-
12	Chengdu 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	218,211	60 days	1
13	Jin Wei Industrial (Shanghai) Ltd.	Sheng-Pin (Shanghai) Food Ltd.	c	Purchases	508,860	60 days	3
		Sheng-Pin (Hangzhou) Food Ltd.	c	Purchases	467,128	60 days	2
		Sheng-Pin (Jiangsu) Food Ltd.	c	Purchases	289,782	60 days	1
		Mai-Jia (Shanghai) Food Ltd.	c	Purchases	69,638	60 days	-
		Mai-Jia (Chengdu) Food Ltd.	c	Purchases	151,952	60 days	1
		Sheng-Pin (Xiamen) Food Ltd.	c	Purchases	363,795	60 days	2
		Sheng-Pin (Shenzheng) Food Ltd.	c	Purchases	200,857	60 days	1
		Sheng-Pin (Beijing) Food Ltd.	c	Purchases	233,275	60 days	1
		Sheng-Pin (Wuhan) Food Ltd.	c	Purchases	111,897	60 days	1
		Sheng-Pin (Qingdao) Food Ltd.	c	Purchases	96,099	60 days	-
		85 Degree (Jiangsu) Food Ltd.	c	Purchases	345,671	60 days	2
		Sheng-Pin (Xiamen) Food Ltd.	c	Trade payables	43,789	60 days	-
		85 Degree (Jiangsu) Food Ltd.	c	Trade payables	145,462	60 days	1
14	Sheng-Pin (Hangzhou) Food Ltd.	Zhejiang 85 Food & Beverage Ltd.	c	Other receivables	59,940	-	-
15	Shenyang 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	51,609	60 days	-
16	Guangzhou 85 Degree Food & Beverage Management Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	62,453	60 days	-
17	Jiangsu 85 Food & Beverage Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	58,335	60 days	-
18	WinPin 85 Investments, LLC	Perfect 85 Degrees C, Inc.	c	Purchases	755,531	30 days	4
		Perfect 85 Degrees C, Inc.	c	Trade payables	75,402	30 days	1
		Perfect 85 Degrees C, Inc.	c	Selling and marketing expense - others	89,225	-	-
19	Golden 85 Investments, LLC	Perfect 85 Degrees C, Inc.	c	Purchases	167,296	30 days	1

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
20	Perfect 85 Degrees C, Inc.	Comestibles Master Co., Ltd.	c	Purchases	$ 46,840	30 days	-
		Comestibles Master Co., Ltd.	c	Trade payables	29,192	30 days	-
21	Wincase Limited	Profit Sky International Limited	c	Other receivables	94,347	-	1
		Worldinn Limited	c	Purchases	104,964	30 days	1
22	Worldinn Limited	Wincase Limited	c	Other receivables	121,756	-	1
23	Profit Sky International Limited	Worldinn Limited	c	Other receivables	90,803	-	1

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

a. Number 0 represents parent company.
b. Number 1 to 20 represents subsidiaries.

Note 2: a. Represents the transactions from parent company to subsidiary.
b. Represents the transactions from subsidiary to parent company.
c. Represents the transactions between subsidiaries.

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

(Concluded)

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2015			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2015	December 31, 2014	Shares	%	Carrying Amount			
Gourmet Master Co. Ltd.	85 Degree Co., Ltd.	Malaysia	Investment	$ 553,447	$ 553,447	12,899,078	100	$ 1,544,785	$ 322,269	$ 322,269	
	Prime Scope Trading Limited	Hong Kong	Investment	1,516,133 (US$ 46,743)	1,516,133 (US$ 46,743)	46,742,963	100	5,215,584	712,671	712,671	Note 1
	Perfect 85 Degrees C, Inc.	USA	Manufacturing of baking food and sale	244,972 (US$ 7,553)	244,972 (US$ 7,553)	5,301,000	100	808,688	151,888	151,888	Note 1
	85 Degrees Café International Pty. Ltd.	Australia	Grocery and drink retailing	42,813 (AUD 1,785)	42,813 (AUD 1,785)	1,785,000	51	22,052	(16,265)	(8,295)	Notes 1 and 2
	Lucky Bakery Limited	Samoa	Investment	178,395 (US$ 5,500)	178,395 (US$ 5,500)	5,535,000	100	111,235	(8,994)	(8,994)	Notes 1 and 2
Perfect 85 Degrees C, Inc.	Golden 85 Investments, LLC	USA	Grocery and drink retailing	63,944 (US$ 1,971)	63,944 (US$ 1,971)	-	65	43,255	59,199	38,479	Notes 1 and 2
	Winpin 85 Investments, LLC	USA	Grocery and drink retailing	285,433 (US$ 8,800)	-	-	100	466,744	129,119	129,119	Notes 1 and 4
Lucky Bakery Limited	Profit Sky International Limited	Hong Kong	Investment	176,176 (HK$ 41,600)	176,176 (HK$ 41,600)	-	100	101,922	(12,309)	(12,309)	Notes 1 and 2
Profit Sky International Limited	Wincase Limited	Hong Kong	Grocery and drink retailing	118,580 (HK$ 28,000)	118,580 (HK$ 28,000)	-	100	53,047	(2,262)	(2,262)	Notes 1 and 2
	Worldinn Limited	Hong Kong	Manufacturing of baking food and sale	127,050 (HK$ 30,000)	127,050 (HK$ 30,000)	-	100	44,784	(10,275)	(10,275)	Notes 1 and 2
85 Degree Co., Ltd.	Comestibles Master Co., Ltd.	Taichung City, Taiwan (R.O.C.)	Grocery and drink retailing	553,447	553,447	95,908,727	100	1,589,587	345,394	345,394	
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Taichung City, Taiwan (R.O.C.)	Grocery and drink retailing	129,349	220,606	12,934,886	100	31,559	(94,503)	(94,503)	
	The Hot Pot Food and Beverage Management Co., Ltd.	Taichung City, Taiwan (R.O.C.)	Food and beverage; Grocery and drink retailing	58,012	57,841	5,801,164	23	71,072	53,542	12,191	
	Fang Song Comestibles Ltd.	Taichung City, Taiwan (R.O.C.)	Grocery and drink retailing	10,000	-	-	100	9,983	(17)	(17)	Note 2
Mei Wei Master Co., Ltd.	Mei Wei Fu Xing Ltd.	Taichung City, Taiwan (R.O.C.)	Grocery and drink retailing	1,800	1,800	-	60	1,887	(416)	(250)	

Note 1: The exchange rate was US$1=NT$32.436; RMB1=NT$4.995; AUD1=NT$23.985; HK$1=NT$4.235 as of December 31, 2015.

Note 2: The carrying amount was based on the net assets of investee, which was not audited as of December 31, 2015.

Note 3: For information of investment in Mainland China, please refer to Table 8.

Note 4: In order to simplify the investment structure of the Group, WinPin 85 Investments, Inc. has been held by Perfect 85 Degree C, Inc. of the Group, and it has changed the Company type to LLC since January 2015.

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands) (Note)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2015	Accumulated Repatriation of Investment Income as of December 31, 2015	Note
					Outward	Inward							
Prime Scope Trading Limited													
Shanghai Gourmet Master Food & Beverage Ltd.	Grocery and drink retailing	$ 323,095 US$ 9,961	Direct investment	$ -	$ -	$ -	$ -	$ 193,377	100	$ 193,377	$ 1,556,359	$ -	Note 1
He-Shia Food & Beverage Ltd.	Grocery and drink retailing	79,610 US$ 2,454	Direct investment	-	-	-	-	67,187	100	67,187	1,624,993	-	Note 1
Sheng-Pin (Hangzhou) Food Ltd.	Manufacturing and sale of baking food	64,872 US$ 2,000	Direct investment	-	-	-	-	33,717	100	33,668	201,723	-	Note 1
He-Shia (Nanjing) Food & Beverage Ltd.	Grocery and drink retailing	64,872 US$ 2,000	Direct investment	-	-	-	-	130,179	100	103,179	714,946	-	Note 1
Beijing 85 Food & Beverage Ltd.	Grocery and drink retailing	259,488 US$ 8,000	Direct investment	-	-	-	-	(24,915)	27	(6,609)	15,876	-	Notes 1 and 2
Zhejiang 85 Food & Beverage Ltd.	Grocery and drink retailing	64,872 US$ 2,000	Direct investment	-	-	-	-	41,697	100	41,697	22,222	-	Notes 1 and 2
Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baking food	210,834 US$ 6,500	Direct investment	-	-	-	-	13,316	61	10,607	79,895	-	Notes 1 and 2
Fuzhou 85 Food & Beverage Ltd.	Grocery and drink retailing	16,218 US$ 500	Direct investment	-	-	-	-	120,537	100	120,537	290,955	-	Note 1
Sheng-Pin (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	145,962 US$ 4,500	Direct investment	-	-	-	-	(22,133)	100	(24,723)	128,430	-	Note 1
Sheng-Pin (Xiamen) Food Ltd.	Manufacturing and sale of baking food	64,872 US$ 2,000	Direct investment	-	-	-	-	27,041	100	24,155	50,457	-	Notes 1 and 2
Sheng-Pin (Qingdao) Food Ltd.	Manufacturing and sale of baking food	81,090 US$ 2,500	Direct investment	-	-	-	-	5,759	100	5,759	33,261	-	Notes 1 and 2
Xiamen 85 Food & Beverage Ltd.	Grocery and drink retailing	32,436 US$ 1,000	Direct investment	-	-	-	-	163,992	100	163,992	257,394	-	Notes 1 and 2
Shenyang 85 Food & Beverage Ltd.	Grocery and drink retailing	32,436 US$ 1,000	Direct investment	-	-	-	-	(31,820)	100	(31,820)	(77,335)	-	Notes 1 and 2
Sheng-Pin (Shenyang) Food Ltd.	Manufacturing and sale of baking food	129,744 US$ 4,000	Direct investment	-	-	-	-	(13,327)	100	(13,327)	64,036	-	Notes 1 and 2
85 Degree (Qingdao) Food & Beverage Management Ltd.	Grocery and drink retailing	64,872 US$ 2,000	Direct investment	-	-	-	-	6,563	100	6,563	94,830	-	Notes 1 and 2
85 Degree (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	648,720 US$ 20,000	Direct investment	-	-	-	-	(29,893)	25	(8,926)	151,769	-	Note 1
Shanghai Gourmet Master Food & Beverage Ltd.													
Sheng-Pin (Shanghai) Food Ltd.	Manufacturing and sale of baking food	89,910 RMB 18,000	Direct investment	-	-	-	-	1,577	100	(5,635)	115,455	-	Note 1
Mai-Jia (Shanghai) Food Ltd.	Manufacturing and sale of baking food	35,465 RMB 7,100	Direct investment	-	-	-	-	3,896	100	8,934	42,260	-	Notes 1 and 2
Shanghai Howco Jing Way Food & Beverage Ltd.	Grocery and drink retailing	74,925 RMB 15,000	Direct investment	-	-	-	-	4,577	100	4,577	101,115	-	Notes 1 and 2
Shenzheng 85 Food & Beverage Ltd.	Grocery and drink retailing	66,748 RMB 13,363	Direct investment	-	-	-	-	95,417	85	81,104	72,158	-	Notes 1 and 2

(Continued)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands) (Note)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2015	Accumulated Repatriation of Investment Income as of December 31, 2015	Note
					Outward	Inward							
Chengdu 85 Food & Beverage Ltd.	Grocery and drink retailing	$ 32,917 RMB 6,590	Direct investment	$ -	$ -	$ -	$ -	$ 5,586	100	$ 5,586	$ (9,165)	$ -	Notes 1 and 2
Sheng-Pin (Wuhan) Food Ltd.	Manufacturing and sale of baking food	79,920 RMB 16,000	Direct investment	-	-	-	-	3,523	100	1,977	8,664	-	Notes 1 and 2
Wuhan Jing Way Food & Beverage Ltd.	Grocery and drink retailing	229,770 RMB 46,000	Direct investment	-	-	-	-	(10,099)	57	(5,708)	65,507	-	Notes 1 and 2
Jianxi Jing Way Food & Beverage Ltd.	Grocery and drink retailing	29,970 RMB 6,000	Direct investment	-	-	-	-	(5,093)	100	(5,093)	9,336	-	Notes 1 and 2
Jin Wei Industrial (Shanghai) Ltd.	Grocery sale	9,990 RMB 2,000	Direct investment	-	-	-	-	85,236	100	80,041	122,625	-	Note 1
Guangzhou 85 Degree Food & Beverage Management Ltd.	Grocery and drink retailing	29,970 RMB 6,000	Direct investment	-	-	-	-	(12,737)	100	(12,737)	(11,065)	-	Notes 1 and 2
Mai-Jia (Chengdu) Food Ltd.	Manufacturing and sale of baking food	123,626 RMB 24,750	Direct investment	-	-	-	-	17,168	100	15,532	107,094	-	Notes 1 and 2
85 Degree (Jiangsu) Food Ltd.	Manufacturing and sale of baking food	648,720 US$ 20,000	Direct investment	-	-	-	-	(29,893)	75	(26,506)	450,672	-	Note 1
Jia Ding Jing Way Food & Beverage Ltd.	Grocery and drink retailing	4,995 RMB 1,000	Direct investment	-	-	-	-	3,869	100	3,869	11,584	-	Notes 1 and 2
Shenzheng 85 Food & Beverage Ltd.													
Sheng-Pin (Shenzheng) Food Ltd.	Manufacturing and sale of baking food	32,468 RMB 6,500	Direct investment	-	-	-	-	25,097	85	19,667	(1,878)	-	Notes 1 and 2
85 Degree (Qingdao) Food & Beverage Management Ltd.													
Qingdao Jie Wei Food & Beverage Management Ltd.	Grocery and drink retailing	7,493 RMB 1,500	Direct investment	-	-	-	-	1,155	100	1,155	9,530	-	Notes 1 and 2
He-Shia Food & Beverage Ltd.													
Wuhan Jing Way Food & Beverage Ltd.	Grocery and drink retailing	229,770 RMB 46,000	Direct investment	-	-	-	-	(10,099)	43	(4,391)	50,390	-	Notes 1 and 2
Beijing 85 Food & Beverage Ltd.	Grocery and drink retailing	259,488 US$ 8,000	Direct investment	-	-	-	-	(24,915)	73	(18,305)	50,916	-	Notes 1 and 2
Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baking food	210,834 US$ 6,500	Direct investment	-	-	-	-	13,316	39	857	50,016	-	Notes 1 and 2

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2015	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$32.436, RMB1=NT$4.995 as of December 31, 2015.

Note 2: The carrying amount was based on the net assets of investee, which was not audited as of December 31, 2015.

(Concluded)