

Gourmet Master Co. Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Gourmet Master Co. Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance 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 and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2021 is stated as follows:

Recognition of Sales Revenue in Taiwan

Since sales revenue of franchising of the Group's subsidiary in Taiwan accounted for 11% of the total revenue, the recognition of the sales revenue has been identified as the key audit matter of the Group's consolidated financial statements for the year ended December 31, 2021.

Our main audit procedures performed in respect of the above-mentioned key audit matter included the following:

1. We understood the management's design of internal controls with respect to sales revenue of franchising and tested the implementation and effectiveness of such controls.
2. We took samples of sales revenue of franchising and examined the external documents to confirm the occurrence and accuracy of sales.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are I-Chen Lu and Hui-Ming Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 28, 2022

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 5,010,293	24	\$ 4,481,694	20
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	222,939	1	171,566	1
Financial assets at amortized cost - current (Notes 8 and 31)	1,476,627	7	1,772,223	8
Notes receivable	2,247	-	2,630	-
Trade receivables (Notes 9, 22 and 30)	290,208	1	268,235	1
Finance lease receivables (Note 10)	35,042	-	62,105	-
Other receivables (Note 30)	89,593	1	133,516	1
Current tax assets	121,039	1	78,267	1
Inventories (Note 11)	763,584	4	706,264	3
Prepayments	264,373	1	232,755	1
Other current assets	7,350	-	6,311	-
Total current assets	8,283,295	40	7,915,566	36
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 29)	997	-	1,028	-
Financial assets at amortized cost - non-current (Note 8)	553,309	3	1,210,295	5
Investments accounted for using the equity method (Note 13)	101,673	1	107,398	1
Property, plant and equipment (Notes 14 and 31)	5,690,811	27	6,228,618	28
Right-of-use assets (Note 15)	4,844,355	23	5,534,724	25
Investment properties (Notes 16 and 31)	191,087	1	195,188	1
Intangible assets	48,117	-	50,312	-
Deferred tax assets (Notes 5 and 24)	203,245	1	202,461	1
Prepaid equipment	487,821	2	224,623	1
Refundable deposits	408,861	2	450,131	2
Finance lease receivables - non-current (Note 10)	7,271	-	55,335	-
Other non-current assets	1,722	-	1,584	-
Total non-current assets	12,539,269	60	14,261,697	64
TOTAL	\$ 20,822,564	100	\$ 22,177,263	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 31)	\$ 204,179	1	\$ 859,903	4
Contract liabilities - current (Note 22)	1,405,179	7	1,428,298	6
Notes payable	605	-	899	-
Trade payables (Note 18)	1,478,660	7	1,424,472	6
Other payables (Notes 19 and 30)	1,313,878	6	1,299,244	6
Current tax liabilities	86,532	1	168,291	1
Lease liabilities - current (Note 15)	1,626,416	8	1,933,745	9
Deferred revenue - current (Note 26)	4,168	-	3,926	-
Other current liabilities	53,038	-	43,452	-
Total current liabilities	6,172,655	30	7,162,230	32
NON-CURRENT LIABILITIES				
Decommission, restoration and rehabilitation provisions	90,037	1	94,783	1
Long-term borrowings (Notes 17 and 31)	-	-	148,509	1
Deferred tax liabilities (Notes 5 and 24)	79,534	-	90,031	-
Lease liabilities - non-current (Note 15)	3,361,822	16	3,816,863	17
Deferred revenue - non-current (Note 26)	5,082	-	7,041	-
Guarantee deposits received	189,447	1	186,792	1
Total non-current liabilities	3,725,922	18	4,344,019	20
Total liabilities	9,898,577	48	11,506,249	52
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Share capital				
Ordinary shares	1,800,000	9	1,800,000	8
Capital surplus				
Additional paid-in capital	2,376,605	11	2,376,605	11
Retained earnings				
Legal reserve	1,340,270	6	1,238,739	5
Special reserve	575,871	3	594,986	3
Unappropriated earnings	5,570,632	27	5,279,796	24
Total retained earnings	7,486,773	36	7,113,521	32
Other equity	(671,682)	(3)	(575,871)	(3)
Total equity attributable to owners of the Company	10,991,696	53	10,714,255	48
NON-CONTROLLING INTERESTS	(67,709)	(1)	(43,241)	-
Total equity	10,923,987	52	10,671,014	48
TOTAL	\$ 20,822,564	100	\$ 22,177,263	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, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 36)	\$ 19,861,133	100	\$ 19,679,455	100
OPERATING COSTS (Notes 11 and 23)	<u>(8,110,170)</u>	<u>(41)</u>	<u>(7,977,562)</u>	<u>(41)</u>
GROSS PROFIT	<u>11,750,963</u>	<u>59</u>	<u>11,701,893</u>	<u>59</u>
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses	(9,347,820)	(47)	(9,159,609)	(46)
General and administrative expenses	(961,368)	(5)	(908,413)	(5)
Research and development expenses	(38,764)	-	(31,591)	-
Expected credit (loss) gain (Notes 9 and 10)	<u>12,231</u>	<u>-</u>	<u>(12,164)</u>	<u>-</u>
Total operating expenses	<u>(10,335,721)</u>	<u>(52)</u>	<u>(10,111,777)</u>	<u>(51)</u>
PROFIT FROM OPERATIONS	<u>1,415,242</u>	<u>7</u>	<u>1,590,116</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Notes 23, 26 and 30)				
Interest income	137,835	1	134,436	-
Other income	304,829	1	139,826	1
Other gains and losses	(180,506)	(1)	(248,318)	(1)
Finance costs	(186,074)	(1)	(230,085)	(1)
Share of profit or loss of associates and joint ventures	<u>8,998</u>	<u>-</u>	<u>20,715</u>	<u>-</u>
Total non-operating income and expenses	<u>85,082</u>	<u>-</u>	<u>(183,426)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	1,500,324	7	1,406,690	7
INCOME TAX EXPENSE (Notes 5 and 24)	<u>(430,739)</u>	<u>(2)</u>	<u>(408,466)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>1,069,585</u>	<u>5</u>	<u>998,224</u>	<u>5</u>

(Continued)

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	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	\$ (83,440)	-	\$ 170,500	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(5,188)</u>	<u>-</u>	<u>(155,263)</u>	<u>(1)</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(88,628)</u>	<u>-</u>	<u>15,237</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 980,957</u>	<u>5</u>	<u>\$ 1,013,461</u>	<u>5</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,093,252	5	\$ 1,015,314	5
Non-controlling interests	<u>(23,667)</u>	<u>-</u>	<u>(17,090)</u>	<u>-</u>
	<u>\$ 1,069,585</u>	<u>5</u>	<u>\$ 998,224</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 997,441	5	\$ 1,034,429	5
Non-controlling interests	<u>(16,484)</u>	<u>-</u>	<u>(20,968)</u>	<u>-</u>
	<u>\$ 980,957</u>	<u>5</u>	<u>\$ 1,013,461</u>	<u>5</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 6.07</u>		<u>\$ 5.64</u>	

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

(Concluded)

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Equity Attributable to the Owners of the Company						Other Equity			
	Number of Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Total	Non-controlling Interests	Total Equity
				Legal Reserve	Special Reserve					
BALANCE AT JANUARY 1, 2020	180,000	\$ 1,800,000	\$ 2,376,605	\$ 1,145,453	\$ 317,687	\$ 5,175,067	\$ (594,986)	\$ 10,219,826	\$ (3,510)	\$ 10,216,316
Appropriation of the 2019 earnings										
Legal reserve	-	-	-	93,286	-	(93,286)	-	-	-	-
Special reserve	-	-	-	-	277,299	(277,299)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(540,000)	-	(540,000)	-	(540,000)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(18,763)	(18,763)
Net profit for the year ended December 31, 2020	-	-	-	-	-	1,015,314	-	1,015,314	(17,090)	998,224
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	19,115	19,115	(3,878)	15,237
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	1,015,314	19,115	1,034,429	(20,968)	1,013,461
BALANCE AT DECEMBER 31, 2020	180,000	1,800,000	2,376,605	1,238,739	594,986	5,279,796	(575,871)	10,714,255	(43,241)	10,671,014
Appropriation of the 2020 earnings										
Legal reserve	-	-	-	101,531	-	(101,531)	-	-	-	-
Special reserve	-	-	-	-	(19,115)	19,115	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(720,000)	-	(720,000)	-	(720,000)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(7,984)	(7,984)
Net profit for the year ended December 31, 2021	-	-	-	-	-	1,093,252	-	1,093,252	(23,667)	1,069,585
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(95,811)	(95,811)	7,183	(88,628)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	1,093,252	(95,811)	997,441	(16,484)	980,957
BALANCE AT DECEMBER 31, 2021	180,000	\$ 1,800,000	\$ 2,376,605	\$ 1,340,270	\$ 575,871	\$ 5,570,632	\$ (671,682)	\$ 10,991,696	\$ (67,709)	\$ 10,923,987

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,500,324	\$ 1,406,690
Adjustments for:		
Depreciation expense	2,745,255	3,267,477
Amortization expense	15,677	18,928
Expected credit (reversed) loss/recognized on trade receivables	(12,231)	12,164
Net gain on fair value changes of financial assets at fair value through profit or loss	(51,373)	(14,896)
Finance costs	186,074	230,085
Interest income	(137,835)	(134,436)
Dividend income	(7,920)	(7,263)
Share of profit of associates and joint ventures	(8,998)	(20,715)
Loss on disposal of property, plant and equipment	103,674	86,249
Loss on disposal of intangible assets	56	-
Impairment loss of non-financial assets	64,738	83,045
Government grants	(1,959)	(1,930)
Deduction on lease expense	-	(72,371)
Changes in operating assets and liabilities		
Notes receivable	383	868
Trade receivables	(5,350)	39,091
Other receivables	(11,888)	451
Inventories	(61,049)	63,299
Prepayments	(31,618)	(18,561)
Other current assets	(1,039)	3,656
Contract liabilities	(23,119)	(75,054)
Notes payable	(294)	287
Trade payables	54,188	(123,628)
Other payables	10,047	(54,430)
Provisions	(4,746)	(3,272)
Other current liabilities	9,828	6,401
Cash generated from operations	4,330,825	4,692,135
Interest paid	(181,487)	(271,269)
Income taxes paid	(566,551)	(515,838)
Net cash generated from operating activities	<u>3,582,787</u>	<u>3,905,028</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets at amortized cost	-	(466,414)
Proceeds from sale of financial assets at amortized cost	952,582	-
Financial assets at fair value through profit or loss	-	474,231
Purchase of long-term investments accounted for using the equity method	-	(299)
Payments for property, plant and equipment	(683,571)	(1,369,863)
Proceeds from disposal of property, plant and equipment	19,318	5,717
Increase in refundable deposits	-	(3,456)

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GOURMET MASTER CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Decrease in refundable deposits	\$ 41,270	\$ -
Payments for intangible assets	(14,274)	(29,365)
Decrease in finance lease receivables	48,164	51,526
Increase in other non-current assets	(138)	(536)
Increase in prepayments for equipment	(263,198)	-
Interest received	189,351	110,813
Dividends received from associates	14,723	8,815
Other dividends received	<u>7,920</u>	<u>7,263</u>
Net cash generated from (used in) investing activities	<u>312,147</u>	<u>(1,211,568)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	463,179
Repayments of short-term borrowings	(655,724)	-
Repayments of long-term borrowings	(148,509)	-
Proceeds from guarantee deposits received	2,655	13,969
Repayment of the principal portion of lease liabilities	(1,907,164)	(2,028,627)
Dividends paid to owners of the Company	(720,000)	(540,000)
Dividends paid to non-controlling interests	<u>(7,984)</u>	<u>(18,763)</u>
Net cash used in financing activities	<u>(3,436,726)</u>	<u>(2,110,242)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>70,391</u>	<u>69,188</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	528,599	652,406
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,481,694</u>	<u>3,829,288</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,010,293</u>	<u>\$ 4,481,694</u>

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

(Concluded)

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (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”) is mainly engaged in the production and wholesale of bakery products, retail and wholesale of beverages, wholesale of bakery machinery, and the operation of chain stores and franchising business.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 22, 2022.

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

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

Amendment to IFRS 16 “Covid-19 - Related Rent Concessions beyond June 30, 2021”

The Group elected to apply the amendment that extends the availability of the practical expedient to lease payments due on or before June 30, 2022. Refer to Note 4 for the relevant accounting policies of the practical expedient.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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 and issued into effect by the FSC.

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 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
- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 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.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company.

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

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

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

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

See Note 12, Tables 7 and 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., 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 in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries or those that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and 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 and 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 entities in the Group into the presentation currency, are not subsequently reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and merchandise 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. The 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 the weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which 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 are 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 the equity of associates.

The entire carrying amount of an 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 not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

h. Property, plant and equipment

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

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

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

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured 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.

j. Intangible assets

1) 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 lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets other than goodwill and assets related to contract costs

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 any 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 individual 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 assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs 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, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

1. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance 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.

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses.

ii. Financial assets at amortized cost

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

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

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

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

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

b) Impairment of financial assets and contract assets

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

m. 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.

n. Revenue recognition

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

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

1) Revenue from the sale of goods

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

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

2) Licensing revenue

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

o. Leases

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

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

1) The Group as lessor

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

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

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

2) The Group as lessee

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

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

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

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

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concession and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss as a deduction of expenses of variable lease payments, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

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

p. Borrowing costs

Borrowing costs directly attributable to an 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 that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached 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.

r. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities 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 carryforwards 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 and interests in joint arrangements, 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized 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 liabilities are settled or the assets are 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.

3) Current and deferred taxes for the year

Current and deferred taxes 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 taxes 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, estimations, and assumptions on 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 Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications and related government policies and regulations when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 45,487	\$ 46,676
Checking accounts and demand deposits	1,815,593	3,520,031
Cash equivalents (investments with original maturities within 3 months)		
Time deposits	<u>3,149,213</u>	<u>914,987</u>
	<u>\$ 5,010,293</u>	<u>\$ 4,481,694</u>

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

	December 31	
	2021	2020
Time deposits	0.130%-3.170%	0.380%-3.020%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	\$ 212,718	\$ 161,370
Mutual funds	<u>10,221</u>	<u>10,196</u>
	<u>\$ 222,939</u>	<u>\$ 171,566</u>
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Others	<u>\$ 997</u>	<u>\$ 1,028</u>

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
<u>Current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 1,350,703	\$ 1,698,751
Principal protected investment products (b)	43,440	-
Restricted bank deposits	<u>82,484</u>	<u>73,472</u>
	<u>\$ 1,476,627</u>	<u>\$ 1,772,223</u>
<u>Non-current</u>		
Foreign investments		
Time deposits with original maturities of more than 3 months (a)	\$ 525,624	\$ 418,003
Principal protected investment products (b)	-	763,787
Bond investments - China Development Bank (c)	<u>27,685</u>	<u>28,505</u>
	<u>\$ 553,309</u>	<u>\$ 1,210,295</u>

- The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.13%-3.77% and 0.28%-3.75% per annum as of December 31, 2021 and 2020, respectively.
- The ranges of interest rates for principal protected investment products were approximately 3.77% and 3.77%-4.10% per annum as of December 31, 2021 and 2020, respectively.
- In May 2015, the Group bought 10-year bank debentures issued by China Development Bank with a coupon rate of 4.25%, an effective interest rate of 4.17% and a maturity date of December 2, 2024, for US\$1,006 thousand (par value of US\$1,000 thousand).
- Refer to Note 31 for information relating to investments in financial assets at amortized cost pledged as security.

9. TRADE RECEIVABLES

	December 31	
	2021	2020
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 320,256	\$ 314,905
Less: Allowance for impairment loss	<u>(30,048)</u>	<u>(46,670)</u>
	<u>\$ 290,208</u>	<u>\$ 268,235</u>

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

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

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

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

December 31, 2021

	1 to 60 Days	61 to 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Gross carrying amount	\$ 272,704	\$ 394	\$ 16,521	\$ 1,348	\$ 29,289	\$ 320,256
Loss allowance (Lifetime ECLs)	<u> </u>	<u>(264)</u>	<u>(40)</u>	<u>(687)</u>	<u>(29,057)</u>	<u>(30,048)</u>
Amortized cost	<u>\$ 272,704</u>	<u>\$ 130</u>	<u>\$ 16,481</u>	<u>\$ 661</u>	<u>\$ 232</u>	<u>\$ 290,208</u>

December 31, 2020

	1 to 60 Days	61 to 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	Total
Gross carrying amount	\$ 258,060	\$ 5,803	\$ 1,954	\$ 3,280	\$ 45,808	\$ 314,905
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(387)</u>	<u>(501)</u>	<u>(2,896)</u>	<u>(42,886)</u>	<u>(46,670)</u>
Amortized cost	<u>\$ 258,060</u>	<u>\$ 5,416</u>	<u>\$ 1,453</u>	<u>\$ 384</u>	<u>\$ 2,922</u>	<u>\$ 268,235</u>

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

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 46,670	\$ 49,987
Less: Net remeasurement of loss allowance	(12,895)	(5,122)
Foreign exchange adjustments	<u>(3,727)</u>	<u>1,805</u>
Balance at December 31	<u>\$ 30,048</u>	<u>\$ 46,670</u>

10. FINANCE LEASE RECEIVABLES

	December 31	
	2021	2020
<u>Undiscounted lease payments</u>		
Year 1	\$ 53,653	\$ 82,435
Year 2	7,854	36,675
Year 3	-	12,837
Year 4	-	4,251
Year 5	-	4,251
Year 6 onwards	-	<u>4,752</u>
	61,507	145,201
Less: Unearned finance income	(1,361)	(8,979)
Less: Allowance for impairment loss	<u>(17,833)</u>	<u>(18,782)</u>
Net investment in leases presented as finance lease receivables	<u>\$ 42,313</u>	<u>\$ 117,440</u>

The movements of the loss allowance of finance lease receivables were as follows:

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 18,782	\$ -
Add: Net remeasurement of loss allowance	664	17,286
Foreign exchange adjustments	<u>(1,613)</u>	<u>1,496</u>
Balance at December 31	<u>\$ 17,833</u>	<u>\$ 18,782</u>

11. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 76,365	\$ 70,212
Work in process	4,890	3,472
Raw materials and supplies	587,447	533,339
Merchandise	<u>94,882</u>	<u>99,241</u>
	<u>\$ 763,584</u>	<u>\$ 706,264</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$8,110,170 thousand and \$7,977,562 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 included inventory write-downs of \$4,186 thousand and \$1,153 thousand, respectively.

The inventory write-downs recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$545,446 thousand and \$515,031 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Main Business	Proportion of Ownership (%)		Remark	
			December 31			
			2021	2020		
Gourmet Master Co. Ltd.	85 Degrees Co., Ltd.	Investment	100.0	100.0		
	Prime Scope Trading Limited	Investment, retail sale of groceries and beverages	100.0	100.0		
Perfect 85 Degrees C, Inc.	Perfect 85 Degrees C, Inc.	Manufacturing and sale of baked goods	100.0	100.0		
	85 Degrees Café International Pty. Ltd.	Investment	51.0	51.0		
	Lucky Bakery Limited	Investment	100.0	100.0		
	WinWin 85C Holding Co., Ltd.	Investment	100.0	100.0		
	WinPin 85 Investments, LLC	Retail sale of groceries and beverages	100.0	100.0		
	Golden 85 Investments, LLC	Retail sale of groceries and beverages	65.0	65.0		
85 Degree Co., Ltd.	Comestibles Master Co., Ltd.	Manufacturing and sale of baked goods	100.0	100.0		
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Retail sale of groceries and beverages	100.0	100.0		
Mei Wei Master Co., Ltd.	Mei Wei Fu Xing Ltd.	Retail sale of groceries and beverages	60.0	60.0		
WinWin 85C Holding Co., Ltd.	WinWin 85C LLC	Investment	100.0	100.0		
	WinUS 85C LLC	Investment	100.0	100.0		
85 Degrees Café International Pty. Ltd.	85 Degrees Coffee Australia Pty. Ltd.	Retail sale of groceries and beverages	100.0	100.0		
Prime Scope Trading Limited	Shanghai Gourmet Master Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0		
	He-Shia Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0		
	Sheng-Pin (Hangzhou) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0		
	He-Shia (Nanjing) Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0		
	Beijing 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	25.0	25.0		
	Zhejiang 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0		
	Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baked goods	61.5	61.5		
	Fuzhou 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0		
	Sheng-Pin (Jiangsu) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0		
	Sheng-Pin (Xiamen) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0		
	Sheng-Pin (Qingdao) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0		
	Xiamen 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0		
	Sheng-Pin (Shenyang) Food Ltd.	Manufacturing and sale of baked goods	100.0	100.0		
	85 Degrees (Qingdao) Food & Beverage Management Ltd.	Retail sale of groceries and beverages	100.0	100.0		
	85 Degrees (Jiangsu) Food Ltd.	Manufacturing and sale of baked goods	25.0	25.0		
	Wincase Limited	Retail sale of groceries and beverages	100.0	100.0		
	Worldinn Limited	Manufacturing and sale of baked goods	100.0	100.0		
	Winstar 85C LLC	Franchising	100.0	100.0	a	
	Shanghai Gourmet Master Food & Beverage Ltd.	Shanghai Howco Jing Way Food & Beverage Ltd.	Retail sale of groceries and beverages	100.0	100.0	
		Shenzhen 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	85.0	85.0	
Chengdu 85 Food & Beverage Ltd.		Retail sale of groceries and beverages	100.0	100.0		
Sheng-Pin (Wuhan) Food Ltd.		Manufacturing and sale of baked goods	100.0	100.0		
Wuhan Jing Way Food & Beverage Ltd.		Retail sale of groceries and beverages	57.0	57.0		
Jin Wei Industrial (Shanghai) Ltd.		Grocery retail	100.0	100.0		
Guangzhou 85 Degree Food & Beverage Management Ltd.		Retail sale of groceries and beverages	100.0	100.0		
85 Degrees (Jiangsu) Food Ltd.		Manufacturing and sale of baked goods	75.0	75.0		
Mai-Jia (Chengdu) Food Ltd.		Manufacturing and sale of baked goods	100.0	100.0		
Jia Ding Jing Way Food & Beverage Ltd.		Retail sale of groceries and beverages	100.0	100.0		
Kunshan 85 Food & Beverage Ltd.		Retail sale of groceries and beverages	100.0	100.0		
Sheng-Pin (Dongguan) Food Ltd.		Manufacturing and sale of baked goods	100.0	100.0		
Shanghai Minhang Jinxia Food & Beverage Ltd.		Manufacturing and sale of baked goods	100.0	100.0		
He-Shia Food & Beverage Ltd.		Wuhan Jing Way Food & Beverage Ltd.	Retail sale of groceries and beverages	43.0	43.0	
	Beijing 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	75.0	75.0		
	Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baked goods	38.5	38.5		
85 Degree (Qingdao) Food & Beverage Management Ltd.	Qingdao Jie Wei Food & Beverage Management Ltd.	Retail sale of groceries and beverages	100.0	100.0		
Jin Wei Industrial (Shanghai) Ltd.	Xia He Wei (Xiamen) Trading Limited	Grocery retail	100.0	100.0		

Remarks:

- New subsidiary incorporated in May 2020.
- In order to simplify the Group's investment structure, Shenyang 85 Food & Beverage Ltd., Sheng-Pin (Shanghai) Food Ltd. and Jianxi Jing Way Food & Beverage Ltd. were dissolved in 2020.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in Associates

	December 31	
	2021	2020
<u>Material associate</u>		
The Hot Pot Food and Beverage Management Co., Ltd.	<u>\$ 101,673</u>	<u>\$ 107,398</u>

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery Equipment	Leasehold Improvements	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>									
Balance at January 1, 2020	\$ 753,893	\$ 2,148,913	\$ 2,708,464	\$ 4,346,171	\$ 65,019	\$ 483,520	\$ 479,613	\$ 55,916	\$ 11,041,509
Additions	1,026,490	112,880	212,373	282,505	5,602	22,127	55,754	58,623	1,776,354
Disposal	-	(8,108)	(176,735)	(290,531)	(8,596)	(60,104)	(7,201)	(119)	(551,394)
Reclassifications	-	-	14,485	38,139	-	5,513	-	(58,137)	-
Effect of foreign currency exchange differences	(12,900)	21,744	(8,347)	(44,405)	743	936	(3,463)	(2,762)	(48,454)
Balance at December 31, 2020	<u>\$ 1,767,483</u>	<u>\$ 2,275,429</u>	<u>\$ 2,750,240</u>	<u>\$ 4,331,879</u>	<u>\$ 62,768</u>	<u>\$ 451,992</u>	<u>\$ 524,703</u>	<u>\$ 53,521</u>	<u>\$ 12,218,015</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2020	\$ -	\$ 560,822	\$ 1,672,865	\$ 2,355,025	\$ 38,340	\$ 406,882	\$ 278,209	\$ -	\$ 5,312,143
Depreciation expense	-	115,954	329,669	528,418	8,924	40,744	69,293	-	1,093,002
Impairment loss	-	-	-	41,569	-	-	-	-	41,569
Disposal	-	(2,127)	(170,446)	(217,417)	(7,217)	(58,834)	(3,387)	-	(459,428)
Effect of foreign currency exchange differences	-	9,493	615	(8,870)	476	2,438	(2,041)	-	2,111
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 684,142</u>	<u>\$ 1,832,703</u>	<u>\$ 2,698,725</u>	<u>\$ 40,523</u>	<u>\$ 391,230</u>	<u>\$ 342,074</u>	<u>\$ -</u>	<u>\$ 5,989,397</u>
Carrying amount at December 31, 2020	<u>\$ 1,767,483</u>	<u>\$ 1,591,287</u>	<u>\$ 917,537</u>	<u>\$ 1,633,154</u>	<u>\$ 22,245</u>	<u>\$ 60,762</u>	<u>\$ 182,629</u>	<u>\$ 53,521</u>	<u>\$ 6,228,618</u>
<u>Cost</u>									
Balance at January 1, 2021	\$ 1,767,483	\$ 2,275,429	\$ 2,750,240	\$ 4,331,879	\$ 62,768	\$ 451,992	\$ 524,703	\$ 53,521	\$ 12,218,015
Additions	-	41,008	138,124	330,691	3,861	24,191	54,143	91,553	683,571
Disposal	-	(765)	(267,725)	(493,401)	(5,834)	(81,591)	(18,832)	-	(868,148)
Reclassifications	-	-	6,149	95,614	-	29	(5,612)	(96,180)	-
Effect of foreign currency exchange differences	(7,837)	(19,700)	(37,248)	(77,233)	(1,168)	(5,747)	(6,394)	(1,441)	(156,768)
Balance at December 31, 2021	<u>\$ 1,759,646</u>	<u>\$ 2,295,972</u>	<u>\$ 2,589,540</u>	<u>\$ 4,187,550</u>	<u>\$ 59,627</u>	<u>\$ 388,874</u>	<u>\$ 548,008</u>	<u>\$ 47,453</u>	<u>\$ 11,876,670</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2021	\$ -	\$ 684,142	\$ 1,832,703	\$ 2,698,725	\$ 40,523	\$ 391,230	\$ 342,074	\$ -	\$ 5,989,397
Depreciation expense	-	121,355	296,374	467,021	8,150	28,207	67,939	-	989,046
Impairment loss	-	-	3,701	28,549	3,877	89	-	-	36,216
Disposal	-	(765)	(253,055)	(394,813)	(4,904)	(80,037)	(11,582)	-	(745,156)
Reclassifications	-	-	2,565	-	-	-	(2,565)	-	-
Effect of foreign currency exchange differences	-	(5,118)	(23,738)	(45,125)	(926)	(4,646)	(4,091)	-	(83,644)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 799,614</u>	<u>\$ 1,858,550</u>	<u>\$ 2,754,357</u>	<u>\$ 46,720</u>	<u>\$ 334,843</u>	<u>\$ 391,775</u>	<u>\$ -</u>	<u>\$ 6,185,859</u>
Carrying amount at December 31, 2021	<u>\$ 1,759,646</u>	<u>\$ 1,496,358</u>	<u>\$ 730,990</u>	<u>\$ 1,433,193</u>	<u>\$ 12,907</u>	<u>\$ 54,031</u>	<u>\$ 156,233</u>	<u>\$ 47,453</u>	<u>\$ 5,690,811</u>

Impairment losses recognized on property, plant and equipment for the years ended December 31, 2021 and 2020 amounted to \$36,216 thousand and \$41,569 thousand, respectively, which was mainly attributable to the decrease in expected future cash inflow of some of the stores, plant and equipment. The carrying amounts of the machinery equipment and leasehold improvements were assessed to be less than their recoverable amounts, and the impairment loss has been recognized under other gains and losses in the consolidated statements of comprehensive income.

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

Buildings	
Main buildings	17-49 years
Power system engineering	11 years
Furnishing	3-20 years
Machinery equipment	1-15 years
Leasehold improvements	1-20 years
Transportation equipment	1-10 years
Office equipment	1-15 years
Other equipment	1-15 years

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amount</u>		
Land	\$ 167,785	\$ 174,009
Buildings	4,647,439	5,308,975
Transportation equipment	18,424	28,476
Other equipment	<u>10,707</u>	<u>23,264</u>
	<u>\$ 4,844,355</u>	<u>\$ 5,534,724</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 1,465,544</u>	<u>\$ 1,630,940</u>
Depreciation charge for right-of-use assets		
Land	\$ 4,908	\$ 4,842
Buildings	1,722,697	2,140,355
Transportation equipment	12,992	12,366
Other equipment	<u>11,731</u>	<u>13,063</u>
	<u>\$ 1,752,328</u>	<u>\$ 2,170,626</u>

Impairment losses recognized on right-of-use assets for the year ended December 31, 2021 and 2020 amounted to \$24,336 thousand and \$40,323 thousand, respectively, which was mainly attributable to the decrease in expected future cash inflow of some of the stores. The carrying amounts of the right-of-use assets were assessed to be less than their recoverable amounts, and the impairment loss has been recognized under other gains and losses in the consolidated statements of comprehensive income.

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 1,626,416</u>	<u>\$ 1,933,745</u>
Non-current	<u>\$ 3,361,822</u>	<u>\$ 3,816,863</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Buildings	1.00%-5.49%	1.00%-5.49%
Transportation equipment	1.00%	1.00%
Other equipment	1.00%	1.00%

c. Material leasing activities and terms (the Group is lessee)

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

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

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

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

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

Because of the market conditions severely affected by COVID-19 in 2020, the Group negotiated with the lessor for rent concessions for factories and stores lease. The lessor agreed to provide unconditional rent reduction. The Group recognized in profit or loss the impact of rent concessions of \$72,371 thousand (presented in rent expenses) for the year ended December 31, 2020.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ 56,108	\$ 20,431
Expenses relating to low-value asset leases	\$ 9,779	\$ 9,717
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 108,780	\$ 109,009
Total cash outflow for leases	\$ (2,081,831)	\$ (2,390,707)

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

16. INVESTMENT PROPERTIES

	Completed Investment Properties
<u>Cost</u>	
Balance at January 1, 2020	\$ 265,899
Effect of foreign currency exchange differences	1,504
Balance at December 31, 2020	\$ 267,403
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	\$ (67,326)
Depreciation expense	(3,849)
Effect of foreign currency exchange differences	(1,040)
Balance at December 31, 2020	\$ (72,215)
Carrying amount at December 31, 2020	\$ 195,188
<u>Cost</u>	
Balance at January 1, 2021	\$ 267,403
Effect of foreign currency exchange differences	(689)
Balance at December 31, 2021	\$ 266,714
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2021	\$ (72,215)
Depreciation expense	(3,881)
Effect of foreign currency exchange differences	469
Balance at December 31, 2021	\$ (75,627)
Carrying amount at December 31, 2021	\$ 191,087

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

Main buildings

20-49 years

The carrying amount of the investment properties located in Taichung, Taiwan was \$164,723 thousand. The fair values of the investment properties were not assessed by independent appraisers, instead, they were assessed by the management of the Company taking into account the situation of use of the assets frequently used by market participants and the market prices. The valuation was arrived at by reference to market evidence of transaction prices of similar properties.

	December 31	
	2021	2020
Fair value	<u>\$ 242,373</u>	<u>\$ 223,654</u>

The carrying amount of the investment properties located in Shenyang City, Liaoning Province, China was \$26,364 thousand. The fair value of the investment properties at December 31, 2017 was measured by independent qualified professional valuers using Level 3 inputs, and the valuation was arrived at by reference to market evidence of transaction prices of similar properties. Management of the Company had assessed and determined that there were no significant changes in the fair value at December 31, 2021 as compared to that at December 31, 2017.

	December 31	
	2021	2020
Fair value	<u>\$ 37,762</u>	<u>\$ 38,048</u>

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

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
<u>Secured borrowings (Note 32)</u>		
Bank loans	\$ 204,179	\$ 670,686
<u>Unsecured borrowings</u>		
Loans from the government	<u>-</u>	<u>189,217</u>
	<u>\$ 204,179</u>	<u>\$ 859,903</u>

The range of weighted average effective interest rates of bank loans was 0.60%-3.80% and 0.69%-3.80% per annum as of December 31, 2021 and 2020, respectively.

Due to the impact of Covid-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by United States Congress. The CARES Act then passed the Paycheck Protection Program (PPP) to provide small businesses affected by the downturn of economy with the resources to maintain their payroll and hire back employees that were laid off.

The Group was able to obtain PPP of \$6,625 thousand through the bank authorized by the government agency, Small Business Administration (SBA). The loan mostly covers employee wages and related employee benefits and could be fully forgiven if the loan are used for payroll costs, interest on mortgages, rent, and utilities. However, if the loan does not fit the forgiveness criteria, the loan must be paid within 2 years with the interest rate of 1%. Since the Group obtained loan forgiveness in April and July, 2021, the loan has to be recognized as government grant.

b. Long-term borrowings

	December 31	
	2021	2020
<u>Unsecured borrowings</u>		
Long-term debt payable - related parties* (Note 31)	\$ <u>-</u>	\$ <u>148,509</u>

* Long-term debt payable to related parties of the Group is payable to directors. An interest rate of 3.75% per annum was charged on the outstanding balance during the years ended December 31, 2020.

18. TRADE PAYABLES

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

19. OTHER LIABILITIES

	December 31	
	2021	2020
<u>Current</u>		
Other payables		
Accrued payroll and bonuses	\$ 419,304	\$ 432,319
Utilities	40,292	63,644
Insurance	64,878	65,816
Rent	67,237	70,011
Payables for purchases of equipment	161,715	145,644
Others (shipping expense, repair expense, etc.)	<u>560,452</u>	<u>521,810</u>
	<u>\$ 1,313,878</u>	<u>\$ 1,299,244</u>

20. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

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

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

21. EQUITY

Share Capital

Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>850,000</u>	<u>850,000</u>
Shares authorized	<u>\$ 8,500,000</u>	<u>\$ 8,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>180,000</u>	<u>180,000</u>
Shares issued	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>

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

Retained Earnings and Dividend Policy

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

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

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

For the years ended December 31, 2021 and 2020, there were no accruals of bonuses for employees and remuneration of directors and supervisors. Material differences between estimated amounts and the amounts proposed by the board of directors on or before the consolidated financial statements are authorized for issue are adjusted in the year the bonuses and remuneration were recognized. If there is a change in the proposed amounts after the consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate. If share bonuses are resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonuses by the fair value of the shares. The fair value of the shares is stated at the closing price (after considering the effect of cash and share dividends) of the shares on the day immediately preceding the shareholders' meeting.

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

The appropriations of earnings for 2020 and 2019 approved in the shareholders' meetings on July 2, 2021 and June 5, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For the Year Ended		(NT\$)	
	December 31			
	2020	2019	2020	2019
Reserve	\$ 101,531	\$ 93,286	\$ -	\$ -
Special reserve	(19,115)	277,299	-	-
Cash dividends	720,000	540,000	4	3

The Company held their regular shareholders' meetings on July 2, 2021 and June 5, 2020 and resolved that there would be no distribution of bonuses to employees and remuneration of directors and supervisors for 2020 and 2019, respectively.

The appropriation of earnings for 2021 was proposed by the Company's board of directors on March 22, 2022. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Reserve	\$ 109,325	\$ -
Reversal of special reserve	95,811	-
Cash dividends	900,000	5

The appropriation of earnings for 2021 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 2, 2022.

There was no difference between the amounts of bonuses for employees and the remuneration of directors and supervisors approved and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019, respectively.

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

22. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 19,765,123	\$ 19,623,221
Other revenue	<u>96,010</u>	<u>56,234</u>
	<u>\$ 19,861,133</u>	<u>\$ 19,679,455</u>

a. Disaggregation of revenue

Refer to Note 36 for information about the disaggregation of revenue.

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Trade receivables (Note 9)	<u>\$ 290,208</u>	<u>\$ 268,235</u>	<u>\$ 300,041</u>
Contract liabilities			
Sale of goods	\$ 1,322,013	\$ 1,326,180	\$ 1,292,805
Customer loyalty program	<u>83,166</u>	<u>102,118</u>	<u>210,547</u>
Contract liabilities - current	<u>\$ 1,405,179</u>	<u>\$ 1,428,298</u>	<u>\$ 1,503,352</u>

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

23. OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2021	2020
Dividend income	\$ 7,920	\$ 7,263
Income from government grants(Notes 26)	229,196	49,088
Rental income	20,727	16,106
Others	<u>46,986</u>	<u>67,369</u>
	<u>\$ 304,829</u>	<u>\$ 139,826</u>

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net foreign exchange losses	\$ (22,100)	\$ (6,322)
Loss on disposal of property, plant and equipment	(103,674)	(86,249)
Net gain arising from financial assets held for trading	51,373	14,896
Impairment loss (Notes 14 and 15)	(60,552)	(81,892)
Others	<u>(45,553)</u>	<u>(88,751)</u>
	<u>\$ (180,506)</u>	<u>\$ (248,318)</u>

c. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on lease liabilities	\$ (178,788)	\$ (215,183)
Interest on bank loans	(3,533)	(9,721)
Interest on loans from related parties (Note 30)	<u>(3,753)</u>	<u>(5,181)</u>
	<u>\$ (186,074)</u>	<u>\$ (230,085)</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 989,046	\$ 1,093,002
Investment properties	3,881	3,849
Right-of-use assets	1,752,328	2,170,626
Intangible assets	<u>15,677</u>	<u>18,928</u>
	<u>\$ 2,760,932</u>	<u>\$ 3,286,405</u>
An analysis of depreciation by function		
Operating costs	\$ 213,467	\$ 236,516
Operating expenses	<u>2,531,788</u>	<u>3,030,961</u>
	<u>\$ 2,745,255</u>	<u>\$ 3,267,477</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>15,677</u>	<u>18,928</u>
	<u>\$ 15,677</u>	<u>\$ 18,928</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 57,065	\$ 62,409
Other employee benefits	<u>5,909,921</u>	<u>5,660,523</u>
	<u>\$ 5,966,986</u>	<u>\$ 5,722,932</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 929,433	\$ 819,585
Operating expenses	<u>5,037,553</u>	<u>4,903,347</u>
	<u>\$ 5,966,986</u>	<u>\$ 5,722,932</u>

f. Impairment loss on non-financial assets

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment (included in other gains and losses)	\$ (36,216)	\$ (41,569)
Right-of-use assets (included in other gains and losses)	(24,336)	(40,323)
Inventories (included in operating costs)	<u>(4,186)</u>	<u>(1,153)</u>
	<u>\$ (64,738)</u>	<u>\$ (83,045)</u>

24. 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	
	2021	2020
Current tax		
In respect of the current year	\$ 385,727	\$ 425,573
Income tax on unappropriated earnings	18,125	21,531
Adjustments for prior year	<u>9,520</u>	<u>14,727</u>
	<u>413,372</u>	<u>461,831</u>
Deferred tax		
In respect of the current year	<u>17,367</u>	<u>(53,365)</u>
Income tax expense recognized in profit or loss	<u>\$ 430,739</u>	<u>\$ 408,466</u>

A reconciliation of accounting profit and income tax expense is as follow:

	For the Year Ended December 31	
	2021	2020
Profit before income tax	<u>\$ 1,500,324</u>	<u>\$ 1,406,690</u>
Income tax expense calculated at the statutory rate	\$ 390,606	\$ 343,942
Nondeductible expenses in determining taxable income	1,428	(2,607)
Tax-exempt income	(75,681)	(11,505)
Deferred tax effect of earnings of subsidiaries	39,112	11,466
Income tax on unappropriated earnings	18,125	21,531
Unrecognized deductible temporary differences	1,048	(151)
Unrecognized loss carryforwards	46,581	31,063
Adjustments for prior years' tax	<u>9,520</u>	<u>14,727</u>
Income tax expense recognized in profit or loss	<u>\$ 430,739</u>	<u>\$ 408,466</u>

As the status of the 2021 appropriation of earnings is uncertain, the potential income tax consequences of the 2020 unappropriated earnings are not reliably determinable.

b. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2021

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Paid in the Current Year	Closing Balance
Temporary differences					
Inventory write-downs	\$ 3,725	\$ (157)	\$ (41)	\$ -	\$ 3,527
Operating leases	55,645	(443)	(1,678)	-	53,524
Property, plant and equipment	35,400	(4,163)	(641)	-	30,596
Right-of-use assets	38,717	(913)	(556)	-	37,248
Deferred revenue	21,437	(5,451)	(372)	-	15,614
Others	<u>14,441</u>	<u>5,668</u>	<u>(475)</u>	<u>-</u>	<u>19,634</u>
	169,365	(5,459)	(3,763)	-	160,143
Tax losses	<u>33,096</u>	<u>10,753</u>	<u>(747)</u>	<u>-</u>	<u>43,102</u>
	<u>\$ 202,461</u>	<u>\$ 5,294</u>	<u>\$ (4,510)</u>	<u>\$ -</u>	<u>\$ 203,245</u>
Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Paid in the Current Year	Closing Balance
Temporary differences					
Unappropriated earnings of subsidiaries	\$ (39,394)	\$ (39,112)	\$ 1,456	\$ 30,468	\$ (46,582)
Property, plant and equipment	(45,679)	16,690	1,197	-	(27,792)
Unrealized exchange gain	-	(109)	-	-	(109)
Right-of-use assets	(3,771)	336	28	-	(3,407)
Salaries and wages payable	<u>(1,187)</u>	<u>(466)</u>	<u>9</u>	<u>-</u>	<u>(1,644)</u>
	<u>\$ (90,031)</u>	<u>\$ (22,661)</u>	<u>\$ 2,690</u>	<u>\$ 30,468</u>	<u>\$ (79,534)</u>

For the year ended December 31, 2020

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Paid in the Current Year	Closing Balance
Temporary differences					
Inventory write-downs	\$ 3,736	\$ (6)	\$ (5)	\$ -	\$ 3,725
Operating leases	-	59,840	(4,195)	-	55,645
Property, plant and equipment	14,761	21,206	(567)	-	35,400
Right-of-use assets	53,672	(15,309)	354	-	38,717
Deferred revenue	28,457	(6,689)	(331)	-	21,437
Others	<u>1,811</u>	<u>13,635</u>	<u>(1,005)</u>	<u>-</u>	<u>14,441</u>
	102,437	72,677	(5,749)	-	169,365
Tax losses	<u>37,106</u>	<u>(3,297)</u>	<u>(713)</u>	<u>-</u>	<u>33,096</u>
	<u>\$ 139,543</u>	<u>\$ 69,380</u>	<u>\$ (6,462)</u>	<u>\$ -</u>	<u>\$ 202,461</u>
Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Paid in the Current Year	Closing Balance
Temporary differences					
Unappropriated earnings of subsidiaries	\$ (114,328)	\$ (11,466)	\$ (736)	\$ 87,136	\$ (39,394)
Property, plant and equipment	(47,741)	(301)	2,363	-	(45,679)
Right-of-use assets	-	(3,695)	(76)	-	(3,771)
Salaries and wages payable	<u>(612)</u>	<u>(553)</u>	<u>(22)</u>	<u>-</u>	<u>(1,187)</u>
	<u>\$ (162,681)</u>	<u>\$ (16,015)</u>	<u>\$ 1,529</u>	<u>\$ 87,136</u>	<u>\$ (90,031)</u>

c. Items for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31					
	2021			2020		
	Applicable Tax Rate 25%	Applicable Tax Rate 20%	Applicable Tax Rate 16.5% and 30%	Applicable Tax Rate 25%	Applicable Tax Rate 20%	Applicable Tax Rate 16.5% and 30%
Loss carryforwards						
Expiry in 2020	\$ -	\$ -	\$ -	\$ -	\$ 2,012	\$ -
Expiry in 2021	54,104	-	-	54,517	-	-
Expiry in 2022	11,144	-	-	11,229	1,352	-
Expiry in 2023	31,323	-	-	31,561	113	-
Expiry in 2024	83,994	75,803	-	84,402	76,911	-
Expiry in 2025	-	81,070	-	-	81,061	-
Expiry in 2026	127,788	12,921	-	-	12,921	-
Expiry in 2027	-	24,434	-	92,707	24,434	-
Expiry in 2028	116,561	12,059	-	-	12,827	-
Expiry in 2029	-	33,154	-	-	33,154	-
Expiry in 2030	-	20,562	-	-	23,211	-
No expiration date	<u>-</u>	<u>-</u>	<u>355,397</u>	<u>-</u>	<u>-</u>	<u>298,563</u>
	<u>\$ 424,914</u>	<u>\$ 260,003</u>	<u>\$ 355,397</u>	<u>\$ 274,416</u>	<u>\$ 267,996</u>	<u>\$ 298,563</u>

d. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2021 comprised:

Unused Amount				
Applicable Tax Rate 25%	Applicable Tax Rate 20%	Applicable Tax Rate 16.5% and 30%	Total	Expiry Year
\$ 11,144	\$ -	\$ -	\$ 11,144	2022
37,559	-	-	37,559	2023
83,994	75,803	-	159,797	2024
-	81,070	-	81,070	2025
199,688	12,921	-	212,609	2026
-	24,434	-	24,434	2027
136,164	12,059	-	148,223	2028
-	33,154	-	33,154	2029
-	20,562	-	20,562	2030
-	-	468,534	468,534	No expiration date
<u>\$ 468,549</u>	<u>\$ 260,003</u>	<u>\$ 468,534</u>	<u>\$ 1,197,086</u>	

e. Income tax assessments

With respect to the income tax assessments of the Company and its subsidiaries, except for the Company which is not subject to income tax, the income tax returns of Comestibles Master Co., Ltd., Mei Wei Master Co., Ltd. and Mei Wei Fu Xing through 2019 have been assessed by the tax authorities in the ROC. The companies in other jurisdictions have been assessed based on their local tax laws.

25. EARNINGS PER SHARE

	For the Year Ended December 31	
	2021	2020
Basic earnings per share		
From continuing operations	<u>\$ 6.07</u>	<u>\$ 5.64</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2021	2020
Earnings used in the computation of basic earnings per share	<u>\$ 1,093,252</u>	<u>\$ 1,015,314</u>

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

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic and diluted earnings per share	<u>180,000</u>	<u>180,000</u>

26. GOVERNMENT GRANTS

The amounts of project subsidies and incentives received for the years ended December 31, 2021 and 2020 were \$30,456 thousand and \$47,158 thousand, respectively. The government grants were recognized in non-operating income and expenses - other income in the consolidated statements of comprehensive income. In addition, the Group has received compensation for removal \$16,601 thousands to compensate Sheng-Pin (Qingdao) Food Ltd. for losses incurred in connection with the government demolition and relocation policy. A total of \$11,505 thousands from the compensation were recognized in non-operating income and expenses - other income in the consolidated statements of comprehensive income, while a total of 5,096 thousands from the suspension of production compensation is included as a reduction under the operating expenses.

In January 2017, the Group received a government grant of \$19,574 thousand for its construction of a manufacturing plant. The amount was recognized as deferred revenue and subsequently transferred to profit or loss over the useful life of the related asset. This policy resulted in a credit to income of \$1,959 thousand and \$1,930 thousand for the years ended December 31, 2021 and 2020, respectively.

The amounts of government grants were \$185,276 thousand for the Group's subsidiaries in USA for the years ended December 31, 2021. Related explanations are stated in Note 17.

27. NON-CASH TRANSACTIONS

For the years ended December 31, 2020, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

The Group acquired property, plant and equipment with an aggregate fair value of \$1,776,354 thousand, with a cash payment of \$1,369,863 thousand, an offset of prepayments for equipment of \$32,030 thousand reduced from prepaid equipment, an offset of prepayments for plant of \$334,815 thousand reduced from prepaid plant, and \$39,646 thousand was increase from payables for equipment for the year ended December 31, 2020 (refer to Note 14).

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 shareholders through the optimization of the debt and equity balance.

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

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

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

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 to approximate their fair values.

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Listed shares and emerging market shares	\$ 212,718	\$ -	\$ -	\$ 212,718
Mutual funds	10,221	-	-	10,221
Other	<u>-</u>	<u>-</u>	<u>997</u>	<u>997</u>
	<u>\$ 222,939</u>	<u>\$ -</u>	<u>\$ 997</u>	<u>\$ 223,936</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Listed shares and emerging market shares	\$ 161,370	\$ -	\$ -	\$ 161,370
Mutual funds	10,196	-	-	10,196
Other	<u>-</u>	<u>-</u>	<u>1,028</u>	<u>1,028</u>
	<u>\$ 171,566</u>	<u>\$ -</u>	<u>\$ 1,028</u>	<u>\$ 172,594</u>

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

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

For the year ended December 31, 2021

	Debt Instruments
Balance at January 1, 2021	\$ 1,028
Recognized in profit or loss (other income)	-
Repayments/settlements	-
Effect of foreign currency exchange differences	<u>(31)</u>
Balance at December 31, 2021	<u>\$ 997</u>

For the year ended December 31, 2020

	Debt Instruments
Balance at January 1, 2020	\$ 468,077
Recognized in profit or loss (other income)	5,342
Repayments/settlements	(474,231)
Effect of foreign currency exchange differences	<u>1,840</u>
Balance at December 31, 2020	<u>\$ 1,028</u>

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	\$ 223,936	\$ 172,594
Financial assets at amortized cost (Note 1)	7,422,277	7,868,593

Financial liabilities

Amortized cost (Note 2)	2,578,018	3,300,708
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Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade receivables and other receivables.

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

d. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

The Group has foreign currency denominated deposits and loans, which exposes the Group to foreign currency risk. There has been no change to the Group's exposure to market risk in relation to financial instruments or the manner in which these risks are managed and measured.

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 34.

Sensitivity analysis

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

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

	U.S. Dollar Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss	\$ <u>401</u>	\$ <u>494</u>

* This was mainly attributable to the exposure on outstanding U.S. dollar denominated bank deposits 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	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ 4,988,238	\$ 5,899,117
Cash flow interest rate risk		
Financial assets	997	1,028
Financial liabilities	204,179	859,903

Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would increase/decrease by \$(2,032) thousand and \$(8,589) thousand, respectively, which would be mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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

2) Credit risk

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

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

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group had available unutilized bank loan facilities set out below.

	December 31	
	2021	2020
Unsecured bank loan facilities:		
Amount used	\$ -	\$ -
Amount unused	<u>530,000</u>	<u>230,000</u>
	<u>\$ 530,000</u>	<u>\$ 230,000</u>
Secured bank loan facilities:		
Amount used	\$ 204,179	\$ 670,686
Amount unused	<u>2,292,917</u>	<u>1,528,028</u>
	<u>\$ 2,497,096</u>	<u>\$ 2,198,714</u>

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. Name and relationship of related parties

<u>Related Party Name</u>	<u>Related Party Category</u>
The Hot Pot Food and Beverage Management Co., Ltd.	Associates
Xiang Tian (Shanghai) Food and Beverage Management Co., Ltd	Related parties
The Hot Pot (Shanghai) Food and Beverage Management Co., Ltd	Related parties
Infinity Emerging Markets Limited	Directors

b. Other transactions

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
		<u>2021</u>	<u>2020</u>
Rental income	Associates	\$ <u>698</u>	\$ <u>699</u>
Interest expense	Directors	\$ <u>3,753</u>	\$ <u>5,181</u>

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

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

<u>Line Item</u>	<u>Related Party Category</u>	<u>December 31</u>	
		<u>2021</u>	<u>2020</u>
Trade receivables	Associates	\$ -	\$ 40
	Related parties	<u>64</u>	<u>2</u>
		\$ <u>64</u>	\$ <u>42</u>
Other receivables	Associates	\$ 772	\$ 586
	Related parties	638	805
	Directors	<u>198</u>	<u>-</u>
		\$ <u>1,608</u>	\$ <u>1,391</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for trade receivables from related parties.

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

<u>Line Item</u>	<u>Related Party Category</u>	<u>December 31</u>	
		<u>2021</u>	<u>2020</u>
Other payables	Directors	\$ <u>-</u>	\$ <u>2,274</u>

The outstanding other payables from related parties are unsecured.

e. Loans from related parties

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Directors		
Infinity Emerging Markets Limited	\$ <u> -</u>	\$ <u>148,509</u>

The Group obtained unsecured loans from related parties at rates is 3.75%.

The loans from the director were unsecured.

f. Other transactions with related parties

The Group performed technical services for associates and related parties. For the years ended December 31, 2021 and 2020, income from technical services amounted to \$706 thousand and \$1,234 thousand, respectively.

g. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term benefits	\$ <u>20,239</u>	\$ <u>22,705</u>

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral to banks for bank borrowings:

	December 31	
	2021	2020
Property, plant and equipment		
Land	\$ 293,761	\$ 293,761
Buildings	11,533	13,173
Financial assets at amortized cost - current	82,484	73,472
Investment properties	<u>59,124</u>	<u>60,058</u>
	\$ <u>446,902</u>	\$ <u>440,464</u>

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, 2021 and 2020 were as follows:

a. Significant commitments

Unrecognized commitments were as follows:

	December 31	
	2021	2020
Acquisition of property, plant and equipment	<u>\$ 128,766</u>	<u>\$ 347,328</u>

b. Contingencies

The Group's subsidiary in Australia was imposed penalties for violating the Australian labor related regulations. Based on legal advice, as of the date of issue of the consolidated financial statements, the litigation procedures are still ongoing, and the penalty amount which was estimated as AUD 1,900 thousand by the attorney had been recognized as compensation losses and accounted for under other gains and losses.

33. OTHER ITEMS

Due to the impact of the COVID-19 pandemic, resulting in decline in operating revenue. In response to the pandemic, the Group takes the following actions, Operating strategies: Quality over quantity for plans to expand stores in each region, with a view to adjust according to the pandemic development. Financing strategy: The company maintains lines of credit with partnering banks. The recent financial statement shows that most financial ratios have remained stable throughout the cause of the pandemic.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 337	6.3757 (USD:RMB)	\$ 9,347
USD	1,109	27.6960 (USD:NTD)	30,709
HKD	6,156	0.8170 (HKD:RMB)	21,846
AUD	5,120	4.6225 (AUD:RMB)	102,803
AUD	5,519	20.0800 (AUD:NTD)	110,813
<u>Financial liabilities</u>			
Monetary items			
NTD	138,614	0.0498 (NTD:AUD)	138,614
NTD	128,807	0.0361 (NTD:USD)	128,807
NTD	30,000	0.2302 (NTD: RMB)	30,000

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 560	6.5249 (USD:RMB)	\$ 15,991
USD	1,171	28.5595 (USD:NTD)	33,457
AUD	2,470	5.0149 (AUD:RMB)	54,217
<u>Financial liabilities</u>			
Monetary items			
NTD	131,877	0.0456 (NTD:AUD)	131,877
NTD	26,712	0.0350 (NTD:USD)	26,712
NTD	125,068	0.2285 (NTD: RMB)	125,068

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange losses were \$22,100 thousand and \$6,322 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (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 the investee, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and the limit on the amount of investment in the mainland China area (Table 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

36. SEGMENT INFORMATION

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

a. Revenue from major products and services

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

	For the Year Ended December 31	
	2021	2020
Beverages	\$ 5,374,797	\$ 5,697,185
Cakes	7,058,861	6,606,574
Bread	7,284,257	7,235,253
Others	<u>143,218</u>	<u>140,443</u>
	<u>\$ 19,861,133</u>	<u>\$ 19,679,455</u>

b. Geographical information

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

	Revenue from External Customers	
	For the Year Ended December 31	
	2021	2020
China	\$ 11,549,477	\$ 11,984,680
Taiwan	3,200,368	3,443,039
United States	4,887,976	3,982,411
Others	<u>223,312</u>	<u>269,325</u>
	<u>\$ 19,861,133</u>	<u>\$ 19,679,455</u>

c. Significant customer information

The Group has no customer who contributes over 10% to the Group's total revenue for the years ended December 31, 2021 and 2020.

TABLE 1

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Foreign Currencies in Thousands)	Ending Balance (Foreign Currencies in Thousands)	Actual Amount Borrowed (Foreign Currencies in Thousands)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Shanghai Gourmet Master Food & Beverage Ltd.	Chengdu 85 Food & Beverage Ltd.	Other receivables - related parties	Yes	\$ 43,440 (RMB 10,000)	\$ - (RMB -)	\$ - (RMB -)	2.00	For short-term financing	\$ -	Working capital loan	\$ -	-	\$ -	\$ 564,461	\$ 846,692	Note 1,a
		Chengdu 85 Food & Beverage Ltd.	Other receivables - related parties	Yes	43,440 (RMB 10,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	564,461	846,692	Note 1,a
		Chengdu 85 Food & Beverage Ltd.	Other receivables - related parties	Yes	86,880 (RMB 20,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	564,461	846,692	Note 1,a
		Chengdu 85 Food & Beverage Ltd.	Other receivables - related parties	Yes	86,880 (RMB 20,000)	86,880 (RMB 20,000)	86,880 (RMB 20,000)	2.00	For short-term financing	-	Working capital loan	-	-	-	564,461	846,692	Note 1,a
		Sheng-Pin (Dongguan) Food Ltd.	Other receivables - related parties	Yes	86,880 (RMB 20,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	564,461	846,692	Note 1,a
		Sheng-Pin (Dongguan) Food Ltd.	Other receivables - related parties	Yes	86,880 (RMB 20,000)	86,880 (RMB 20,000)	65,160 (RMB 15,000)	2.00	For short-term financing	-	Working capital loan	-	-	-	564,461	846,692	Note 1,a
		85 Degrees (Jiangsu) Food Ltd.	Other receivables - related parties	Yes	86,880 (RMB 20,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	564,461	846,692	Note 1,a
		85 Degrees (Jiangsu) Food Ltd.	Other receivables - related parties	Yes	86,880 (RMB 20,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	564,461	846,692	Note 1,a
		Sheng-Pin (Xiamen) Food Ltd.	Other receivables - related parties	Yes	65,160 (RMB 15,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	564,461	846,692	Note 1,a
		Sheng-Pin (Xiamen) Food Ltd.	Other receivables - related parties	Yes	43,440 (RMB 10,000)	43,440 (RMB 10,000)	43,440 (RMB 10,000)	2.00	For short-term financing	-	Working capital loan	-	-	-	564,461	846,692	Note 1,a
		Beijing 85 Food & Beverage Ltd.	Other receivables - related parties	Yes	30,408 (RMB 7,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	564,461	846,692	Note 1,a
2	He-Shia Food & Beverage Ltd.	Guangzhou 85 Degree Food & Beverage Management Ltd.	Other receivables - related parties	Yes	21,720 (RMB 5,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	212,185	318,278	Note 1,b
		Guangzhou 85 Degree Food & Beverage Management Ltd.	Other receivables - related parties	Yes	21,720 (RMB 5,000)	21,720 (RMB 5,000)	21,720 (RMB 5,000)	2.00	For short-term financing	-	Working capital loan	-	-	-	212,185	318,278	Note 1,b
		Wuhan Jing Way Food & Beverage Ltd.	Other receivables - related parties	Yes	30,408 (RMB 7,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	212,185	318,278	Note 1,b
		Wuhan Jing Way Food & Beverage Ltd.	Other receivables - related parties	Yes	30,408 (RMB 7,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	212,185	318,278	Note 1,b
3	Jin Wei Industrial (Shanghai) Ltd.	He-Shia Food & Beverage Ltd.	Other receivables - related parties	Yes	108,600 (RMB 25,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	214,964	322,445	Note 1,c
		He-Shia Food & Beverage Ltd.	Other receivables - related parties	Yes	65,160 (RMB 15,000)	65,160 (RMB 15,000)	65,160 (RMB 15,000)	2.00	For short-term financing	-	Working capital loan	-	-	-	214,964	322,445	Note 1,c
		He-Shia (Nanjing) Food & Beverage Ltd.	Other receivables - related parties	Yes	86,880 (RMB 20,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	214,964	322,445	Note 1,c
		He-Shia (Nanjing) Food & Beverage Ltd.	Other receivables - related parties	Yes	86,880 (RMB 20,000)	86,880 (RMB 20,000)	86,880 (RMB 20,000)	2.00	For short-term financing	-	Working capital loan	-	-	-	214,964	322,445	Note 1,c
		85 Degree (Qingdao) Food & Beverage Management Ltd.	Other receivables - related parties	Yes	34,752 (RMB 8,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	214,964	322,445	Note 1,c
		85 Degree (Qingdao) Food & Beverage Management Ltd.	Other receivables - related parties	Yes	34,752 (RMB 8,000)	34,752 (RMB 8,000)	34,752 (RMB 8,000)	2.00	For short-term financing	-	Working capital loan	-	-	-	214,964	322,445	Note 1,c
		Shanghai Minghang JinXia Food & Beverage Ltd.	Other receivables - related parties	Yes	13,032 (RMB 3,000)	- (RMB -)	- (RMB -)	2.00	For short-term financing	-	Working capital loan	-	-	-	214,964	322,445	Note 1,c
		Shanghai Minghang JinXia Food & Beverage Ltd.	Other receivables - related parties	Yes	13,032 (RMB 3,000)	13,032 (RMB 3,000)	13,032 (RMB 3,000)	2.00	For short-term financing	-	Working capital loan	-	-	-	214,964	322,445	Note 1,c
4	Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Other receivables - related parties	Yes	50,000	-	-	0.65	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d
		Mei Wei Master Co., Ltd.	Other receivables - related parties	Yes	50,000	-	-	0.69	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d
		Mei Wei Master Co., Ltd.	Other receivables - related parties	Yes	50,000	50,000	50,000	0.65	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d
		Mei Wei Master Co., Ltd.	Other receivables - related parties	Yes	50,000	-	-	0.65	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d
		Mei Wei Master Co., Ltd.	Other receivables - related parties	Yes	50,000	50,000	50,000	0.65	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d
		Mei Wei Master Co., Ltd.	Other receivables - related parties	Yes	50,000	50,000	40,000	0.65	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d
		Mei Wei Fu Xing Ltd.	Other receivables - related parties	Yes	2,000	2,000	2,000	0.65	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Foreign Currencies in Thousands)	Ending Balance (Foreign Currencies in Thousands)	Actual Amount Borrowed (Foreign Currencies in Thousands)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
		Gourmet Master Co. Ltd.	Other receivables - related parties	Yes	\$ 200,000	\$ 35,000	\$ 30,000	0.65	For short-term financing	\$ -	Working capital loan	\$ -	-	\$ -	\$ 1,039,781	\$ 1,039,781	Note 1,d
		Gourmet Master Co. Ltd.	Other receivables - related parties	Yes	200,000	-	-	0.65	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d
		85 Degree Co., Ltd.	Other receivables - related parties	Yes	10,000	10,000	7,000	0.65	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d
		85 Degree Co., Ltd.	Other receivables - related parties	Yes	10,000	-	-	0.65	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d
		85 Degree Co., Ltd.	Other receivables - related parties	Yes	5,000	5,000	4,000	0.65	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d
		85 Degree Co., Ltd.	Other receivables - related parties	Yes	5,000	-	-	0.69	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d
		85 Degrees Coffee Australia Pty. Ltd.	Other receivables - related parties	Yes	111,487 (AUD 5,552)	111,487 (AUD 5,552)	\$ 110,799 (AUD 5,518)	4.00	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d
		85 Degrees Coffee Australia Pty. Ltd.	Other receivables - related parties	Yes	116,457 (AUD 5,800)	- (AUD -)	- (AUD -)	4.00	For short-term financing	-	Working capital loan	-	-	-	1,039,781	1,039,781	Note 1,d
5	Perfect 85 Degrees C, Inc.	WinUS 85C LLC	Other receivables - related parties	Yes	85,746 (US\$ 3,100)	85,746 (US\$ 3,100)	78,888 (US\$ 2,852)	3.75	For short-term financing	-	Working capital loan	-	-	-	739,997	739,997	Note 1,e
6	WinPin 85 Investments, LLC	WinStar 85C, LLC	Other receivables - related parties	Yes	16,596 (US\$ 600)	16,596 (US\$ 600)	- (US\$ -)	3.75	For short-term financing	-	Working capital loan	-	-	-	456,084	456,084	Note 1,f
		WinWin 85C, LLC	Other receivables - related parties	Yes	143,832 (US\$ 5,200)	143,832 (US\$ 5,200)	143,832 (US\$ 5,200)	2.75	For short-term financing	-	Working capital loan	-	-	-	456,084	456,084	Note 1,f
7	Prime Scope Trading Limited	85 Degrees Coffee Australia Pty. Ltd.	Other receivables - related parties	Yes	20,080 (HK\$ 1,000)	- (AUD -)	- (AUD -)	5.49	For short-term financing	-	Working capital loan	-	-	-	2,325,049	2,325,049	Note 1,g
		85 Degrees Coffee Australia Pty. Ltd.	Other receivables - related parties	Yes	20,080 (HK\$ 1,000)	- (AUD -)	- (AUD -)	4.00	For short-term financing	-	Working capital loan	-	-	-	2,325,049	2,325,049	Note 1,g
		85 Degrees Coffee Australia Pty. Ltd.	Other receivables - related parties	Yes	20,080 (HK\$ 1,000)	20,080 (HK\$ 1,000)	20,080 (HK\$ 1,000)	4.00	For short-term financing	-	Working capital loan	-	-	-	2,325,049	2,325,049	Note 1,g
		85 Degrees Coffee Australia Pty. Ltd.	Other receivables - related parties	Yes	20,080 (HK\$ 1,000)	20,080 (HK\$ 1,000)	20,080 (HK\$ 1,000)	4.00	For short-term financing	-	Working capital loan	-	-	-	2,325,049	2,325,049	Note 1,g
		85 Degrees Coffee Australia Pty. Ltd.	Other receivables - related parties	Yes	40,160 (AUD 2,000)	40,160 (AUD 2,000)	15,180 (AUD 756)	4.00	For short-term financing	-	Working capital loan	-	-	-	2,325,049	2,325,049	Note 1,g

Note 1: The aggregate financing limits and financing limits for each individual borrower with short-term financing needs are calculated as follows:

a. The aggregate financing limit shall not exceed \$1,411,153 (in thousands) x 60% = \$846,692 (in thousands) of the net worth of Shanghai Gourmet Master Food & Beverage Ltd. The financing limit for each individual borrower shall not exceed \$1,411,153(in thousands) x 40% = \$564,461(in thousands) of the net worth of Shanghai Gourmet Master Food & Beverage Ltd. (net worth based on the financing company's latest audited financial statements)

b. The aggregate financing limit shall not exceed \$530,463 (in thousands) x 60% = \$318,278 (in thousands) of the net worth of He-Shia Food & Beverage Ltd. The financing limit for each individual borrower shall not exceed \$530,463 (in thousands) x 40% = \$212,185 (in thousands) of the net worth of He-Shia Food & Beverage Ltd. (net worth based on the financing company's latest audited financial statements)

c. The aggregate financing limit shall not exceed \$537,409 (in thousands) x 60% = \$322,445 (in thousands) of the net worth of Jin Wei Industrial (Shanghai) Ltd. The financing limit for each individual borrower shall not exceed \$537,409 (in thousands) x 40% = \$214,964 (in thousands) of the net worth of Jin Wei Industrial (Shanghai) Ltd. (net worth based on the financing company's latest audited financial statements)

d. The aggregate financing limit shall not exceed \$2,599,452 (in thousands) x 40% = \$1,039,781 (in thousands) of the net worth of Comestibles Master Co., Ltd. The financing limit for each individual borrower shall not exceed \$2,599,452 (in thousands) x 40% = \$1,039,781 (in thousands) of the net worth of Comestibles Master Co., Ltd. (net worth based on the financing company's latest audited financial statements)

e. The aggregate financing limit shall not exceed \$1,849,992 (in thousands) x 40% = \$739,997 (in thousands) of the net worth of Perfect 85 Degrees C, Inc. The financing limit for each individual borrower shall not exceed \$1,849,992 (in thousands) x 40% = \$739,997 (in thousands) of the net worth of Perfect 85 Degrees C, Inc. (net worth based on the financing company's latest audited financial statements)

f. The aggregate financing limit shall not exceed \$1,140,209 (in thousands) x 40% = \$456,084 (in thousands) of the net worth of WinPin 85 Investments, LLC. The financing limit for each individual borrower shall not exceed \$1,140,209 (in thousands) x 40% = \$456,084 (in thousands) of the net worth of WinPin 85 Investments, LLC (net worth based on the financing company's latest audited financial statements)

g. The aggregate financing limit shall not exceed \$5,812,623 (in thousands) x 40% = \$2,325,049 (in thousands) of the net worth of Prime Scope Trading Limited. The financing limit for each individual borrower shall not exceed \$5,812,623 (in thousands) x 40% = \$2,325,049 (in thousands) of the net worth of Prime Scope Trading Limited (net worth based on the financing company's latest audited financial statements)

Note 2: The above transactions have been eliminated in these consolidated financial statements.

(Concluded)

TABLE 2

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(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 (US\$ in Thousand)	Outstanding Endorsement/ Guarantee at the End of the Period (US\$ in Thousand)	Actual Amount Borrowed (US\$ in Thousand)	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)											
1	Comestibles Master Co., Ltd.	Gourmet Master Co. Ltd.	d	\$ 519,890	\$ 82,980 (US\$ 3,000)	\$ - (US\$ -)	\$ - (US\$ -)	\$ -	-	\$ 1,299,726	N	Y	N	
		Gourmet Master Co. Ltd.	d	519,890	110,640 (US\$ 4,000)	- (US\$ -)	- (US\$ -)	-	-	1,299,726	N	Y	N	
		Gourmet Master Co. Ltd.	d	519,890	124,470 (US\$ 4,500)	- (US\$ -)	- (US\$ -)	-	-	1,299,726	N	Y	N	
		Gourmet Master Co. Ltd.	d	519,890	110,640 (US\$ 4,000)	110,640 (US\$ 4,000)	- (US\$ -)	156,766	4.26	1,299,726	N	Y	N	
		Gourmet Master Co. Ltd.	d	519,890	124,470 (US\$ 4,500)	124,470 (US\$ 4,500)	- (US\$ -)	207,652	4.79	1,299,726	N	Y	N	
		The Hot Pot Food and Beverage Management Co., Ltd.	a	519,890	400,000	-	-	-	-	1,299,726	N	N	N	
		85 Degrees Coffee Australia Pty. Ltd.	c	519,890	6,024 (AUD 300)	6,024 (AUD 300)	6,024 (AUD 300)	-	0.23	1,299,726	N	N	N	
		85 Degrees Coffee Australia Pty. Ltd.	c	519,890	6,024 (AUD 300)	- (AUD -)	- (AUD -)	-	-	1,299,726	N	N	N	
		Perfect 85 Degrees C, Inc.	c	519,890	193,620 (US\$ 7,000)	- (US\$ -)	- (US\$ -)	-	-	1,299,726	N	N	N	
		Perfect 85 Degrees C, Inc.	c	519,890	110,640 (US\$ 4,000)	110,640 (US\$ 4,000)	- (US\$ -)	-	4.26	1,299,726	N	N	N	
		Perfect 85 Degrees C, Inc.	c	519,890	190,854 (US\$ 6,900)	190,854 (US\$ 6,900)	- (US\$ -)	-	7.34 -	1,299,726	N	N	N	
2	Prime Scope Trading Limited	Comestibles Master Co., Ltd.	c	1,162,525	165,960 (US\$ 6,000)	- (US\$ -)	- (US\$ -)	-	-	2,906,312	N	N	N	
		Comestibles Master Co., Ltd.	c	1,162,525	165,960 (US\$ 6,000)	165,960 (US\$ 6,000)	- (US\$ -)	-	2.86	2,906,312	N	N	N	
		Comestibles Master Co., Ltd.	c	1,162,525	600,000	600,000	90,510	-	10.32	2,906,312	N	N	N	
		Comestibles Master Co., Ltd.	c	1,162,525	331,920 (US\$ 12,000)	- (US\$ -)	- (US\$ -)	-	-	2,906,312	N	N	N	
		Comestibles Master Co., Ltd.	c	1,162,525	414,900 (US\$ 15,000)	414,900 (US\$ 15,000)	47,645 (US\$ 1,723)	-	7.14	2,906,312	N	N	N	
		Comestibles Master Co., Ltd.	c	1,162,525	414,900 (US\$ 15,000)	- (US\$ -)	- (US\$ -)	-	-	2,906,312	N	N	N	
		Comestibles Master Co., Ltd.	c	1,162,525	414,900 (US\$ 15,000)	- (US\$ -)	- (US\$ -)	-	-	2,906,312	N	N	N	
		Perfect 85 Degrees C, Inc.	c	1,162,525	276,600 (US\$ 10,000)	276,600 (US\$ 10,000)	- (US\$ -)	-	4.76	2,906,312	N	N	N	
		Perfect 85 Degrees C, Inc.	c	1,162,525	497,880 (US\$ 18,000)	- (US\$ -)	- (US\$ -)	-	-	2,906,312	N	N	N	
		Perfect 85 Degrees C, Inc.	c	1,162,525	414,900 (US\$ 15,000)	- (US\$ -)	- (US\$ -)	-	-	2,906,312	N	N	N	

(Continued)

Note 1: Numbers in the No. column are represented as follows:

- a. Number 0 represents the issuer.
- b. Number 1 (onwards) represents the investee.

Note 2: Relationships between the endorser and endorsee are represented as follows:

- a. The endorser and endorsee have business dealings with each other.
- b. The endorser directly or indirectly owns over 50% of the endorsee’s voting shares.
- c. The endorsee directly or indirectly owns over 50% of the endorser’s voting shares.
- d. The endorser and its group of companies have a combined shareholding percentage of at least 90% of the endorsee’s voting shares, either directly or indirectly.
- e. The endorser and endorsee are in the same industry or are joint builders in the construction projects and provide mutual endorsements to each other based on the contractual provisions.
- f. All the capital contributing shareholders of the endorser provides endorsements to the endorsee in proportion to their shareholding percentages.
- g. The endorser and endorsee are in the same industry and provide joint endorsements for each other for the performance guarantee of the sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 3: The endorsement/guarantee limit is calculated as follows:

- a. The total amount of guarantee shall not exceed 50% of the net worth of Comestibles Master Co., Ltd.: $\$2,559,452 \times 50\% = \$1,299,726$ (in thousands).
- b. The total amount of guarantee provided to any individual entity shall not exceed 20% of the net worth of Comestibles Master Co., Ltd.: $\$2,599,452 \times 20\% = \$519,890$ (in thousands).
- c. The total amount of guarantee shall not exceed 50% of the net worth of Prime Scope Trading Limited: $\$5,812,623 \times 50\% = \$2,906,312$ (in thousands).
- d. The total amount of guarantee provided to any individual entity shall not exceed 20% of the net worth of Prime Scope Trading Limited: $\$5,812,623 \times 20\% = \$1,162,525$ (in thousands).

(Concluded)

TABLE 3

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(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, 2021				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Price	
Comestibles Master Co., Ltd.	<u>Bank debentures</u> China Development Bank	-	Financial assets at amortized cost - non-current	-	\$ 27,685	-	\$ 27,685	
	<u>Shares</u> Tehmag Foods Corporation	-	Financial assets at fair value through profit or loss - current	726	212,718	1.96	212,718	
	<u>Fund</u> Taishin 1699 Money Market	-	Financial assets at fair value through profit or loss - current	-	10,221	-	10,221	
Prime Scope Trading Limited and subsidiaries	<u>Guaranteed products</u> Negotiable certificates of deposit for 3 years	-	Financial assets at amortized cost - current	-	43,440	-	43,440	

TABLE 4

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Seller	Related Party	Relationship	Transaction Detail				Abnormal Transaction	Notes/Accounts Payable or Receivable				Note
			Purchases/ Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Term	Account	Ending Balance	% of Total	
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd. Perfect 85 Degrees C, Inc.	Subsidiary	Sales	\$ 204,360	6	25 days	Based on the Group’s transfer pricing policy	-	Trade receivables	\$ 39,294	15	Note
		Affiliated company	Sales	209,094	6	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	-	-	Note
Jin Wei Industrial (Shanghai) Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	Affiliated company	Sales	571,235	11	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	80,203	17	Note
	He-Shia Food & Beverage Ltd.	Affiliated company	Sales	787,513	15	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	88,160	18	Note
	He-Shia (Nanjing) Food & Beverage Ltd.	Affiliated company	Sales	1,108,103	21	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	110,154	23	Note
	Beijing 85 Food & Beverage Ltd.	Affiliated company	Sales	241,690	5	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	21,865	5	Note
	Chengdu 85 Food & Beverage Ltd.	Affiliated company	Sales	155,150	3	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	10,789	2	Note
	Shenzhen 85 Food & Beverage Ltd.	Affiliated company	Sales	445,040	8	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	42,759	9	Note
	Zhejiang 85 Food & Beverage Ltd.	Affiliated company	Sales	320,373	6	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	32,505	7	Note
	Fuzhou 85 Food & Beverage Ltd.	Affiliated company	Sales	447,322	8	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	44,506	9	Note
	Wuhan Jing Way Food & Beverage Ltd.	Affiliated company	Sales	111,074	2	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	2,506	1	Note
	85 Degree (Qingdao) Food & Beverage Management Ltd.	Affiliated company	Sales	116,943	2	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	11,236	2	Note
85 Degrees (Jiangsu) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	1,633,437	93	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	168,027	93	Note
Xia He Wei (Xiamen) Trading Limited	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	Sales	347,834	91	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	35,576	91	Note
Sheng-Pin (Hangzhou) Food Ltd.	Xia He Wei (Xiamen) Trading Limited	Affiliated company	Sales	151,828	60	60 days	Based on the Group’s transfer pricing policy	-	Trade receivables	14,834	59	Note
Sheng-Pin (Dongguan) Food Ltd.	WinPin 85 Investments, LLC	Subsidiary	Sales	1,845,554	93	30 days	Based on the Group’s transfer pricing policy	-	Trade receivables	-	-	Note
Sheng-Pin (Xiamen) Food Ltd.	Golden 85 Investments, LLC	Subsidiary	Sales	127,937	6	30 days	Based on the Group’s transfer pricing policy	-	Trade receivables	-	-	Note
Perfect 85 Degrees C, Inc.	WinPin 85 Investments, LLC	Subsidiary	Sales	127,937	6	30 days	Based on the Group’s transfer pricing policy	-	Trade receivables	-	-	Note

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

TABLE 5

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Subsidiary	\$ 140,000	(Note)	\$ -	-	\$ -	\$ -
He-Shia Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	Affiliated company	142,323	(Note)	-	-	-	-
He-Shia (Nanjing) Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	Affiliated company	179,415	(Note)	-	-	-	-
Xiamen 85 Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	Affiliated company	119,782	(Note)	-	-	-	-
Jin Wei Industrial (Shanghai) Ltd.	He-Shia (Nanjing) Food & Beverage Ltd.	Affiliated company	110,154	9.65	-	-	-	-
85 Degrees (Jiangsu) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	Affiliated company	168,027	9.34	-	-	-	-
WinPin 85 Investments, LLC	WinWin 85C, LLC	Affiliated company	143,832	(Note)	-	-	-	-
Comestibles Master Co., Ltd.	85 Degrees Coffee Australia Pty. Ltd.	Affiliated company	110,799	(Note)	-	-	-	-

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

TABLE 6**GOURMET MASTER CO. LTD. AND SUBSIDIARIES**
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
1	Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	c	Other receivables	\$ 140,000	Financing provided, annual interest rate 0.65%	1
		Mei Wei Master Co., Ltd.	c	Purchases	204,360	25 days	1
		85 Degrees Coffee Australia Pty. Ltd.	c	Other receivables	110,799	Financing provided, annual interest rate 4%	1
		Perfect 85 Degrees C, Inc.	c	Purchases	209,094	60 days	1
2	He-Shia Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	143,323	60 days	1
3	He-Shia (Nanjing) Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	179,415	60 days	1
4	Xiamen 85 Food & Beverage Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	c	Other receivables	119,782	60 days	1
5	Jin Wei Industrial (Shanghai) Ltd.	Shanghai Gourmet Master Food & Beverage Ltd.	c	Purchases	571,235	60 days	3
		He-Shia Food & Beverage Ltd.	c	Purchases	787,513	60 days	4
		He-Shia (Nanjing) Food & Beverage Ltd.	c	Trade payables	110,154	60 days	1
		He-Shia (Nanjing) Food & Beverage Ltd.	c	Purchases	1,108,103	60 days	6
		Beijing 85 Food & Beverage Ltd.	c	Purchases	241,690	60 days	1
		Shenzhen 85 Food & Beverage Ltd.	c	Purchases	445,040	60 days	2
		Zhejiang 85 Food & Beverage Ltd.	c	Purchases	320,373	60 days	2
		Fuzhou 85 Food & Beverage Ltd.	c	Purchases	447,322	60 days	2
		Chengdu 85 Food & Beverage Ltd.	c	Purchases	155,150	60 days	1
		Kunshan 85 Food & Beverage Ltd.	c	Purchases	115,100	60 days	1
		Wuhan Jing Way Food & Beverage Ltd.	c	Purchases	111,074	60 days	1
		85 Degree (Qingdao) Food & Beverage Management Ltd.	c	Purchases	116,943	60 days	1
6	85 Degrees (Jiangsu) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Trade payables	168,027	60 days	1
		Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	1,633,437	60 days	8
7	Xia He Wei (Xiamen) Trading Limited	Xiamen 85 Food & Beverage Ltd.	c	Purchases	673,886	60 days	3
8	Sheng-Pin (Xiamen) Food Ltd.	Xia He Wei (Xiamen) Trading Limited	c	Purchases	151,828	60 days	1
9	Sheng-Pin (Hangzhou) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	347,834	60 days	2
10	Sheng-Pin (Dongguan) Food Ltd.	Jin Wei Industrial (Shanghai) Ltd.	c	Purchases	171,876	60 days	1

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
11	WinPin 85 Investments, LLC	WinWin 85C LLC	c	Other receivables	\$ 143,832	Financing provided, annual interest rate 2.75%	1
12	Perfect 85 Degrees C, Inc.	WinPin 85 Investments, LLC	c	Purchases	1,845,554	30 days	9
		WinPin 85 Investments, LLC	c	Selling and marketing expenses - others	224,460	-	1
		Golden 85 Investments, LLC	c	Purchases	127,937	30 days	1

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

- a. Number 0 represents the parent company.
- b. Number 1 to 21 represents subsidiaries.

Note 2: The flow of transactions between the counterparties of the transactions are represented as follows:

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

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

(Concluded)

TABLE 7

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
Gourmet Master Co. Ltd.	85 Degree Co., Ltd.	Malaysia	Investment	\$ 553,447	\$ 553,447	12,899,078	100	\$ 2,601,590	\$ 365,231	\$ 365,231	Note 1
	Prime Scope Trading Limited	Hong Kong	Investment & retail sale of groceries and beverages	1,294,596 (US\$ 46,743)	1,334,955 (US\$ 46,743)	46,742,963	100	5,812,623	252,580	252,580	
	Perfect 85 Degrees C, Inc.	USA	Manufacturing and sale of baked goods	209,188 (US\$ 7,553)	215,698 (US\$ 7,553)	5,301,000	100	1,849,992	509,889	509,889	Note 1
	85 Degrees Café International Pty. Ltd.	Australia	Investment	35,843 (AUD 1,785)	39,181 (AUD 1,785)	1,785,000	51	(116,865)	(78,701)	(40,138)	Notes 1 and 2
	Lucky Bakery Limited	Samoa	Investment	103,555 (US\$ 3,739)	106,773 (US\$ 3,739)	811,000	100	39,992	7,606	7,606	Notes 1 and 2
	WinWin 85C Holding Co., Ltd.	Cayman Islands	Investment	59,823 (US\$ 2,160)	60,261 (US\$ 2,110)	2,160,000	100	50,921	7,159	7,159	Notes 1 and 2
WinWin 85C Holding Co., Ltd.	WinWin 85C LLC	USA	Investment	36,005 (US\$ 1,300)	37,127 (US\$ 1,300)	-	100	38,853	3,409	3,409	Notes 1 and 2
	WinUS 85C LLC	USA	Investment	21,049 (US\$ 760)	21,705 (US\$ 760)	-	100	10,728	4,042	4,042	Notes 1 and 2
Prime Scope Trading Limited	Wincase Limited	Hong Kong	Retail sale of groceries and beverages	121,177 (HK\$ 34,144)	125,412 (HK\$ 34,144)	-	100	13,581	(39)	(39)	Notes 1 and 2
	Worldinn Limited	Hong Kong	Manufacturing and sale of baked goods	126,508 (HK\$ 35,646)	130,928 (HK\$ 35,646)	-	100	17,900	(1,934)	(1,934)	Notes 1 and 2
	Winstar 85C LLC	USA	Franchising	11,078 (US\$ 400)	11,424 (US\$ 400)	-	100	10,188	(688)	(688)	Notes 1 and 2
Perfect 85 Degrees C, Inc.	Golden 85 Investments, LLC	USA	Retail sale of groceries and beverages	54,589 (US\$ 1,971)	56,303 (US\$ 1,971)	-	65	39,735	54,842	35,647	Notes 1 and 2
	WinPin 85 Investments, LLC	USA	Retail sale of groceries and beverages	243,725 (US\$ 8,800)	251,323 (US\$ 8,800)	-	100	1,140,209	399,721	399,721	Note 1
85 Degrees Café International Pty. Ltd.	85 Degrees Coffee Australia Pty Ltd.	Australia	Retail sale of groceries and beverages	70,280 (AUD 3,500)	76,825 (AUD 3,500)	-	100	(230,158)	(78,702)	(78,702)	Notes 1 and 2
85 Degree Co., Ltd.	Comestibles Master Co., Ltd.	Taichung City, Taiwan (R.O.C.)	Manufacturing and sale of baked goods	493,447	493,447	35,908,727	100	2,599,452	365,501	365,501	
Comestibles Master Co., Ltd.	Mei Wei Master Co., Ltd.	Taichung City, Taiwan (R.O.C.)	Retail sale of groceries and beverages	98,349	98,349	3,155,893	100	(69,007)	200	200	Note 2
	The Hot Pot Food and Beverage Management Co., Ltd.	Taichung City, Taiwan (R.O.C.)	Restaurant	58,893	58,893	5,886,051	23	101,673	38,822	8,998	
Mei Wei Master Co., Ltd.	Mei Wei Fu Xing Ltd.	Taichung City, Taiwan (R.O.C.)	Retail sale of groceries and beverages	1,800	1,800	-	60	(898)	(1,256)	(754)	

Note 1: The exchange rate was US\$1=NT\$27.696; RMB1=NT\$4.344; AUD1=NT\$20.08; HK\$1=NT\$3.549 as of December 31, 2021.

Note 2: The carrying amount was based on the net assets of the investee whose financial statements were not audited as of December 31, 2021.

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

TABLE 8

GOURMET MASTER CO. LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
<u>Prime Scope Trading Limited</u>													
Shanghai Gourmet Master Food & Beverage Ltd.	Retail sale of groceries and beverages	\$ 221,291 (US\$ 7,990)	Direct investment	\$ -	\$ -	\$ -	\$ -	\$ 168,675	100.0	\$ 168,675	\$ 1,411,153	\$ -	Note 1
He-Shia Food & Beverage Ltd.	Retail sale of groceries and beverages	60,931 (US\$ 2,200)	Direct investment	-	-	-	-	11,880	100.0	11,880	530,463	-	Note 1
Sheng-Pin (Hangzhou) Food Ltd.	Manufacturing and sale of baked goods	55,392 (US\$ 2,000)	Direct investment	-	-	-	-	16,174	100.0	15,942	159,567	-	Notes 1 and 2
He-Shia (Nanjing) Food & Beverage Ltd.	Retail sale of groceries and beverages	55,392 (US\$ 2,000)	Direct investment	-	-	-	-	(26,455)	100.0	(26,455)	306,362	-	Note 1
Beijing 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	221,568 (US\$ 8,000)	Direct investment	-	-	-	-	(21,126)	25.0	(5,281)	31,365	-	Notes 1 and 2
Zhejiang 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	55,392 (US\$ 2,000)	Direct investment	-	-	-	-	2,927	100.0	2,927	95,155	-	Notes 1 and 2
Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baked goods	180,024 (US\$ 6,500)	Direct investment	-	-	-	-	(8,614)	61.5	(4,817)	99,468	-	Notes 1 and 2
Fuzhou 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	13,848 (US\$ 500)	Direct investment	-	-	-	-	(26,261)	100.0	(26,261)	170,050	-	Notes 1 and 2
Sheng-Pin (Jiangsu) Food Ltd.	Manufacturing and sale of baked goods	124,632 (US\$ 4,500)	Direct investment	-	-	-	-	731	100.0	731	122,070	-	Notes 1 and 2
Sheng-Pin (Xiamen) Food Ltd.	Manufacturing and sale of baked goods	55,392 (US\$ 2,000)	Direct investment	-	-	-	-	8,978	100.0	9,442	84,861	-	Notes 1 and 2
Sheng-Pin (Qingdao) Food Ltd.	Manufacturing and sale of baked goods	69,240 (US\$ 2,500)	Direct investment	-	-	-	-	12,808	100.0	13,432	81,086	-	Notes 1 and 2
Xiamen 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	27,696 (US\$ 1,000)	Direct investment	-	-	-	-	90,359	100.0	90,359	248,012	-	Notes 1 and 2
Sheng-Pin (Shenyang) Food Ltd.	Manufacturing and sale of baked goods	110,784 (US\$ 4,000)	Direct investment	-	-	-	-	(4,663)	100.0	(4,663)	75,785	-	Notes 1 and 2
85 Degree (Qingdao) Food & Beverage Management Ltd.	Retail sale of groceries and beverages	55,392 (US\$ 2,000)	Direct investment	-	-	-	-	(21,984)	100.0	(21,984)	27,533	-	Notes 1 and 2
85 Degrees (Jiangsu) Food Ltd.	Manufacturing and sale of baked goods	637,009 (US\$ 23,000)	Direct investment	-	-	-	-	45,641	25.0	11,014	228,850	-	Note 1
<u>Shanghai Gourmet Master Food & Beverage Ltd.</u>													
Shanghai Howco Jing Way Food & Beverage Ltd.	Retail sale of groceries and beverages	8,688 (RMB 2,000)	Direct investment	-	-	-	-	(687)	100.0	(687)	19,214	-	Notes 1 and 2
Shenzhen 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	58,049 (RMB 13,363)	Direct investment	-	-	-	-	(24,630)	85.0	(20,936)	134,727	-	Notes 1 and 2
Chengdu 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	115,507 (RMB 26,590)	Direct investment	-	-	-	-	(26,603)	100.0	(26,603)	(21,952)	-	Notes 1 and 2
Sheng-Pin (Wuhan) Food Ltd.	Manufacturing and sale of baked goods	69,504 (RMB 16,000)	Direct investment	-	-	-	-	(683)	100.0	(288)	38,722	-	Notes 1 and 2
Wuhan Jing Way Food & Beverage Ltd.	Retail sale of groceries and beverages	199,824 (RMB 46,000)	Direct investment	-	-	-	-	(2,027)	57.0	(1,146)	41,940	-	Notes 1 and 2

(Continued)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
Jin Wei Industrial (Shanghai) Ltd.	Grocery sale	\$ 8,688 (RMB 2,000)	Direct investment	\$ -	\$ -	\$ -	\$ -	\$ 180,628	100.0	\$ 181,087	\$ 529,903	\$ -	Note 1
Guangzhou 85 Degree Food & Beverage Management Ltd.	Retail sale of groceries and beverages	69,504 (RMB 16,000)	Direct investment	-	-	-	-	(13,634)	100.0	(13,634)	(8,674)	-	Notes 1 and 2
Mai-Jia (Chengdu) Food Ltd.	Manufacturing and sale of baked goods	107,514 (RMB 24,750)	Direct investment	-	-	-	-	(4,755)	100.0	(4,585)	91,269	-	Notes 1 and 2
85 Degrees (Jiangsu) Food Ltd.	Manufacturing and sale of baked goods	637,009 (US\$ 23,000)	Direct investment	-	-	-	-	45,641	75.0	32,633	765,073	-	Note 1
Jia Ding Jing Way Food & Beverage Ltd.	Retail sale of groceries and beverages	4,344 (RMB 1,000)	Direct investment	-	-	-	-	516	100.0	516	19,372	-	Notes 1 and 2
Kunshan 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	43,440 (RMB 10,000)	Direct investment	-	-	-	-	3,807	100.0	3,807	53,566	-	Notes 1 and 2
Sheng-Pin (Dongguan) Food Ltd.	Manufacturing and sale of baked goods	304,080 (RMB 70,000)	Direct investment	-	-	-	-	4,117	100.0	4,166	289,909	-	Notes 1 and 2
Shanghai Minhang Jinxia Food & Beverage Ltd.	Manufacturing and sale of baked goods	- (RMB -)	Direct investment	-	-	-	-	(704)	100.0	(704)	57	-	Notes 1 and 2
<u>85 Degree (Qingdao) Food & Beverage Management Ltd.</u>													
Qingdao Jie Wei Food & Beverage Management Ltd.	Retail sale of groceries and beverages	6,516 (RMB 1,500)	Direct investment	-	-	-	-	271	100.0	271	5,139	-	Notes 1 and 2
<u>He-Shia Food & Beverage Ltd.</u>													
Wuhan Jing Way Food & Beverage Ltd.	Retail sale of groceries and beverages	199,824 (RMB 46,000)	Direct investment	-	-	-	-	(2,027)	43.0	(881)	32,262	-	Notes 1 and 2
Beijing 85 Food & Beverage Ltd.	Retail sale of groceries and beverages	221,568 (US\$ 8,000)	Direct investment	-	-	-	-	(21,126)	75.0	(15,844)	94,095	-	Notes 1 and 2
Sheng-Pin (Beijing) Food Ltd.	Manufacturing and sale of baked goods	180,024 (US\$ 6,500)	Direct investment	-	-	-	-	(8,614)	38.5	(3,016)	62,269	-	Notes 1 and 2
<u>Jin Wei Industrial (Shanghai) Ltd.</u>													
Xia He Wei (XiaMen) Trading Limited.	Grocery sale	- (RMB -)	Direct investment	-	-	-	-	63,556	100.0	63,556	157,869	-	Notes 1 and 2

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
NA	NA	NA

Note 1: The exchange rate was US\$1=NT\$27.696, RMB1=NT\$4.344 as of December 31, 2021.

Note 2: The carrying amount was based on the net assets of the investee whose financial statements were not audited as of December 31, 2021.

(Concluded)

TABLE 9**GOURMET MASTER CO. LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Infinity Emerging Markets Limited	41,307,045	22.94
Wu Cheng-Hsueh	26,105,400	14.50
Henderson I Yield Growth Limited	14,910,723	8.28

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The Gourmet Master Co. Ltd. share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.