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Standard Foods Corporation

2012

Annual Report

April 26, 2013 printed

Standard Foods Corporation

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Overseas marketable securities exchange market:

Stock exchange: Euro MTF Market of Luxembourg Stock Exchange

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Table of Content

	Page
One. Letter to the Shareholders	1
Two. Introduction of the Company	4
I. Date of Incorporation.....	4
II. Development History.	4
Three. Corporate Governance Report	8
I. Organization of company.....	8
II. Directors, Supervisors, President, Vice President, Assistant V.P. and department heads	10
III. Business management.....	22
IV. CPA's fees.....	39
V. CPA's information	40
VI. The chairman, president and financial or accounting manager of the company who has worked for the independent auditor or related parties in the past year.....	41
VII. Information on shareholding transfer and pledge by Directors, Supervisors, Department Heads and Shareholders with over 10% shareholding in the most recent years and up to the printing of the annual report	42
VIII. The relation of the top ten shareholders	43
IX. The shareholding of the same invested company by the Company, the directors, the supervisors, the managers or another business that is controlled by the Company directly or indirectly	44
Four. Stock subscription	45
I. Capital and shares	45
II. Corporate bond	52
III. Preferred stock.....	52
IV. Issuance of global depository receipts.....	53
V. Employee stock option certificates	53
VI. Mergers and acquisitions.....	53
VII. Fund implementation plan.....	54
Five. Overview of Business operation	55
I. Principal activities.....	55
II. Market analysis and the conditions of sales and production	58
III. Status of employees over the past two years and up to the printing of the annual report	68
IV. Expenditure on environmental protection	69
V. Employee / Employer Relations.....	69

VI: Important commitments	75
Six. FINANCIAL INFORMATION	76
I. Condensed balance sheets, income statements, and the auditor's opinions over the last five years	76
II. Financial analysis in the past five years	80
III. Supervisor's report in the current year	85
IV. Company financial reports and consolidated financial reports of the current year	86
V. Financial difficulties of the company and related party in the current year and up to the printing of the annual report	161
Seven. REVIEW OF FINANCIAL POSITION, MANAGEMENT PERFORMANCE, AND RISK MANAGEMENT	162
I. Financial position	162
II. Management performance	163
III. Analysis of Cash Flows	164
IV. Impact of major capital expenditure on finance and business in the current year	165
V. Reasons and remedial plans for investment gain or loss occurred in the current year and the investment plan for the next year	166
VI. Risk Management in the most recent year and up to the printing of the annual report	166
VII. Other Important Matters	169
Eight. Special disclosures	170
I. Related parties	170
II. Private subscription of marketable security in the current year and up to the printing of the annual report	176
III. The stock shares of the Company held or disposed of by the subsidiary in the most recent years and up to the printing of the annual report	176
IV. Other disclosures	177

One. Letter to the Shareholders

Dear shareholders,

Due to the mix of slow-down international economy, shrinking local demands caused by low consumption and investment confidence under rising utility and gas prices, as well as change of food market landscape and fierce industrial competition, 2012 was a challenging year for us and our business revenue and profit inched down marginally. Nevertheless, we have the strong confidence to make the breakthrough to all the difficulties and challenges ahead and continue to deliver stable growth and profitability with the unremitting efforts from every member of the Company.

Our operation results for 2012, business plans for 2013, future development strategies, along with impacts from external competition, law environment, and overall business environment are as follows

I. Operation results of 2012

1. Revenue and profitability overview

Unit: NTD Thousand

	2012	%	2011	%	+/- %
Net sales	12,162,799	100	12,544,265	100	-3
Costs of sales	7,282,651	60	7,434,732	59	-2
Operation Margin	4,880,148	40	5,109,533	41	-4
Income before income tax	2,701,145	22	2,901,867	23	-7
Net income	2,238,062	18	2,458,358	20	-9

Total Company net sales in 2012 was NT\$ 12,160 million, a 3% (NT\$ 380 million) decrease compared with that in the last year. Cost of sales inflated higher during the year due to rising commodity prices. The net income closed at NT\$ 2,230 million, down by 9% or NT\$ 220 million, compared with last year owing to the shrinking margin and increasing operation expenses.

2. Research and development

To improve our competitiveness in the food industry, we have put into a total of NT\$ 66 million last year in research to refine our core products, development new lines, obtain health foods certificates, as well as, acquire necessary research facilities and human talent to meet the ever-changing customer demands and maintain Standard Foods' brand leadership in the market.

2. 2013 business plans and future development strategies

1. Operating guidelines

- (1) On-going studying the market trends and customer needs to strengthen the core technologies and product innovation for maintaining the brand leadership

in the industry.

- (2) Continue investment on technology research and the associated facilities to improve the production procedures and quality control efficiency for better customer safety.
- (3) Continue our plans for talent trainings and organization development to enhance the efficiency and creativity of our operation procedures and upgrade the group's competitiveness and adaptively.

2. Forecasted sales quantity and important production and sales strategies

With a forecasted sales of 113,205 tons in 2013, the followings are the summaries of the action plans for production and selling:

(1) Production

- Reinforce inventory management to match the production/sales forecasts and increase inventory turnover and lower down the return rate and costs of warehousing.
- Strengthen supplying chain management and relationship with the vendors, in order to secure procurement quality and quantity, as well as cut down the cost of carrying the inventory to derive a better use of the capital.
- Enhance research and production efficiency to improve product quality control for solidifying the brand name and the reputation of trustworthy products.

(2) Sales plans

- Apprehend the newest market trend and increase the sensitivity to customer demands for acquiring the market opportunities of new product developments.
- Adjust product structures according to the market transformation and keep growing our core products to uphold our brand's leadership in the market.
- Develop various distributing channels with flexible and innovative promotions to increase and accumulate the brand awareness for higher a sales volume and market share.

III. Impacts from external competition, law environment, and overall business environment

1. External competition

Food business is a key industry in the livelihood sector and an important indicator for economic growth and living standard of a market. Food business in Taiwan is highly competitive with over 5,000 companies that operate in a market have numerous, various, and overlapping selections. Nevertheless, due to few food safety events caused by some unlawful operators who sacrificed food safety for better profitability, the consumption's confidence to the local food providers was badly hit. Moreover, the ever-changing customer taste has further set challenges for the business. With the brilliant R&D capacity and management team, Standard Foods aims to continue its supplying of innovative and high-quality products to

serve customer needs and strive for the being the leading brand in the industry.

2. Law environment

Due to raising occurrence of food safety events, consumers' awareness on food quality and safety is lifting. Therefore the government has set up associated regulations to govern and manage the production, labeling, and selling procedures of the food suppliers to watch over the safeness of victuals for the people. Standard Foods has always placed the customer's well-being as the first priority. Other than complying with the governt regulations, the Company has been upgrading its manufacturing technologies and setting the high standards for product safety and quality control. As a result, several of our products have received GMP certification, which honored our commitments to the customers.

3. Overall business environment

We believe the overall consumption will stay flat owing to:(1) the slow-down global economy, volatile financial market, and sluggish exporting growth from other major non-Euro zone economies brought by un-settled European sovereign debt crisis and the double-dip recession in the Euro Zone;(2) on-going concern on risk of the U.S. fiscal retrenchment;(3) scale-back economic growth from China and other emerging market;(4) unstable commodity prices and anticipation of global inflation caused by quantified easy money policies from the major western countries; and (5) negative local impacts of rising utility and gas prices, stagnant real income growth, and reform of labor pension.

Regardless of the misty global and domestic economies and an even more rigorous food market with dull consumption and fierce competition, Standard Foods will uphold its pragmatic operating principles by applying creative flexible marketing strategies to increase the market share and employing the solid working procedures and focused operation to boost up the Company's competitiveness. We aim to further integrate the group's resource, enroot the Taiwan market, and expand into Mainland market actively, in order to generate a higher investment return for all the investors.

Lastly, we want to thank for your participation and we wish all the best.

Chairman: Ter-Fung Tsao

President: Ter-Fung Tsao

Chief Financial Officer: Larry Chung

Two. Introduction of the Company

I. Approval Date: June 6, 1986

II. Development History

- 1986
 - Standard Foods Taiwan Ltd. was invested and established by Standard International Foods Corp. The paid-in capital was NT\$4,788,300.
 - Quaker Products Taiwan Ltd. invested in Standard Foods Taiwan Ltd., the paid-in capital increased to NT\$4,788,400.
 - Standard Foods acquired the assets of Quaker Products Taiwan Ltd. and was granted its business license on August 8 to continue to manufacture and sell Quaker's White Oats and Baby Cereal.
 - Increased the paid-in capital to NT\$15,000,000 by cash capitalization of NT\$10,211,600.
- 1987
 - Quaker Products Taiwan Ltd. transferred all its shares in this Company to Quaker Oats Company.
 - Expansion of Ta Yuan plant facilities at an expense of over NT\$15 million.
- 1988
 - Increased the paid-in capital to NT\$45,000,000 with retained earnings of NT\$30,000,000 for expanding facilities and acquiring manufacturing equipment.
- 1980
 - Acquired land in Wugu Industrial District for an amount over NT\$120 million.
 - Grand opening of the first Pizza Inn Restaurant in Taiwan.
 - Increased the paid-in capital to NT\$162,000,000 with retained earnings of NT\$117,000,000. Par value of each share split from NT\$100 to NT\$10.
 - Securities and Exchange Commission authorized the Company as a public company.
- 1991
 - Expansion of Ta Yuan shipping warehouse at an expense of over NT\$21 million.
 - Increased the paid-in capital to NT\$194,400,000 with retained earnings of NT\$32,400,000.
- 1992
 - Increased the paid-in capital to NT\$307,152,000 with retained earnings of NT\$64,152,000 and cash capitalization of NT\$48,600,000.
- 1993
 - Invested in Standard Foods Singapore Pte Ltd. of US\$2.32 million to re-invest an amount of US\$2.25 million in Suzhou Standard Foods Co. to manufacture cereal products.
 - Increased the paid-in capital to NT\$430,012,800 with retained earnings of NT\$122,860,800

- Invested \$79,999 thousand in Standard Friendship Taiwan Ltd. for 99.99% shareholdings.
- Food and beverages operations transferred to Standard Friendship Taiwan Ltd. for professional management
- 1994 • Increased the paid-in capital to NT\$602,017,920 with retained earnings of NT\$172,005,120.
- The Company became a listed company in the Taiwan Stock Exchange on April 9.
- 1995 • Increased the paid-in capital to NT\$848,338,570 with retained earnings of NT\$246,320,650.
- Wired US\$8.5 million, to repurchase the 51% equity interest of Standard Foods Singapore Pte Ltd. held by Quaker Oats Company for US\$3.8 million and increased the investment in China by US\$4.7 million.
- 1996 • Increased the paid-in capital to NT\$1,191,168,430 with retained earnings of NT\$342,829,860.
- 1997 • Increased the paid-in capital to NT\$1,672,052,910 with retained earnings of NT\$480,884,480.
- As resolved in the shareholders' meeting, Standard Friendship ceased its operations and sold its operational assets in December 1996.
- Invested in Charng-Li Investment Ltd. with an amount of NT\$289,994 thousand for a shareholding of 99.9% to run investment business.
- In June 1997, Mr. Ter-Fung Tsao (Chairman of the Company) and Ms. H.D. Mon (major shareholder of the Company) used part of their equity interest in the Company to issue 3,000,000 Global Depositary Receipts ("GDRs") in Asia, Europe, and the United States; each unit represents 5 common shares of this Company.
- 1998 • Increased the paid-in capital to NT\$2,094,702,360 with retained earnings of NT\$422,649,450.
- Invested in Standard Beverage Ltd. with an amount of NT\$99,999 thousand for a shareholding of 99.9% to produce bottled water.
- Increased investment in China by US\$5 million.
- 1999 • Increased the paid-in capital to NT\$2,623,606,510 with retained earnings of NT\$528,904,150.
- Invested 75% equity in Standard Dairy Products Taiwan Ltd. by NT\$328 million to produce yogurt. Launched Yoplait series products.
- Acquired the factory, machinery and trademark of Fresh Dairy with NT\$350 million to launch Fresh Delight series products.

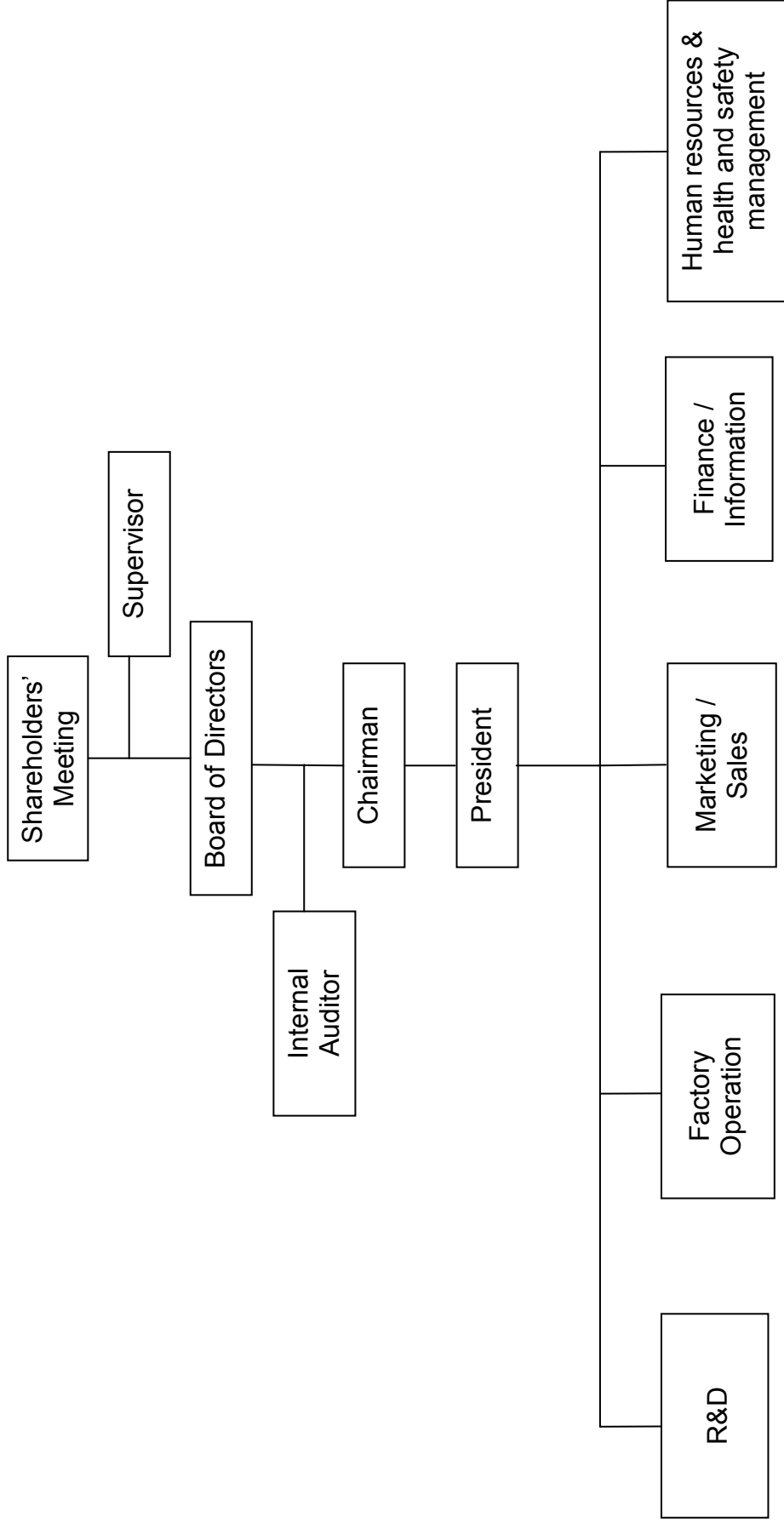
- 2000
- Increased the paid-in capital to NT\$3,022,645,060 with retained earnings of NT\$399,038,550.
 - Increased the equity of Standard Dairy Products Taiwan Ltd. to 99% by NT\$108 million.
 - Increased the equity of Domex Technology Corporation to 49% by NT\$214 million.
 - Disposed of 900,000 shares of Standard Beverage Ltd. The equity interest decreased to 91%.
 - Invested 100% equity in Accession Limited, based on BVI, with US\$2 million. Then increased the equity by transferring assets as capital contribution and by cash total up to US\$11.9 million.
- 2001
- Charng-Li Investment Ltd., our wholly-owned company, was renamed as Charng Hui Ltd.
 - Automated storage was completed.
 - Accession Limited invested in Shanghai Standard Foods Co. to sell cereal products.
 - Increased the paid-in capital to NT\$3,209,184,420 with retained earnings of NT\$186,539,360.
 - Invested 56% equity in Renewable Resource Technology (Cayman) Co., Ltd. with US\$2.8 million with the goal of re-investing in Hunan Standard Biotechnology Co., Ltd. with US\$3.4 million to manufacture fermented organism products.
- 2002
- Accession Limited increased the paid-in capital to US\$20,344,080 with US\$5 million cash injection and US\$1.42 million retained earnings.
 - Accession Limited acquired the equity of Suzhou Standard Foods Co. from Standard Foods Singapore Pte Ltd. and Standard Foods Singapore Pte Ltd. went into liquidation.
 - The Company changed its English name from Standard Foods Taiwan Ltd. to Standard Foods Corporation.
- 2003
- Shanghai Standard Foods Co., merged with Suzhou Standard Foods Co., Shanghai Standard Foods Co., is the continuing company. Suzhou Standard Foods Co., became a branch company of Shanghai Standard Foods Co.
 - Invested in Accession Limited by US\$2.2 million.
 - Charng Hui Ltd., our wholly-owned, decreased the paid-in capital to NT\$194 million by NT\$96 million.
- 2004
- Standard Foods Singapore Pte Ltd. completed liquidation.
 - Accession Limited increased the paid-in capital to US\$37,344,080 with US\$14.8 million cash injection. Accession Limited decreased the paid-in capital to US\$33,100,000 by US\$4,244,080 in October 2004.

- 2005
- Accession Limited increased the paid-in capital to US\$38,100,000 with US\$5,000,000 cash injection.
 - Increased the equity of Standard Dairy Products Taiwan Ltd. from 99.9% to 100%.
- 2006
- Changed the fiscal year to calendar year on January 1.
 - SAP ERP system officially online.
 - Charng Hui Ltd., our wholly-owned, decreased the paid-in capital to NT\$150 million by NT\$44 million.
- 2007
- Accession Limited increased the paid-in capital to US\$43,100,000 with US\$5,000,000 cash injection.
- 2008
- Signed a distribution agreement with Fonterra Brands (Far East) Limited (Hong Kong).
 - Accession Limited increased the paid-in capital to US\$50,600,000 with US\$7,500,000 cash injection.
- 2009
- Accession Limited increased the paid-in capital to US\$73,600,000 with US\$23,000,000 cash injection.
 - Increased the paid-in capital to NT\$3,225,230,340 with retained earnings of NT\$16,045,920.
- 2010
- The Company's tangible stock shares are converted to intangible stock shares.
 - Accession Limited increased the paid-in capital to US\$123,600,000 with US\$50,000,000 cash injection.
 - Increased the paid-in capital to NT\$3,709,014,890 with retained earnings of NT\$483,784,550.
- 2011
- The Company invested in and established Standard Investment (Cayman) Limited, which reinvested in and established Standard Corporation (Hong Kong) Limited.
 - Standard Corporation (Hong Kong) Limited invested in and established Standard Investment (China) Limited.
 - Standard Investment (China) Limited made reinvestment to set up Standard Food (China) Limited.
 - Increased the paid-in capital to NT\$4,636,268,610 with retained earnings of NT\$927,253,720.
- 2012
- Increased the paid-in capital to NT\$5,748,973,070 with retained earnings of NT\$1,112,704,460.
 - Made a cash injection of US\$ 30,010,000 to Standard Investment (Cayman) Limited. Total paid-in capital of the Company increased to US\$ 30,010,000.

Three. Corporate Governance Report

I. Organization of the Company

(I) Organization Chart



(II) Department Function Description

Department		Business scope
R&D		For the R&D of innovative products and technology, improvement of product quality, reduction of costs, evaluation of new business and the application for health certification.
Factory Operation		For the production, packaging, quality control, warehousing and delivery of our products.
Marketing / Sales	Sales	Classified into three major distribution channels in accordance with the nature of customers: The General Trade, Post Exchange and Key Accounts. Salespersons are responsible for quotations, new product pricing and launching, product distribution and display, channel, activity planning and execution, annual customer service and operation planning and execution, agreement negotiation and logistics management.
	Marketing	Responsible for advertising and marketing strategy planning.
Finance/ Information	Finance and accounting	Responsible for the summary and supply of accounting information, management and operation of finances and investment, annual budgeting, bank credit line control, and stock affair services.
	Group procurement	Imported production and packaging materials procurement and sub-contractor management
	Computer information	Planning and enforcement of information system, planning and management of network system, and construction and management of system data.
Human resources & health and safety management		Responsible for the planning and execution of human resource management as well as the stipulations and enforcement of all regulations and systems, business legal risk management, legal affairs and consulting services, general affairs, and labor safety and health management.
Internal Auditor		In charge of the auditing process of the group.

II. Directors, Supervisors, President, Vice President, Assistant V.P. and department heads (1) . Directors and Supervisors

1. Directors and Supervisors

As of April 16, 2013; Unit: Shares; NTD Thousand

Title	Name	Date elected (inaugurated)	Term (year)	Date of First Elected	Shareholding when elected		Current Shareholding		Shareholding of spouse and minor		Shares held by other persons in their names		Experience (Education)	Current Position With Other Company	Executives spouses or degrees of consanguinity		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Ter-Fung Tsao	2010.06.17	3 years	1986.06.06	129,405,880	40.12%	230,665,980	40.12%	0	0	0	0	Ph.D., Colorado University, USA R&D Director of Quaker Plant Manager of Quaker(Taiwan) President of Quaker (Taiwan)	President of the Company Director of Shanghai Standard Foods Co. Chairman of Standard Dairy Products Taiwan Ltd. Chairman of Domex Chairman of Standard Beverage Ltd. Director of Accession Limited Director of GeneFerm Biotechnology Co., Ltd Independent Director of Polytronics Technology Corporation Director of Green Wall Enterprise Co., Ltd. Supervisor of Crosslink Semiconductor, Inc. Director of Standard Investment (Cayman) Limited Director of Standard Corp (HK) Ltd. Director of Standard Investment (China) Ltd. Director of Standard Foods (China) Ltd.	Director	Wendy Tsao	Sibling
Director	Jason Hsuan	2010.06.17	3 years	2010.06.17	0	0	0	0	0	0	0	0	Polytechnic Institute of New York University Ph.D. in System Engineering	Chairman and Chief Executive Officer of TPV Technology Limited Director of ENC Independent director of Array Inc. Chairman of Shanghai Standard Foods Co. Chairman of Standard Investment (China) Ltd. Chairman of Standard Foods (China) Ltd.	NONE	NONE	NONE
Director	Wendy Tsao	2010.06.17	3 years	1989.07.20	2,127,688	0.66%	3,112,885	0.54%	0	0	0	0	Soochow University, R.O.C.	Chairman of Green Wall Enterprise Co., Ltd. Chairman of Crosslink Semiconductor, Inc. Chairman of SPARKLE Director of Charmg Hui Ltd.	Chairman	Ter- Fung Tsao	Sibling

Director	Jack Hsieh	2010.06.17	3 years	1992.12.29	113,223	0.04%	201,818	0.04%	0	0	0	0	0	0	0	National Chung Hsing University, R.O.C.	Chairman of Taiwan Association for Food Science and Technology President of Yin-Pu Trade (Shanghai) Co. President of The Golden Gate Trading Co. Chairman of Fosoco Golden Gate Co., Ltd. Chairman of Li-Hua Trading Co.	NONE	NONE	NONE
Director	Howard Tong	2010.06.17	3 years	2003.11.27	0	0	0	0	0	0	0	0	0	0	0	MBA, Columbia University	Representative and agent of Eaton Electrical Inc. Director of Mei-Ning Limited Director of Standard Investment (China) Ltd. Director of Standard Foods (China) Ltd.	NONE	NONE	NONE
Supervisor	Tom A. Chien	2010.06.17	3 years	2003.11.27	110,550	0.03%	197,054	0.03%	82,684	0.01%	0	0	0	0	0	MA, Massachusetts Institute of Technology, USA		NONE	NONE	NONE
	Charng Hui Ltd.	2010.06.17	3 years	2010.06.17	2,350,654	0.73%	4,190,040	0.73%	0	0	0	0	0	0	0	-		NONE	NONE	NONE
Supervisor	Samson Wang	2010.06.17	assigned	1992.12.29	4,336,187	1.34%	0	0	0	0	0	0	0	0	0	MA, University of California, Berkeley, USA Certified Civil Engineering Technician Certified Technician (R.O.C.) Arbitrator of R.O.C. Commerce Arbitration Association	Chairman and President of I Cheng General Contractor	NONE	NONE	NONE

2. Major shareholders of institutional shareholders:

As of April 16, 2013

Name of institutional shareholders	Major shareholders of institutional shareholders	Shareholding (%)
Charng Hui Ltd.	Standard Foods Corporation	100.00

3. Major shareholders of institutional shareholders are institutions:

As of April 16, 2013

Name of legal person	Major shareholders of the legal persons	Shareholding (%)
Standard Foods Corporation	Ter-Fung Tsao	40.12
	H.D. Mon	12.46
	Bright investment Co., Ltd.	3.58
	Fubon Life Insurance Co.	2.90
	Nan Shan Life Insurance Co., Ltd.	1.61
	Jan-Yaw Lin	1.30
	RBC Emerging Markets Equity Fund under the custody of HSBC	1.25
	Watsach Emerging Market Small-Cap Equity Fund under the custody of Deutsche bank	1.11
	Cathay Life Insurance Co., Ltd.	0.93
	Trust Fund Account of SinoPac Securities	0.93

4. Independence of directors and supervisors:

Name	Conditions	Possess at least five years work experience and meet one of the Following professional qualification requirements	Independence (Note 1)										Also an independent director of another public company		
			Teachers of public or private colleges for the subject of commerce, law, finance, accounting, or business	Judge, prosecutor, attorney, accountant, or business salesperson who passed national exams & certified specialists or technicians	With job experience in commerce, law, finance, accounting, or business	1	2	3	4	5	6	7		8	9
Ter-Fung Tsao		V							V	V	V		V	V	1
Jason Hsuan		V			V	V	V	V	V	V	V	V	V	V	1
Wendy Tsao		V			V			V	V	V		V	V	0	
Jack Hsieh		V			V	V	V	V	V	V	V	V	V	0	
Howard Tong		V			V	V	V	V	V	V	V	V	V	0	
Tom A. Chien		V			V	V	V	V	V	V	V	V	V	0	
Representative of Charng Hui Ltd...: Samson Wang		V			V			V	V	V	V	V		0	

Note 1: For directors and supervisors who have the following conditions two years before being elected and during the term are to have a check ("✓") placed in the box of the corresponding condition.

- (1) Not an employee of the Company or any related party;
- (2) Not a director or supervisor of the Company or any related party (except for being an independent director of the Company or any related party or a subsidiary with over 50% shareholding with voting rights held directly or indirectly by the Company);
- (3) Does not hold more than 1% of total stock issued directly or indirectly nor is a natural shareholder on the top-ten shareholdings list;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship in the preceding three subparagraphs;
- (5) Not a Director, Supervisor or employee of the legal shareholder that holds over 5% of total stock issued directly or indirectly; and is not on the top-five shareholdings list of the Company;
- (6) Not a Director, Supervisor, manager or a shareholder with over 5% shareholdings of a company or organization that is in business with the Company;
- (7) Not an owner, partner, Director, Supervisor, manager of a partnership or institution or his/her spouse that provides commerce, law, finance, accounting and consulting service to the Company or related party; this does not include members

from a remuneration committee who exercises his/her power based on Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter.

- (8) Not the spouse or a relative within two degrees of lineal consanguinity of an individual;
- (9) Free of any of the behaviors as defined in Article 30 of Company Act;
- (10) Not a governmental officer, juridical person or its representative as defined in Article 27 of Company Act.

(II) President, Vice President, Assistant V.P. and Department Heads

As of April 16, 2013

Title	Name	Date elected (inaugurated)	Shareholding		Shareholding of spouse and minor		Shares held by other persons in their names		Experience (Education)	Current Position With Other Company	Mangers who are spouses or within 2 degrees of consanguinity		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Ter-Fung Tsao	1986.08.06	230,665,980	40.12%	0	0	0	0	Ph.D., Colorado University, USA R&D Director of Quaker Plant Manager of Quaker(Taiwan) President of Quaker (Taiwan)	President of the Company Director of Shanghai Standard Foods Co... Chairman of Standard Dairy Products Taiwan Ltd. Chairman of Domex Beverage Ltd. Director of Accession Limited Director of GeneFerm Biotechnology Co., Ltd Independent Director of Polytronics Technology Corporation Director of Green Wall Enterprise Co., Ltd. Supervisor of Crosslink Semiconductor, Inc. Director of Standard Investment(Cayman) Limited Director of Standard Corp (HK) Ltd. Director of Standard Investment (China) Ltd. Director of Standard Foods (China) Ltd.	NONE	NONE	NONE
Vice President, Sales and Marketing	Glendy Chiang	1992.07.01	277,508	0.05%	0	0	0	0	National Taiwan University, R.O.C. Marketing Director of Standard Foods Corporation	Director of Standard Beverage Company Ltd. Director of Standard Dairy Products Taiwan Ltd. Director of Shanghai Standard Foods Co... Director of Standard Investment (China) Ltd. Director of Standard Foods (China) Ltd.	NONE	NONE	NONE

Director of Finance and Information	Larry Chung	2002.04.01	25,144	0.00%	0	0	0	0	0	Tamkang University, R.O.C. Chief Financial Officer of Standard Foods Corporation	Chairman of Charng Hui Ltd. Director of Domex Technology Corporation Director of Shanghai Standard Foods Co. Director of Standard Beverage Company Ltd. Director of Standard Dairy Products Taiwan Ltd. Director of Standard Investment (China) Ltd. Director of Standard Foods (China) Ltd.	NONE	NONE	NONE
Assistant to Chairman	Jason Chen	1999.04.01	10,239	0.00%	357	0	0	0	0	National Chiayi Institute of Technology, R.O.C. Plant Manager of Standard Foods Corporation	NONE	NONE	NONE	NONE
Director-Human Resources	Larry Fong	2011.03.01	0	0	0	0	0	0	0	Master of NCU Director of Human Resources, SINTEK Administration Officer of Sunplus/HT mMobile Inc. Vice Director of Human Resources, HannStar	NONE	NONE	NONE	NONE
Chief auditor of auditing department	Osmond Chang	2012.04.20	0	0	0	0	0	0	0	Tamkang University, R.O.C. Associated manager of auditing department, Wison Group Associated manager of auditing department, Eversol Company	NONE	NONE	NONE	NONE

(III) Remuneration of Directors, Supervisors, President and Vice President

1. Remuneration of Directors

Unit: NTD Thousand

Title	Name	Remuneration of Directors					Remuneration of part-time employees						Ratio of A+B+C+D+ E+F+G to Net income (%) (Note 2)		Remuneration from the company's subsidiary other than the company's subsidiary	
		Remuneration (A)	Pension (B)	Remuneration from retained earnings (C)	Business expense (D) (Note 1)	Ratio of A+B+C+D to Net income (%) (Note 2)	Salary, bonus, and compensation (E) (Note 1)	Pension (F)	Employees' Cash Bonus, Deriv From Distributable Earnings (G)		Employee Stock Option Certificates (H)		From the Company	From all consolidated entities in this report		
Chairman	Ter -Fung Tsao	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	Cash dividend	Stock dividend	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From all consolidated entities in this report	1.10	1.10	NONE
		0	0	15,042	300	0.69	8,645	498	200	0	0	0	0			
Director	Jason Hsuan Wendy Tsao	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	Cash dividend	Stock dividend	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From all consolidated entities in this report	1.10	1.10	NONE
		0	0	15,042	300	0.69	8,645	498	200	0	0	0	0			
Director	Howard Tong	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	Cash dividend	Stock dividend	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From all consolidated entities in this report	1.10	1.10	NONE
Director	Jack Hsieh	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	Cash dividend	Stock dividend	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From all consolidated entities in this report	1.10	1.10	NONE

Note 1 Expenses incurred from 01/01/2012~12/31/2012

Note 2: Net income generated from 01/01/2012~12/31/2012

Remuneration Bracket

Remuneration to directors	Name of directors			
	Total amount of the first four categories(A+B+C+D)		Total amount of the first seven categories(A+B+C+D+E+F+G)	
	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report
Below \$2,000,000	0	0	0	0
2,000,000 (inclusive) ~ 5,000,000 (non-inclusive)	Ter-Feng Tsao, Jason Hsuan, Wendy Tsao Howard Tong, Jack Hsieh	Ter-Feng Tsao, Jason Hsuan, Wendy Tsao Howard Tong, Jack Hsieh	Jason Hsuan, Wendy Tsao, Howard Tong, Jack Hsieh	Jason Hsuan, Wendy Tsao, Howard Tong, Jack Hsieh
5,000,000 (inclusive) ~ 10,000,000 (non-inclusive)	0	0	0	0
10,000,000 (inclusive) ~ 15,000,000 (non-inclusive)	0	0	Ter-Fung Tsao	Ter-Fung Tsao
15,000,000 (inclusive) ~ 30,000,000 (non-inclusive)	0	0	0	0
30,000,000 (inclusive) ~ 50,000,000 (non-inclusive)	0	0	0	0
50,000,000 (inclusive) ~ 100,000,000 (non-inclusive)	0	0	0	0
\$100,000,000 and over	0	0	0	0
Total	5	5	5	5

2. Remuneration of Supervisors

Title	Name	Remuneration of Supervisors				Ratio of A+B+C to Net income (%) (Note 2)	Remuneration from the invested company other than the Company's subsidiary
		Remuneration (A)		Business expense (D) (Note 1)			
		From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report		
Supervisor	Tom A. Chien	0	0	5,100	120	0.23	0.23
Supervisor	Chang Hui Ltd.						NONE

Unit: NTD Thousand

Note 1 Expenses incurred from 01/01/2012~12/31/2012
 Note 2: Net income generated from 01/01/2012~12/31/2012

Remuneration Bracket

Remuneration of Supervisors	Name of Supervisors	
	From the Company	Total amount of the first three categories(A+B+C) Companies in the consolidated financial statements (D)
Below \$2,000,000	0	0
2,000,000 (inclusive) ~ 5,000,000 (non-inclusive)	Tom A. Chien, Charrng Hui Ltd.	Tom A. Chien, Charrng Hui Ltd.
5,000,000 (inclusive) ~ 10,000,000 (non-inclusive)	0	0
10,000,000 (inclusive) ~ 15,000,000 (non-inclusive)	0	0
15,000,000 (inclusive) ~ 30,000,000 (non-inclusive)	0	0
30,000,000 (inclusive) ~ 50,000,000 (non-inclusive)	0	0
50,000,000 (inclusive) ~ 100,000,000 (non-inclusive)	0	0
\$100,000,000 and over	0	0
Total	2	2

3. Remuneration of President and Vice President

Title	Name	Salary (A) (Note 2)		Pension (B) (Note 4)	Bonuses and Allowance (C) (Note 2 and Note 3)		Employees' Cash Bonus Derived from Distributable Earnings (D)				Ratio of A+B+C+D to Net income (%) (Note 1)		Employee Stock Options received		Compensation received from related parties not under the Group	
		From the Company	From all consolidated entities in this report		The Company (Note 2)	From all consolidated entities in this report	From the Company	Cash dividend	Stock dividend	Cash dividend	Stock dividend	From the Company	From all consolidated entities in this report	From the Company		From all consolidated entities in this report
President- Fung Tsao		5,700	5,700	498	2,945	2,945	200	0	200	0	0.42	0.42	0	0	0	NONE

Note 1: Net income generated from 01/01/2012~12/31/2012

Note 2: Expenses incurred from 01/01/2012~12/31/2012

Note 3: A company car with a rent of NT\$ 570,000

Note 4: Appropriation of pension expense for the contracted management.

Remuneration Bracket

Remuneration to President and Vice President	Name of President and Vice President	
	From the Company	From all consolidated entities in this report
Below \$2,000,000	0	0
2,000,000 (inclusive)~5,000,000 (non-inclusive)	0	0
5,000,000 (inclusive)~10,000,000 (non-inclusive)	Ter-Fung Tsao	Ter-Fung Tsao
10,000,000 (inclusive)~15,000,000 (non-inclusive)	0	0
15,000,000 (inclusive)~30,000,000 (non-inclusive)	0	0
30,000,000 (inclusive)~50,000,000 (non-inclusive)	0	0
50,000,000 (inclusive)~100,000,000 (non-inclusive)	0	0
\$100,000,000 and over	0	0
Total	1	1

4. Employees' Bonus for Management

As of March 31, 2013; Unit: NTD Thousand

Management	Title	Name	Stock dividend	Cash dividend	Total	Ratio of Total amount to Net income (%) (Note 1)
	President	Ter-Fung Tsao				
	Vice President, Sales and Marketing	Glendy Chiang				
	Director of Finance and Information	Larry Chung	0	290	290	0.01%
	Assistant to Chairman	Jason Chen				
	Director of Human Resources	Larry Fong				
	Chief auditor of the auditing department	Osmond Chang				

Note 1: Net income generated from 01/01/2012~12/31/2012

(IV) The ratio of remuneration paid to the directors, supervisors, president and vice president of the Company and the companies included the financial statements in the last two years to the net income, as well as, the correlation of remuneration policy, standard and combination, remuneration procedure, operating performance, and risk:

1. Remuneration analysis of the last two years

Title	2011				2012 (Note)			
	Total amount of remuneration		Ratio of total amount to net income (%)		Total amount of remuneration		Ratio of total amount to net income (%)	
	From the Company	Companies in the consolidated financial statements	From the Company	Companies in the consolidated financial statements	From the Company	Companies in the consolidated financial statements	From the Company	Companies in the consolidated financial statements
Director	16,825	16,825	0.68	0.68	15,342	15,342	0.69	0.69
Supervisor	5,720	5,720	0.23	0.23	5,220	5,220	0.23	0.23
President	9,283	9,283	0.38	0.37	9,343	9,343	0.42	0.42
Total	31,828	31,828	1.29	1.28	29,905	29,905	1.34	1.34

Unit: NTD Thousand

Note: Remuneration to directors and supervisors and bonuses to employees in 2012 are not yet resolved in the shareholder meeting; therefore, it is an estimated amount.

- (1) The ratio of remuneration paid to directors, supervisors, and president of the Company in last two years to Net income:
Ratio of total remuneration to Director, Supervisor, and to Net Income increased in 2012, compared with that in the last year, mainly due to the Company's after-tax net income and consolidated after-tax net income were lower than those in 2011.
 - (2) Please refer to Provision (IX) on page 51 for the payment policy of bonus to employees and remuneration to directors and supervisors.
2. Correlation between the policy, standard, combination, procedure of remuneration distribution and the Company's business performance and future risks: Performance evaluation and compensation paid to the Company's Directors, Supervisors, and Managers are based on industrial peer standard, individual performance, and the correlation between the Company's operation result and future risks.

III. Business management

(I) Board of directors

Five Board meetings (A) were convened in 2012 with the following attendance status:

Title	Name	Number of attendances	Proxy	Ratio of attendances 【B / A】 (%)	Remarks
Chairman	Ter-Fung Tsao	5	0	100%	
Director	Jason Hsuan	5	0	100%	
Director	Jack Hsieh	5	0	100%	
Director	Wendy Tsao	4	1	80%	
Director	Howard Tong	5	0	100%	
Supervisor	Tom A. Chien	5	0	100%	
Supervisor	Charng Hui Ltd. Samson Wang	5	0	100%	

Supplementary information:

1. The events stated in SEC Article 14.3 and other opposing or qualified opinions of independent directors that are recorded or declared in writing: Not applicable since the Company does not have any independent director appointed.
2. The name of the directors who have excused themselves from the meeting due to a conflict of interest (the content of the case, the reason for the conflict of interest and the voting must be stated in detail): The Company does not have any director that needs to be excused from the meeting due to a conflict of interest.
3. The goal and the enforcement of reinforcing the function of the board of directors then and in the most recent years: The fifth board meeting in of 10th term had resolved the "Internal Material Information Procedure."

(II) **The operation of the Auditing Committee:** N/A; the Company does not have an Auditing Committee.

(III) Attendance of supervisors for board meetings

Five Board meetings (A) were convened in 2012 with the following attendance status:

Title	Name	Number of attendance	Ratio of attendances 【B / A】 (%)	Remarks
Supervisor	Tom A. Chien	5	100%	
Supervisor	Charng Hui Ltd. Samson Wang	5	100%	

Supplementary information:

1. Composition and responsibilities of supervisors:

(1) Communication among supervisors, employees, and Shareholders

In addition to reporting on the supervisor's auditing report in the general shareholder meeting, shareholders may ask supervisors about the Company's financial status.

In addition to attending the board meeting, supervisors may ask to have a meeting arranged with the related personnel responsible for business or financial review or to communicate regarding certain events.

(2) Communication among supervisors, internal auditors, and CPAs

Supervisors will meet with CPAs periodically to ask about the guidelines upon changing accounting principles and the risks of significant financial status change and/or business operation.

The internal auditing manage shall submit the auditing plan of the year along with monthly audit report to the supervisors for review. Internal auditors can be invited by supervisors to attend the meeting held between the supervisors and CPAs.

**2. For the statement of supervisors made at the board meeting, the date of the board meeting, the term, the proposals, the resolution of the board meeting, and the response of the Company to the statement of the supervisor must all be detailed:
None.**

(IV) Business governance and the deviation from the Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies and the causes

Item	Operation	Deviation from Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies and the causes
<p>1. Equity structure and shareholders' equity (1)The way the Company processes the suggestions and disputes of shareholders</p>	<p>Shareholder Meeting Rules are in place and a stock agent is hired to take care of stock affairs. Spokesman and stock agents are designated as the service window for handling shareholders' suggestions or disputes.</p>	<p>No deviation from Article 13 and No. 30 of the Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies</p>
<p>(2)The main shareholders of the Company and the responsible personnel of the main shareholders</p>	<p>Keep a good relationship with the main shareholders of the Company who can be approached easily according to the shareholders roster. The Company is to disclose the change of the main shareholders on the Market Observation Post System according to the Regulations Governing the Information Filing of the Listed Companies.</p>	<p>No deviation from Article 19 of the Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies</p>
<p>(3)The Company establishes the business risk control mechanism and firewall with the related parties</p>	<p>The Company and the related parties have "Directions for assets acquisition or disposition," "Directions for loans to others," and "Directions for endorsement and guarantee" stipulated for the operation of assets, finance and accounting. The "Directors for supervising and managing the subsidiaries" is stipulated in accordance with the "Rules Governing the internal control system of the public Company" and with the risk control mechanism and firewall established.</p>	<p>No deviation from Article 14 of the Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies</p>
<p>2. The formation and the responsibilities of the board of directors (1)The independent directors of the Company</p>	<p>The Company has five directors and two supervisors but is without any independent director. Directors and supervisors perform duties according to the regulations, Articles of Incorporation and resolutions reached in the shareholder meeting.</p>	<p>The Company will conduct business operations based on the regulations.</p>
<p>(2)Evaluate the independence of the independent auditor periodically</p>	<p>The Company has evaluated the independence of the CPAs.</p>	<p>No deviation from Article 29 of the Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies</p>
<p>3. Establish a communication channel with the stakeholders</p>	<p>All related parties may contact each department and unit of the Company at any time, when needed. The Company will handle inquiries with the best efforts according to the the circumstance provided.</p>	<p>No deviation from Article 52 and No. 53 of the Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies</p>
<p>4. Publication of information (1)The Company has a Web site set up to disclose financial information and business management</p>	<p>1. Disclosure of financial information: The section of shareholder information is set in the Company's website to regularly update financial information for investors' reference. 2. Disclosure of business information: The Company's website immediately updates information about all products and activities to service on-line inquiries from customers. 3. Disclosure of corporate governance information: The Company discloses its internal audit organization and operation, internal significant information processing procedure and important resolutions of the Board on the Company's web site.</p>	<p>No deviation from Article 57 of the Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies</p>

Item	Operation	Deviation from Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies and the causes
<p>(2) The Company has adopted other information disclosure methods (such as, set up the English Website, designated personnel to collect and disclose information of the Company, substantiated the spokesman system, and publish the institutional investor meetings on the Website)</p>	<p>1. Designate personnel to collect and disclose information of the Company: The Company's Department of Finance & Information has designated personnel to take care of information collection and disclosure operation, which is running smoothly.</p> <p>2. Carry out spokesperson system: President Ter-Fung Tsao acts as Spokesperson and Director of Department of Finance & Information Larry Chung acts as Deputy-Spokesperson.</p> <p>3. Details of conference calls can be found on the Company's Website: Disclosed on the Company's web site.</p>	<p>No deviation from Article 56, 57 and 58 of the Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies</p>
<p>5. Setup the nomination and, remuneration committee and other committees of the Company</p>	<p>1. The Company's Board passed the organizational constitution of remuneration committee on December 16, 2011 and established the "Remuneration Committee", which is mainly in charge of drafting following proposals:</p> <p>(1) Regular review of the constitution and submit revision suggestions.</p> <p>(2) Stipulation and review of the policy, system, criteria and structure of annual and long-term performance goals and remuneration for directors, supervisors and managers.</p> <p>(3) Regularly assessment and setting of remuneration for directors, supervisors and managers.</p> <p>2. There are 3 members in the Remuneration Committee. The convener for the first "Remuneration Committee" is Hung-Chi, Tsai. Three committee meetings have held smoothly up to the printing of this report.</p>	<p>No deviation from Article 28-1 and 59 of the Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies.</p>
<p>6. If the Company has rules of corporate governance stipulated according to the "Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies", please state the variation of the business operation from the rules: The Company has not had the rules of corporate governance stipulated according to the "Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies;" however, according to this form, the Company has, at large, conducted business operations based on the regulations.</p> <p>7. Other information that helps understand the business management of the Company (for example, employee's benefits, care for employees, relationship with investors, relationship with suppliers, stakeholders' rights, advanced study of directors and supervisors, enforcement of risk management policy and risk measurement standards, enforcement of customer service policy and liability insurance acquired for directors and supervisors):</p> <p>(1) Continuing education of directors and supervisors: Directors and supervisors of the Company are equipped with business knowledge; moreover, the Company has finance, accounting and regulatory information gathered for the reference of directors and supervisors periodically.</p> <p>(2) Enforcement of risk management policy and risk measurement standards: Please refer to page 180~182 of the annual report for the Company's risk management policy, organizational structure, and related risk control process. The Company has analyzed, traced, and responded to events that are likely to cause high risk to the business operation for substantiating the risk management mechanism.</p> <p>(3) Enforcement of customer service policy: The Company has attended food safety associations, fulfilled social responsibilities and obligations, set up a service hotline for consumers, continuously cared for environmental protection in the community and charity affairs, and striven to obtain more food certifications.</p> <p>(4) Liability insurance acquired for directors and supervisors: No liability insurance is acquired for directors and supervisors yet. It shall be processed according to the regulations in the future.</p> <p>(5) Employee's benefits and cares</p>		

Item	Operation	Deviation from Corporate Governance Best-Practice Principles for TWSE/OTC Listed Companies and the causes
<p>a. Employees are one of the most important assets of the Company. The Company has striven to protect employee's benefits in accordance with the Labor Mobilization Law; moreover, the Company has acquired group insurance, set up a welfare association and arranged education and training for employees periodically; also, a survey of employee's satisfaction was taken. The Company has promoted ISO18001 (Labor's Health and Safety). The Company has a comprehensive proposal system and QCC in place to encourage employees to participate in the Company's innovation and improvement.</p> <p>b. The business culture of practicability and stability is what made the Company great. The Company's employees are to respect and help each other while facing challenges in the many years to come.</p> <p>c. The Company has relevant rules and internal codes stipulated for regulating the employee's behavior and rights/interests.</p> <p>(6) Relationship with suppliers: The Company has long-term and stable relationships established with suppliers to pursue long-term benefits through mutual understanding and coordinated management procedures.</p> <p>(7) Investor's and stakeholders' relationships and rights:</p> <p>a. The Company not only strives to construct good communication with investors but also values suggestions from shareholders and investors to develop good relationship with the investors of the Company.</p> <p>b. Construct a communication channel with the associated banks, employees, consumers, suppliers and interacting community and other interest parties of the Companies, in order to respect and protect their legal rights. The Company is to process in accordance with the principle of sincerity and trust when any infringement to the related party's legal right occurred.</p>		
<p>8. If the Company has a self corporate governance evaluation report or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies (or suggestions), and improvements are stated as follows: N/A.</p>		

(V) If the Company has a remuneration committee setup, the organization, responsibility, and operation must be disclosed:

1. Compensation committee member information

Position (Note 1)	Conditions	Possess at least five years work experience and meet one of the Following professional qualification requirements			Independence (Note 2)								Number of other Taiwanese public companies served concurrently as a compensation committee member	Note (Note. 3)
		Teachers of public or private colleges for the subject of commerce, law, finance, accounting, or business	Judge, prosecutor, attorney, accountant, or business salesperson who passed national exams & certified specialists or technicians	With job experience in commerce, law, finance, accounting, or business	1	2	3	4	5	6	7	8		
Others	Hong-Chi Tsai			V	V	V	V	V	V	V	V	V	NONE	NONE
Others	Geng-Shen Fang			V	V	V	V	V	V	V	V	V	NONE	NONE
Others	Feng-Nian Chiang			V	V	V	V	V	V	V	V	V	NONE	NONE

Note 1: Please specify whether it's director, independent director, or other under "Position";

Note 2: For directors and supervisors who have the following conditions two years before being elected and during the term are to have a check ("v") placed in the box of the corresponding condition.

- (1) Not an employee of the Company or any related party;
- (2) Not a director or supervisor of affiliated companies This does not include in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Does not hold more than 1% of total stock issued directly or indirectly nor is a natural shareholder on the top-ten shareholdings list;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the preceding three subparagraphs;
- (5) Not a director, supervisor or employee of the institutional shareholder that holds over 5% of total stock issued directly or indirectly; and is not on the top-five shareholdings list of the Company;
- (6) Not a director, supervisor, manager or a shareholder with over 5% shareholdings of a Company or organization that is in business with the Company;
- (7) Not an owner, partner, director, supervisor, manager of a partnership or institution or his/her spouse that provides commerce, law, finance, accounting and consulting service to the Company or related party.
- (8) Free of any of the behaviors as defined in Article 30 of Company Act;

Note 3: If the member's position is Director, please specify whether it meets conditions defined in # Article 6-5 under "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

2. Compensation committee meeting status

- (1) The current compensation committee is composed of three members.
 (2) Office term for the current compensation committee: December 16th 2011~June 14th 2013. Three meetings (A) were convened in 2012. The Committee members' attendance status is as follows:

Title	Name	Number of attendance (B)	Ratio of attendances (%) 【B / A】	Remarks
Convener	Hong-Chi Tsai	3	100%	
Committee members	Geng-Shen Fang	3	100%	
Committee members	Feng-Nian Chiang	3	100%	
Supplementary information:				
I. When the proposals the compensation committee are dissented or revised by the Board, information including Board meeting date, the number of the meeting, meeting agenda, and the final resolution of the Board with the relevant respondents from the Company to the committee's opinion should be disclosed: None II. The committee resolutions on which a member expresses dissenting opinion or qualified opinion on the record or with writing, information including committee meeting date, the number of the meeting, meeting agenda, and all members' opinions with the relevant respondents from the Company should be disclosed: None				

(VI) Fulfillment of corporate social responsibility:

Item	Operation	Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/OTC -Listed Companies"
<p>1.Substantiating corporate governance</p> <p>(1) The Company has stipulated a social responsibility policy or system and reviewed the effectiveness of its enforcement</p> <p>(2) The Company has a full-time (part-time) unit designated for promoting corporate social responsibility</p> <p>(3) The Company arranges business ethics education, trainings, and informational events for directors, supervisors, and employees periodically. It is integrated with the employee's performance evaluation system. In addition, there is a clear and effective reward and disciplinary program in place.</p>	<p>The Company does not have a Code of Social Responsibility Practice stipulated. Please refer to pages 61-66 of the annual report for the employee welfare measures, performance evaluation, reward and disciplinary program, and benefit and rights.</p>	<p>The Company has not stipulated a social responsibility policy or system. In addition, there is no full-time or part-time unit established to promote corporate social responsibility. However, the Company has long been dedicated to fulfill corporate social responsibility and obligations. The Company will undertake the necessary corrections or additions based on the regulation requirements in the future.</p>
<p>2.Sustainable environment for development</p> <p>(1) The Company strives to upgrade the effective use of resources; also, employees recycling material that has less impact on the environment.</p> <p>(2) The Company has adequate environmental management system established that is in accordance with the industrial features.</p> <p>(3) The Company has environmental management units and personnel designated to protect the environment.</p> <p>(4) The Company has paid attention to the impacts of climate change by business operations. Moreover, it has a stipulated energy-saving, carbon reduction, and greenhouse-gas reduction policy.</p>	<p>The Company has environmental management personnel designated under the Repair & Maintenance Department. It also has established the controlling standard that is in accordance with the waste and emission standard of the Environmental Protection Agency. The waste & emission data and samples are taken every four hours to ensure the Company's compliance with the governmental standard. In addition to recycling condensation water, the Company has initiated the energy-saving program in 2012. The program includes recycling of hot water from bottle washing machines (to save water and reduces waste water) and adding "flotation equipment"to the waste water system (to increase the volume of waste water processing, that should help to improve fuel and power consumption efficiency for the purposes of energy saving, carbon reduction, and greenhouse-gas reduction).</p>	<p>No deviation from the corporate social responsibility and obligations stated in the "Corporate Social Responsibility Best Practice Principles for TWSE/OTC -Listed Companies"</p>

<p>3. Maintenance of social welfare</p> <p>(1) The Company complies with labor regulations and respects the basic principles of labor rights that is recognized interationally to ensure employees' legal rights, non-discriminated hiring procedures, and appropriate supervising measures and procedures</p> <p>(2) The Company provides workers with safe and healthy working environment and offers safety and health education to employees periodically.</p> <p>(3) The Company establishes employee communication mechanism and means on a regular basis for informing significant operation changes to the employees</p> <p>(4) The Company defines and publishes the consumer rights/benefits policies and a clear conduit to receive consumers' complaints regarding products and services provided.</p> <p>(5) The Company co-works with suppliers to advocate corporate social responsibility.</p> <p>(6) The Company participates in community development and charity events through the commercial activities, in-kind donation, volunteer services, and other pro bono professional services.</p>	<p>The Company is grateful for employee's dedication to the work and complies with the related regulations under Labor Act. Every year in May and November, the Company provides the regular trainings of labor safety and health. All plant workers receive health checkups in the month of November and information regarding latest health issues from time to time. A mailbox is set under the internal network to receive suggestions from employees to better understand and fulfill employees' needs on a reasonable basis.</p> <p>The Company has set up a customer service department under the Marketing Division for giving consulting service to customers. The valuable opinions and suggestions from consumers will be reflected in product improvement and innovation. The Company also works with suppliers to provide better quality products.</p> <p>The Company's persistence on product quality has long been receiving recognition from the customers for many years. In the meantime, the Company dedicates to community feedback and makes donation and product sponsorship to minority groups without reservation.</p>	<p>No deviation from the corporate social responsibility and obligations stated in the "Corporate Social Responsibility Best Practice Principles for TWSE/OTC -Listed Companies"</p>									
<p>4. Strengthening information disclosure</p> <p>(1) The means to disclose relevant and reliable information related to corporate social responsibilities.</p> <p>(2) Implementation of compiling the corporate social responsibility report to disclose the enforcement of corporate social responsibilities.</p>	<p>The Company has not yet provided a corporate social responsibility report.</p>	<p>The Company has not yet provided a corporate social responsibility report. However, the Company has long been dedicating to social welfare and environment protection. In the future, The Company will undertake the necessary corrections or additions based on the regulation requirements.</p>									
<p>5. If the Company has social responsibility policy established in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/OTC -Listed Companies," please state the deviation from the Rules Governing Listing & OTC social responsibility.</p> <p>The Company has not yet established a social responsibility policy yet.</p>											
<p>6. Other material information that helps to understand the Company's implementation of social responsibility (such as the system and measures of environmental protection, community involvement, social contribution, social service, social interest, consumer's interest, human rights, safety and health, and other social responsibility policies and implementation):</p> <p>The activities sponsored by the Company in the most recent years:</p>											
<table border="1"> <thead> <tr> <th>Item</th> <th>Recipient Unit</th> <th>Item</th> <th>Recipient Unit</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>The Chinese Professional Baseball League</td> <td>11</td> <td>Good Shepherd Social Welfare Services</td> </tr> </tbody> </table>	Item	Recipient Unit	Item	Recipient Unit	1	The Chinese Professional Baseball League	11	Good Shepherd Social Welfare Services			
Item	Recipient Unit	Item	Recipient Unit								
1	The Chinese Professional Baseball League	11	Good Shepherd Social Welfare Services								

2	Chinese Christian Service	12	National Taiwan University Endowment Fund for Academic Advancement
3	Professor Jiang Jen Mei Foundation	13	Haiching Nursing Home Foundation in Miaoli
4	Taipei Trend Research Foundation	14	The Garden of Hope Foundation
5	Foundation for Poison Control	15	Education Reserach Association of Ci-Hei Shen-Dao Academy & Cultural in R.O.C.
6	Taipei Standard Culture & Education Foundation	16	Kwang-Inn Children Home of Shiang Shang Welfare Association, a private institution in Taiwan
7	Hope Foundation for Cancer Care	17	Chiayi Senior Citizens' Home Association, a private institute in Taiwan
8	Private Association of Huang Hwa Tung Xin Freemasonry	18	Catholic Non-profit Tsz-Ai Mercy Hospice of Taichung Diocesan Body Corporate, Taiwan
9	Chinese (Taiwan) Society of International Law	19	Taiwan Dairy Association
10	Andrew Charity Association		

7. If the Company's products or corporate social responsibility report are certified by any certification body, please state it in details:

The Company's products are in conformity with the standards of GMP, CAS, and ISO22000.28 items of our products have received healthy food certifications:

Item	Permit No.	Product Name	Health effects - Category	Item	Permit No.	Product Name	Health effects - Category
1	A00010	Quaker Oatmeal -- easy to cook	Regulation of blood Lipids	15	A00155	Great Day five treasures healthy cooking oil	Regulation of blood Lipids
2	A00011	Quaker Oatmeal - instant	Regulation of blood Lipids Anti-body fat	16	A00157	Quaker pure clam essence	Liver protection
3	A00026	Quaker Three-Treasure Oats	Regulation of blood Lipids	17	A00161	Quaker 100 % Oat Drink	Regulation of blood Lipids
4	A00030	Quaker High Calcium Skimmed Milk Powder	Improve gastrointestinal function Regulation of blood Lipids	18	A00162	Quaker Honey Fungus Nourishing Liquid	Immunomodulatory Anti-aging
5	A00039	Quaker Family Low Fat Milk Powder Probiotics Formula	Improve gastrointestinal function	19	A00169	Quaker Super Protection Milk Powder	Improve gastrointestinal function
6	A00050	Great Day Three-Treasure Sunflower Oil	Regulation of blood Lipids	20	A00174	Quaker Healthy Growth Milk	Immunomodulatory
7	A00059	Quaker Ginseng	Liver protection	21	A00184	Quaker Family Low Fat Milk Powder Probiotics Formula	Improve gastrointestinal function
8	A00071	Quaker Red Yeast Rice Formula	Regulation of blood Lipids	22	A00185	Quaker Health Oat Noodles	Regulation of blood Lipids
9	A00081	Quaker Gold Flakes of Oatmeal	Regulation of blood Lipids	23	A00187	Quaker Family Nutrition Milk Powder	Immunomodulatory
10	A00091	Quaker Ganoderma Lucidum Nourishing Liquid	Immunomodulatory	24	A00191	Quaker Instant Oatmeal Maple Syrup Taste	Regulation of blood Lipids Immunomodulatory

11	A00099	Quaker Family Low Fat Milk Powder Probiotics Formula	Improve gastrointestinal function	25	A00194	Heaven and Complement Top Rose Four-Nutriments Drink	Anti-aging
12	A00114	Quaker Ginseng Essence	Anti-fatigue	26	A00197	Heaven and Complement Iron Four-Nutrient Drink	Promote iron absorption
13	A00143	Quaker Royal Chicken Essence	Anti-fatigue	27	A00199	Quaker Health Oat Noodles	Regulation of blood Lipids
14	A00147	Quaker Functional Oats	Regulation of blood	28	A00228	Quaker Happy Regimen Youth Protection Formula	Anti-aging

(VII) Implementation of Ethical Corporate Management Policy and measures adopted:

Item	Implementation	Deviation from Ethical Corporate Management Best Practice Principles for TWSE/OTC -Listed Companies and the causes
<p>1. Setup of Ethical Corporate Management Policy and Program</p> <p>(1) The Company's statements about Ethical Corporation Management Policy and strong implementation commitment from the Board and the management in its relevant chapters and external documents</p> <p>(2) Status of Establishing the prevention program of unethical conducts, and the execution of the operational procedures, guidelines, and training within the program.</p> <p>(3) When establishing the preventive program, the Company has strengthened the preventive measures against offering/acceptance of bribes and illegal political donations within their business scope which may be at a higher risk of being involved.</p>	<p>The Company has specified in "Employee Working Handbook" the no entertainment, gift, kickback, or any other benefits. All employees are informed that "honesty and ethics are the principles to conduct all business activities" under Standard Foods. Also as a policy to safeguard Standard Foods' business intelligence and intellectual property, all employees are required to sign "Statement of Undertaking" to promise not to accept any commission, kickback, recompense, cash, loan, or other improper benefit (which include but not limit to improper entertainment, recreation trip, or gift). Also a policy regarding refusal of directors due to conflicts of interest is also detailed under "Rules of Procedure for Board of Directors Meetings".</p>	<p>Although the Company has not set up "Ethical Corporate Management Policy and Program", the internal working regulations match largely the key principles of "Ethical Corporate Management Best Practice Principles for TWSE/OTC -Listed Companies", and there is no major deviation between the two sets of rules.</p>
<p>2. Implementation of ethical corporate management</p> <p>(1) It is advisable not to have any business dealings with persons who have any records of unethical conduct. When entering into contracts with other parties, provisions demanding ethical corporate management policy compliance shall be included.</p> <p>(2) Operation status of the unit that is dedicated to promote ethical corporate management and the associated supervision from the Board.</p> <p>(3) Promulgation of policies for preventing conflicts of interests and provision of a suitable channel for receiving reports on unethical conduct.</p> <p>(4) Operation status of the effective accounting and internal control system, as well as, auditing work from the auditing personnel in the Company for implementing ethical corporate management.</p>	<p>The Company has never accepted gift money or kickback from the suppliers, in order to ensure good quality materials with reasonable prices. The Company has not established a dedicated unit for ethical corporate management. However, all the departments have been conducting business in a way that accomplishes social responsibilities from enterprises. In addition, the Company has a well-functioned internal system that makes sure sound operation procedures from each business unit through reviews on a regular basis.</p>	<p>The Company meets the basics of "Ethical Corporate Management Best Practice Principles for TWSE/OTC -Listed Companies" and the operation is not significantly deviated from the regulation.</p>

Item	Implementation	Deviation from Ethical Corporate Management Best Practice Principles for TWSE/OTC -Listed Companies and the causes
3. Setting up the appropriate channels to receive impeaching report and a system for implementation disciplinary action and appealing procedures regarding violation of ethical corporate management.	This task is undertaken by the auditing unit. The disciplinary actions and appealing procedures are processed based on related regulation from the personnel. No such reporting has received so far.	The Company meets the basics of "Ethical Corporate Management Best Practice Principles for TWSE/OTC -Listed Companies" and the operation is not significantly deviated from the regulation.
4. Strengthening information disclosure (1) Information regarding ethical corporate management practice is disclosed on the Company's website (2) Other information disclosure channels (e.g. maintaining an English-language website and designating people to handle information collection and disclosure, etc.)	A download service of annual report for shareholders' meeting is available on the Company's official website. Investors are allowed to access the related disclosure through the service.	The Company meets the basics of "Ethical Corporate Management Best Practice Principles for TWSE/OTC -Listed Companies" and the operation is not significantly deviated from the regulation.
5. If the Company has social responsibility policy defined in accordance with the Rules Governing Listing & OTC social responsibility, please state the deviation from the Rules Governing Listing & OTC social responsibility: None		
6. Other important information to facilitate better understanding of the Company's implementation of ethical corporate management (e.g., inviting the transaction counterparties to understand the Company's commitment to implement ethical corporate management with the relevant policies and to participate in pertinent trainings and discussions for revising the Company's Ethical Corporate Management Best Practice Principles) (1) To implement the basics of ethical corporate management, the Company operates under Company Act, Securities and Exchange Act, Business Entity Accounting Act, related regulations for Exchange-Listed and OTC-Listed Companies, and other laws and decrees concerning business transactions. (2) The Company has stipulated a policy regarding refusal of directors due to conflicts of interest. Directors are allowed to express opinion and ask/answer questions but shall not participate in and avoid discussions or making vote for proposals that concerns the interest of the director or the representing institution and might cause harm to the Company. (3) The Company has set up "Management Procedures for Preventing Insider Tradings" that specifies directors, supervisors, managers, and employees are not allowed to reveal material internal information to others or to inquire or gather material non-public information that is not related to his/her business scope. Material non-public company information obtained not through business execution shall not be disclosed to others.		

(VIII) Business governance rules and regulations of the Company:

1. Website: <http://www.quaker.com.tw> (information is disclosed and updated periodically).
2. The Website is maintained and updated by the designated personnel. Financial statements are disclosed on the Website for public information.

(IX) Other important information that helps the understanding of business governance: None.

(VII) Implemetation status of internal control system

1. Declaration of Internal Control

Standard Foods Corporation
Declaration of Internal Control

Date: March 22, 2013

The internal control system for the period of January 1 ~ December 31, 2012 makes the following declarations in accordance with the self-inspection conducted:

- I. We understand that it is the responsibility of the Company's management to have the internal control system established, enforced, and maintained. The Company has the internal control system established to provide a reasonable assurance for the realization of operating effectiveness and efficiency (including profits, performance, and assets safety), the reliability of financial reports and the conformity to relevant regulations.
- II. The internal control system is designed with limitations; therefore, no matter how perfect it is designed, an effective internal control system ensures only the realization of the aforementioned three objectives. Due to the changes in the environment and conditions, the effectiveness of an internal control system could change at any time. Our internal control system is designed with self-monitoring mechanisms; therefore, we are able to have corrective actions initiated upon identifying any nonconformity.
- III. We have based the internal control criteria on the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (referred to as "the Governing Rules" hereinafter) to determine the effectiveness of internal control design and enforcement. The internal control criteria of the "Governing Rules" are the management control processes. The internal control, are divided into five elements: 1. Environment control, 2. Risk analysis, 3. Control process, 4. Information and communication and 5. Supervision. Each element is subdivided into several items. Please refer to the "Governing Rules" for the details of the said items.
- IV. We have established the aforementioned internal control criteria to inspect the effectiveness of internal control design and enforcement.
- V. According to the aforementioned examination, the Company's internal control system on December 31, 2012 (including the supervision and management over the subsidiary), including the fulfillment of business performance and efficiency, the reliability of financial statements, the conformity to governing regulations, and the design and enforcement of the internal control system are effective and feasible to ensure the realization of the aforementioned objectives.
- VI. The Declaration of Internal Control is in our annual report and prospectus for public information. For any forgery and concealment of the aforementioned information to the public, we will be held responsible by law in accordance with Securities Transaction Regulation No. 20, No. 32, No. 171 and No. 174.
- VII. We hereby declare that the Declaration of Internal Control was approved by the five directors at the board meeting unanimously on March 22, 2013.

Standard Foods Corporation
Chairman: Ter-Fung Tsao
(Signature)
President: Ter-Fung Tsao
(Signature)

2. If the Company is requested by the SEC to retain a CPA's service to examine the internal control system, the Independent Auditor's Report must be disclosed:
None.

(VIII)The punishment delivered to the Company and the staff of the Company, or the punishment delivered by the Company to the staff for a violation of internal control systems in the most recent years and up to the printing of the annual report, the major nonconformity and the corrective action:
None.

(IX)Resolutions reached in the Shareholder Meeting or by the board of directors in the most recent years and up to the printing of the annual report:

1. **Resolutions reached in the Shareholder Meeting or by the board of directors in the most recent years:**

Date	Meeting	Proposals	Resolutions
2012.03.15	Board of Directors	<ol style="list-style-type: none"> 1. Approved the Company's 2012 business plan and budget. 2. Revised "Management Procedures for Preventing Insider Tradings" 3. Revised "Assets Acquisition or Disposal Procedures" 4. Revised the "Article of Incorporation". 5. Admitted 2011 financial statements. 6. Convened 2012 General Shareholders' Meeting 7. Revised "Internal Control System". 8. Admitted the Company's 2011 internal control declaration 9. Added the election of exemption itmes under "First Adoption of International Financial Reporting Standards" from IFRS 1. 	<ol style="list-style-type: none"> 1. Approved by the directors at the board meeting unanimously. 2. Approved by the directors at the board meeting unanimously. 3. Approved by the directors at the board meeting unanimously. 4. Approved by the directors at the board meeting unanimously. 5. Approved by the directors at the board meeting unanimously. 6. The board meeting approved unanimously to convene the General Shareholders' Meeting on June 6, 2012. 7. Approved by the directors at the board meeting unanimously. 8. Approved by the directors at the board meeting unanimously. 9. Approved by the directors at the board meeting unanimously.
2012.04.20	Board of Directors	<ol style="list-style-type: none"> 1. Authorized Chairman Ter-Fung Tsao to represent the Company to enter into contracts with financial institutions for opening accounts, applying credit lines, and conducting derivatives transactions, etc. 2. Admitted 2011 earnings distribution proposal 3. Increased 2011 paid-in capital from retained earnings to issue new shares 4. Revision of the "Article of Incorporation". 	<ol style="list-style-type: none"> 1. Approved by the directors at the board meeting unanimously. 2. Approved by the directors at the board meeting unanimously; stock dividend for \$2.4 and cash dividend for \$2.4 3. Approved by the directors at the board meeting unanimously. 4. Approved by the directors at the board meeting unanimously. 5. Approved by the directors at the board meeting unanimously.

Date	Meeting	Proposals	Resolutions
		<ol style="list-style-type: none"> 5. Amendment of 2012 General Shareholders Meeting convening matters. 6. List of managers qualified for remuneration preview to be submitted to the Remuneration Committee. 7. Implementation of various remuneration projects. 8. Distribution of directors' remuneration and employee bonus for 2011. 9. Assigned an auditing manager. 10. Stipulation of the internal control system for "Management of Related Party Transactions". 	<ol style="list-style-type: none"> 6. Approved by the directors at the board meeting unanimously. 7. Approved by the directors at the board meeting unanimously. 8. Approved by the directors at the board meeting unanimously. 9. Approved by the directors at the board meeting unanimously to assign Mr. Osmond Chang as the Company's auditing manager. 10. Approved by the directors at the board meeting unanimously.
2012.06.14	Board of Directors	<ol style="list-style-type: none"> 1. Proposed the the increase of total paid-in capital from 2011's retained earnings to issue new shares and cash dividends for shareholders 	<ol style="list-style-type: none"> 1. Approved by the directors at the board meeting unanimously.
2012.08.21	Board of Directors	<ol style="list-style-type: none"> 1. Admitted the Company's 2012 first-half-year financial statements and consolidated financial statements. 	<ol style="list-style-type: none"> 1. Approved by the directors at the board meeting unanimously.
2012.12.25	Board of Directors	<ol style="list-style-type: none"> 1. Proposed the Company's 2013 audit plan. 2. Amendment of the Company's major management rules of "Internal Control System" 3. Discussion the performance evaluation of the directors, supervisors, and managers for 2012 4. Discussion of remuneration (fixed pay) to the directors, supervisors, and managers for 2013. 	<ol style="list-style-type: none"> 1. Approved by the directors at the board meeting unanimously. 2. Approved by the directors at the board meeting unanimously. 3. Approved by the directors at the board meeting unanimously. 4. Approved by the directors at the board meeting unanimously.
2013.03.22	Board of Directors	<ol style="list-style-type: none"> 1. Approved the Company's 2013 business plan and budget. 2. Amendment of the Company's "Rules of Procedure for Board of Directors Meetings" 3. Amendment of the Company's "Regulations Governing Loaning of Funds" 4. Amendment of the Company's "Regulations Governing Making of Endorsements/Guarantees" 5. Approved the business report and financial statements for 2012 6. Elected 11th directors and supervisors 7. Allow the newly elected 11th directors to take positions of directors or managers in other companies under the same industry sector. 8. Admitted the Company's 2012 internal control declaration 	<ol style="list-style-type: none"> 1. Approved by the directors at the board meeting unanimously. 2. Approved by the directors at the board meeting unanimously. 3. Approved by the directors at the board meeting unanimously. 4. Approved by the directors at the board meeting unanimously. 5. Approved by the directors at the board meeting unanimously. 6. Approved by the directors at the board meeting unanimously. 7. Approved by the directors at the board meeting unanimously. 8. Approved by the directors at the board meeting unanimously. 9. Approved by the directors at the board meeting unanimously. 10. Approved by the directors at the board meeting unanimously. 11. The board meeting approved unanimously to convene the General Shareholders' Meeting

Date	Meeting	Proposals	Resolutions
		9. Revised the Article of Incorporation. 10. Discussion of adjustments brought to the retained earnings and other special reserves by adopting IFRS 11. Convened the Company's 2013 General Shareholders' Meeting 12. Discussion of remuneration paid to the Company's managers in 2012 and the remuneration proposal for 2013 13. Discussion of remuneration to the directors and supervisors and employee bonus for 2012	on June 14, 2013. 12. Approved by the directors at the board meeting unanimously. 13. Approved by the directors at the board meeting unanimously.
2013.4.23	Board of Directors	1. Admitted 2012 earnings distribution proposal 2. Increase of paid-in capital from 2012 retained earnings to issue new shares 3. Revision of the Article of Incorporation. 4. Amendment of 2013 General Shareholders' Meeting convening matters.	1. Approved by the directors at the board meeting unanimously. 2. Approved by the directors at the board meeting unanimously. 3. Approved by the directors at the board meeting unanimously. 4. Approved by the directors at the board meeting unanimously.

2. Resolutions reached in the 2012 shareholder meeting:

- (1) Admitted 2011 business report and financial statements: Resolved to pass
- (2) Admitted 2011 earnings distribution proposal: Resolved to pass.
- (3) Amendment of Articles of Incorporation: It was enforced in accordance with the resolution reached in the shareholders' meeting. The approval of the Ministry of Economic Affairs for the amendment of the Articles of Incorporation was received on August 6, 2012. The Letter of Approval: MOEA Commerce No. 10101159540.
- (4) Increased 2011 paid-in capital from retained earnings to issue new shares: It was enforced in accordance with the resolution reached in the shareholder meeting. The approval of the Ministry of Economic Affairs for the change in capital stock was received on August 6, 2012. The Letter of Approval: MOEA Commerce No. 10101159540.

(X) The directors or supervisors who have objections on the resolutions reached by the board of directors and the objections are recorded or declared in writing in the most recent years and up to the printing of the annual report: None.

(XI) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, of the Company's chairman, general manager, accounting manager, financial manager, chief internal auditor, and research and development officer:

As of April 16, 2013

Title	Name	Date of Appointment	Date of Discharge	Reason of Discharge or Resignation
Manager Auditing	- Oliver Chung	04/01/2000	As of January 31, 2012	Due to change of personal career planning

IV. CPA's fees

CPA Fees Bracket

CPA Firm	CPA's name		Auditing period	Remarks
Deloitte Touch Tohmatsu CPA Firm	CPA Ting-Chen Hsu	CPA Hung-Hsiang Tsai	2012.01-2012.12	

Bracket		CPA Fees	Auditing fees	Non-auditing fees	Total
1	Below \$2,000,000			V	
2	2,000,000(including)~4,000,000		V		V
3	4,000,000(including)~6,000,000				
4	6,000,000(including)~8,000,000				
5	8,000,000(including)~10,000,000				
6	Over 10,000,000				

The Company must have the following disclosed upon the occurrence of any of the following events:

- (1) If the ratio of non-auditing fee paid to CPAs, CPA Firm, and related party to auditing fee is over 25%, the auditing fee amount and non-auditing fee amount and the content of non-auditing service must be disclosed: N/A.
- (2) If the auditing fee paid to the newly appointed CPA Firm is less than the auditing fee paid to the former CPA Firm in the prior year, the reduced amount of the auditing fee, the ratio, and the root cause must be disclosed: N/A.
- (3) If the auditing fee paid this year is over 15% less than the auditing fee paid in the prior year, the reduced amount of the auditing fee, the ratio, and the root cause must be disclosed: N/A.

V. CPA's information

(1) Former CPAs

Date	August 2011 and October 2011		
Causes & explanation	Internal coordination of Deloitte Touch Tohmatsu - DTT		
Is the consignment terminated or discontinued by the consignor or the CPA?	Client	CPA	Consigner
	Status	N/A	
	Automatic termination of consignment Consignment terminated (discontinued)	N/A	
An opinion other than unqualified opinion issued in two years and the causes	N/A		
Opinions different from the issuers	YES		Accounting principle or practice
			Disclosures of financial statements
			Auditing scope or procedures
			Others
	NONE	V	
	Remark		
Other disclosures (The disclosures required by the Standard No. 10.5.1.4)	NONE		

(2) CPA successor

CPA Firm	Deloitte Touch Tohmatsu - DTT
CPA's name	Ting-Chen Hsu, Ru-Yang, Liao
	Ting-Chen Hsu, Hung-Hsiang Tsai
Consignment date	August 2011
	October 2011
Inquiry on the accounting process or accounting principle of specific transactions before consignment and the possible opinions on the financial statements and the result	N/A
The written opinion of the CPA successor that is different from the opinion of the former CPA	N/A

(3)The reply from the former CPAs to the Standard No. 10.5.1 and 10.5.2.3:
N/A

VI. The chairman, president and financial or accounting manager of the Company who has worked for the independent auditor or the related party in the past year: None

VII. Information on shareholding transfer and pledge by Directors, Supervisors, Department Heads and Shareholders with over 10% shareholding in the most recent years and up to the printing of the annual report:

(1) Information on Net Change in Shareholding of Directors, Supervisors, Management, and Major Shareholders Unit: Shares

Title	Name	2012		As of April 16 of the year	
		Shares Increase (decrease)	Shares under pledge Increase (decrease)	Shares held Increase (decrease)	Shares under pledge Increase (decrease)
Chairman & President & Shareholder with a 10% or more shareholding	Ter-Fung Tsao	44,645,028	0	0	0
Director	Jason Hsuan	0	0	0	0
Director	Wendy Tsao	489,300	0	(30,000)	0
Director	Howard Tong	0	0	0	0
Director	Jack Hsieh	39,061	0	0	0
Supervisor	Tom A. Chien	38,139	0	0	0
Supervisor	Charng Hui Ltd.	810,975	0	0	0
Vice President, Sales and Marketing	Glendy Chiang	53,711	0	0	0
Director of Finance and Information	Larry Chung	4,866	0	0	0
Special assistant to Chairman	Jason Chen	1,981	0	0	0
Director-Human Resources	Larry Fong	0	0	0	0
Chief auditor of auditing department	Osmond Chang	0	0	0	0
Major shareholder	H.D. Mon	13,778,765	0	(60,000)	0

(2) Shares Transferred: N/A.

(3) Shareholdings under pledge: N/A.

VIII. The relation of the top ten shareholders:

As of April 16, 2013 Unit: Share, %

Name (Note 1)	Shareholder's shareholding %(Note 2)		Shareholding of spouse and minor		Shareholdings in other's names		Name of relation of the spouse or a relative who is a top-ten shareholder and is within two degrees of lineal consanguinity of another top-ten shareholder. (Note 3)		Remarks
	Shares	Shareholding %(Note 2)	Shares	%	Shares	%	Name	Relation	
Ter-Fung Tsao	230,665,980	40.12%	0	0	0	0	-	-	
H.D. Mon	71,657,286	12.46%	0	0	0	0	-	-	
Bright investment Co., Ltd. Representative: Su-Win Tseng	20,577,028	3.58%	0	0	0	0	-	-	
Fubon Life Insurance Co. Representative: M.S. Tsai	16,687,145	2.90%	0	0	0	0	-	-	
Nan Shan Life Insurance Co., Ltd.	9,265,600	1.61%	0	0	0	0	-	-	
Representative: Wen-De Guo	-	-	0	0	0	0	-	-	
Jan-Yaw Lin	7,458,000	1.30%	0	0	0	0	-	-	
RBC Emerging Markets Equity Fund under the custody of HSBC	7,200,000	1.25%	0	0	0	0	-	-	
Watsach Emerging Market Small-Cap Equity Fund under the custody of Deutsche bank	6,354,777	1.11%	0	0	0	0	-	-	
Cathay Life Insurance Co., Ltd.	5,333,240	0.93%	0	0	0	0	-	-	
Representative: Hong-Tu Tsai	-	-	0	0	0	0	-	-	
Trust Fund Account of SinoPac Securities	5,332,876	0.93%	0	0	0	0	-	-	

Note1: The top-ten shareholders must be stated. For institutional shareholders, the name of the institutional shareholder and representative must be listed separately.

Note2: For computing the shareholding ratio, the shareholding of the shareholders, spouse, minors, and held in other's name must be computed separately.

Note3: Disclose relations between shareholders, including legal and natural person, in the preceding paragraphs according to "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

IX. The shareholding of the same invested company by the Company, the directors, the supervisors, the managers or another business that is controlled by the Company directly or indirectly:

March 31, 2013 Unit: Shares

Transfer invested business (Note 1)	The Company's investment		Investment of director, supervisor, management, and the business controlled by the Company directly or indirectly		Comprehensive investment	
	Shares	%	Shares	%	Shares	%
Accession Limited	123,600,000	100.0%	-	-	123,600,000	100.0%
Standard Dairy Products Taiwan Ltd.	30,000,000	100.0%	-	-	30,000,000	100.0%
Chang Hui Ltd.	15,000,000	100.0%	-	-	15,000,000	100.0%
Domex Technology Corporation	10,374,399	52.0%	-	-	10,374,399	52.0%
Standard Beverage Ltd.	7,675,325	97.1%	-	-	7,675,325	97.1%
Standard Investment (Cayman) Limited	30,010,000	100.0%	-	-	30,010,000	100.0%
Standard Corporation (Hong Kong) Ltd.	-	-	30,005,000	100.0%	30,005,000	100.0%
Standard Investment (China) Ltd.	-	-	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Standard Foods (China) Ltd.	-	-	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Shanghai Standard Foods Co.	-	-	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Inner Mongolia Ja Tai Agriculture Science and Technology Development Co.	-	-	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%

Note1: Recorded with equity method

Note2: It is a limited company without any shares.

Four. Stock subscription

I. Capital and shares

(I) History of Capitalization

Year / Month	Issuing price (NTD)	Authorized shares		Issued shares		Remarks		
		Shares	Amount	Share number	Amount	Source of Capital (NTD)	Non-money Capital	Others
1986/06	100	50,000	5,000,000	47,883	4,788,300	Incorporation	NONE	1986.06.06 MOEA. Investment Bureau (75) Kong-Son-Tzi No. 2799
1986/06	100	50,000	5,000,000	47,884	4,788,400	Capital increased by cash NT\$100	NONE	1986.06.27 MOEA. Investment Bureau (75) Kong-Son-Tzi No. 3149
1986/09	100	150,000	15,000,000	150,000	15,000,000	Capital increased by cash NT\$ 10,211,600	NONE	1986.09.22 MOEA. Investment Bureau (75) Kong-Son-Tzi No. 4718
1988/04	100	450,000	45,000,000	450,000	45,000,000	Capitalization from retain earnings for NT\$ 30,000,000	NONE	1988.04.09 MOEA. Investment Bureau (77) Kong-Son-Tzi No. 1831
1990/05	10	16,200,000	162,000,000	16,200,000	162,000,000	Capitalization from retain earnings for NT\$ 117,000,000	NONE	1990.05.16 MOEA. Investment Bureau (79) Kong-Son-Tzi No. 3425
1991/07	10	19,440,000	194,400,000	19,440,000	194,400,000	Capitalization from retain earnings for NT\$ 32,400,000	NONE	1991.05.15 SFE Ruling (80) Tai-Tsai-Cheng (1) No.00935
1992/03	10	30,715,200	307,152,000	30,715,200	307,152,000	Capital increased by cash for NT\$ 48,600,000 Capitalization from retain earnings for NT\$ 64,152,000	NONE	1992.02.17 SFE Ruling (81) Tai-Tsai-Cheng (1) NO.00269
1993/07	10	43,001,280	430,012,800	43,001,280	430,012,800	Capitalization from retain earnings for NT\$ 122,860,800	NONE	1993.04.13 SFE Ruling (82) Tai-Tsai-Cheng (1) No.00771
1994/02	10	60,201,792	602,017,920	60,201,792	602,017,920	Capitalization from retain earnings for NT\$ 172,005,120	NONE	1994.01.14 SFE Ruling (83) Tai-Tsai-Cheng (1) No.49242
1995/03	10	84,833,857	848,338,570	84,833,857	848,338,570	Capitalization from retain earnings for NT\$ 240,807,170 Capitalization from employee bonus for NT\$ 5,513,480	NONE	1995.01.07 SFE Ruling (84) Tai-Tsai-Cheng (1) No.52905
1996/02	10	119,116,843	1,191,168,430	119,116,843	1,191,168,430	Capitalization from retain earnings for NT\$ 339,335,420 Capitalization from employee bonus for NT\$ 3,494,440	NONE	1995.12.04 SFE Ruling (84) Tai-Tsai-Cheng (1) No.62578

Year / Month	Issuing price (NTD)	Authorized shares		Issued shares		Remarks		
		Shares	Amount	Share number	Amount	Source of Capital (NTD)	Non-money Capital	Others
1997/03	10	167,205,291	1,672,052,910	167,205,291	1,672,052,910	Capitalization from retain earnings for NT\$ 476,467,380 Capitalization from employee bonus for NT\$ 4,417,100	NONE	1996.12.24 SFE Ruling (85) Tai-Tsai-Cheng (1) No.74787
1998/03	10	330,000,000	3,300,000,000	209,470,236	2,094,702,360	Capitalization from retain earnings for NT\$ 418,013,220 Capitalization from employee bonus for NT\$ 4,636,230	NONE	1997.12.16 SFE Ruling (86) Tai-Tsai-Cheng (1) No.92147
1999/02	10	330,000,000	3,300,000,000	262,360,651	2,623,606,510	Capitalization from retain earnings for NT\$ 523,675,590 Capitalization from employee bonus for NT\$ 5,228,560	NONE	1998.12.28 SFE Ruling (87) Tai-Tsai-Cheng (1) No.106085
2000/02	10	330,000,000	3,300,000,000	302,264,506	3,022,645,060	Capitalization from retain earnings for NT\$ 393,540,980 Capitalization from employee bonus for NT\$ 5,497,570	NONE	1999.12.24 SFE Ruling (88) Tai-Tsai-Cheng (1) No.109947
2001/02	10	330,000,000	3,300,000,000	320,918,442	3,209,184,420	Capitalization from retain earnings for NT\$ 181,358,710 Capitalization from employee bonus for NT\$ 5,180,650	NONE	2001.01.02 SFE Ruling (90) Tai-Tsai-Cheng (1) No.103971
2009/08	10	330,000,000	3,300,000,000	322,523,034	3,225,230,340	Capitalization from retain earnings for NT\$ 16,045,920	NONE	2009.07.03 FSC Far.Tzi No. 0980033057 Letter
2010/08	10	380,000,000	3,800,000,000	370,901,489	3,709,014,890	Capitalization from retain earnings for NT\$ 483,784,550	NONE	2010.07.05 FSC Far.Tzi No. 0990034588 Letter
2011/08	10	480,000,000	4,800,000,000	463,626,861	4,636,268,610	Capitalization from retain earnings for NT\$ 927,253,720	NONE	2011.07.04FSC Far.Tzi No. 1000030659 Letter
2012/08	10	580,000,000	5,800,000,000	574,897,307	5,748,973,070	Capitalization from retain earnings for NT\$ 1,112,704,460	NONE	2012.06.26FSC Far.Tzi No. 1010027983 Letter

Type of Share	Authorized shares			Remarks
	Outstanding shares (Available for trading on the TWSE)	Un-issued shares	Total	
Registered common	574,897,307	5,102,693	580,000,000	

(II) Comprehensive filing system: N/A.

(III) Shareholder structure

April 16th, 2013

Shareholder structure	Government Agencies	Financial Institutions	Other Institutional Investors	Natural Persons	Foreign Institutions & Natural Persons	Total
QTY						
Number of Shareholders	0	19	152	24,705	306	25,182
Shares held	0	37,517,784	56,687,630	392,067,001	88,624,892	574,897,307
%	0.00%	6.53%	9.86%	68.19%	15.42%	100.00%

(IV) Dispersal of shareholding

NTD 10 Par value

April 16th, 2013

Classification	Number of Shareholder	Shares held	%
1-999	10,767	2,184,835	0.38%
1,000-5,000	11,119	22,509,700	3.92%
5,001-10,000	1,622	11,794,435	2.05%
10,001-15,000	542	6,643,624	1.16%
15,001-20,000	268	4,722,642	0.82%
20,001-30,000	241	5,940,861	1.03%
30,001-40,000	147	5,174,144	0.90%
40,001-50,000	83	3,723,807	0.65%
50,001-100,000	171	12,213,021	2.12%
100,001-200,000	83	11,599,343	2.02%
200,001-400,000	50	14,172,814	2.47%
400,001-600,000	21	10,148,713	1.77%
600,001-800,000	20	13,682,512	2.38%
800,001-1,000,000	11	10,016,551	1.74%
Over 1,000,001	37	440,370,305	76.59%
Total	25,182	574,897,307	100.00%

(V) Major shareholder

April 16th, 2013

Shareholder Name	Shares	Shares held	%
Ter-Fung Tsao		230,665,980	40.12%
H.D. Mon		71,657,286	12.46%
Bright investment Co., Ltd.		20,577,028	3.58%
Fubon Life Insurance Co.		16,687,145	2.90%
Nan Shan Life Insurance Co., Ltd.		9,265,600	1.61%
Jan-Yaw Lin		7,458,000	1.30%
RBC Emerging Markets Equity Fund under the custody of HSBC		7,200,000	1.25%
Watsach Emerging Market Small-Cap Equity Fund under the custody of Deutsche bank		6,354,777	1.11%
Cathay Life Insurance Co., Ltd.		5,333,240	0.93%
Trust Fund Account of SinoPac Securities		5,332,876	0.93%

(VI) Market Price, Net Worth, Earnings & Dividend per Share in the past two years

Fiscal year		2011		2012		As of March 31, 2013 (Note 5)	
		Item					
Market price per share	Highest		141.50	113.50	91.9		
	Lowest		69.10	69.60	78.9		
	Average		94.18	87.21	84.46		
Net worth per share	Before appropriation		19.29	17.38	18.62		
	After appropriation		13.61	(Note 1)	(Note 1)		
Earnings per share	Weighted average shares		460,247,796	570,707,267	570,707,267		
	Earnings per shares before adjustment		5.34	3.92	1.23		
	Earnings per shares after adjustment		4.31	(Note 1)	(Note 1)		
Dividends per share	Cash dividends		2.4	(Note 1)	-		
	Stock Dividend	Earnings distribution	2.4	(Note 1)	-		
		Capital reserve distribution	-	-	-		
	Accumulated unpaid dividends		-	-	-		
Analysis of return on investment	Price/Earnings Ratio (Note 2)		17.64	22.25	-		
	Price/Dividend Ratio (Note 3)		39.24	(Note 1)	-		
	Cash dividends yield rate (Note 4)		2.55%	(Note 1)	-		

Note 1: Subject to the approval of annual shareholders' meeting.

Note 2: Profit ratio = Closing price per share of the year / Earning per share.

Note 3: Earning ratio = Closing price per share of the year / Cash dividend per share.

Note 4: Cash dividend yield rate = Cash dividend per share / Closing price per share of the year.

Note 5: The column of the net worth per share and earnings per share is the data of

the latest quarter certified (or reviewed) by auditors while other columns are for the financial data of the year.

(VII) Execution of Dividend Policy

1. Dividend Policy

The Company earnings from the annual net income after paying income taxes and offsetting any deficits shall be appropriated as follows: Legal reserve and special reserve; bonus to employees at no less than 1% and remuneration to directors and supervisors at 1% of the remainder; and 30% to 100% of the sum of the remainder and prior years' unappropriated earnings as dividends. The 30% to 100% of total dividends shall be paid in cash; however, if the Company has major investment plans for which external funds are not available, the percentage may be lowered to 5% to 20% of the distributable amount.

2. Proposed Distribution of Dividends:

The distribution of dividends was resolved in the board meeting on April 23, 2013 for a stock dividend of NT\$1.5 per share and cash dividend of NT\$2.0 per share and the resolution will be proposed to the Shareholder Meeting for approval on June 14, 2013.

(VIII) Impact on Operating performances and EPS that resulted from the stock dividend distribution of this year:

Fiscal year		2013 (estimated)	
Item			
Capital collected at the beginning		NT\$ 5,748,973, 070	
Dividend distribution of the year	Cash dividend per share(Note 1)	NT\$ 2.0	
	Stock dividend from retained earnings(Note 1)	0.15 share	
	Stock dividend from capital reserve	0 share	
Operating performance (Note 2)	Operating income	N/A	
	Operating income increase (decrease) from the year before	N/A	
	Net income	N/A	
	Net income increase (decrease) from the year before	N/A	
	Earnings per share	N/A	
	Earnings per share increase (decrease) from the year before	N/A	
Average return on investment ratio (the reciprocal of average profit ratio)		N/A	
Pro forma earnings per share and profit ratio (Note 2)	Cash dividend from retained earnings	Pro forma earnings per share	N/A
		Pro forma average return on investment ratio	N/A
	Without capitalization from capital reserve	Pro forma earnings per share	N/A
		Pro forma average return on investment ratio	N/A
	Without capital reserve and all capitalization from retained earnings is distributed as cash dividend	Pro forma earnings per share	N/A
		Pro forma average return on investment ratio	N/A

Note 1:A resolution is to be reached in the 2013 general shareholders' meeting.

Note 2:The company is not required to publish the 2013 financial forecast in accordance with the "Rules Governing the publication of financial information by public offering companies;" therefore, it is not applicable.

(IX) Bonus for Employees and Remuneration to Directors and Supervisors

1. Information of employee bonus and directors' and supervisors' remuneration was prescribed in the Articles of Incorporation; please refer to above-mentioned (VII) dividend policy for details.
2. The basis of estimating the amount of employee bonuses and director/supervisor compensation for calculating the number of shares to be distributed as stock bonuses and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The Company's employee bonuses payable and remuneration payable to directors and supervisors for 2012 are estimated at NT\$28,199,586 and NT\$20,142,560, respectively. The said employee bonus is an amount equivalent to 1.4% of the 2012 net income less legal surplus. The said remuneration to directors and supervisors is an amount equivalent to 1% of 2012 net income less legal surplus. If the resolution amount is different from the actual distribution, the discrepancy will be adjusted in the year the shareholders' meeting was held under the change of accounting estimate. If it is resolved in the shareholder meeting to have stock dividend distributed to employees, the shares of stock dividend are computed in accordance with the dividend amount divided by the stock's fair value. The stock's fair value is the closing price on the day prior to the day of the shareholder meeting with the effect of ex-right and ex-dividend included for consideration.

3. The distribution for a pro forma employee bonus proposed by the board of directors:
 - (1) The distribution of cash dividends and stock dividends to employees and remuneration to directors and supervisors:
 - 1.1 Employee cash dividends of NT\$28,199,586.
 - 1.2 Employee stock dividends of NT\$0.
 - 1.3 Remuneration to directors and supervisors of NT\$20,142,560.The aforementioned pro forma employee bonus and remuneration to directors and supervisors proposed by the Board was in line with the estimated amount in the 2012 financial statements.
 - (2) The pro forma stock dividends to employees and the ratio of the pro forma stock dividend to the total amount of net income and total dividend to employees: N/A.
 - (3) Earnings per share after the distribution of pro forma dividends to employees and remuneration to directors and supervisors: The Company's earnings per share in 2012 amounted NT\$3.92. The dividend to employees and remuneration to directors and supervisors is expensed instead of booked as the distribution of retained earnings without stock dividend; therefore, the said dividend distribution does not affect the company's earnings per share.

4. Actual distribution of dividends to employees and remuneration to directors and supervisors in the prior year:

The Company had cash dividends distributed to employees in the amount of NT\$30,975,310 and remuneration to directors and supervisors in the amount of NT\$22,125,222 in 2011 that was in line with the amount recognized in the 2011 financial statements.

(X)Treasury stock : None

II. Corporate bond : None.

III. Preferred stock: None.

IV. Issuance of global depository receipts

Date of the initial issuance	1997.06.19		
Place of issuance and listing	Issued in The United States and Europe; Listed in Euro MTF Market.		
Total Amount	USD 29,070,000		
Offering price per GDR (US\$)	USD 9.69		
Units Issued	3,000,000		
Underlying Securities	Common stock of Standard Foods Corporation held by the shareholders		
Common Shares Represented (Shares)	15,000,000 share		
Rights and Obligation of GDR Holders	Same as those of Common Share Holders		
Trustee	NONE		
Depository Bank	The Bank of New York Mellon Corporation		
Custodian Bank	Trust Department, Mega Bank		
GDRs Outstanding (Units) as of March 31, 2013	277,635.2		
Apportionment of the expenses for the Issuance and the maintenance	All fees and expenses related to the issuance of GDRs were borne by the selling shareholders while the maintenance expenses were borne by issuer		
Terms and Conditions in the Deposit Agreement and the Custody Agreement	Please see the Deposit Agreement and the Custody Agreement for details		
Market price per unit (USD)	2012	Highest	18.3
		Lowest	12.13
		Average	14.76
	As of March 31, 2013	Highest	14.78
		Lowest	13.72
		Average	14.26

V. Employee stock option certificates: None.

VI. Mergers and acquisitions: None.

VII. Fund implementation plan

(1)Plan Details

Outstanding equity issuance and marketable security subscription, or the completed equity issuance or subscribed marketable security in the last three years without success up to the last quarter before the printing of the annual report: N/A.

(2)Plan implementation

The implementation of the aforementioned plans: N/A.

Five. Overview of business operation

I.Principal activities

(I) Operating Scope:

1. Major business: Manufacturing and selling of nutritious foods, edible oil, dairy products, and beverages.
2. Operating ratio of current products

	2012
Products	Ratio
Nutritious Foods	83%
Cooking products	14%
Others	3%
Total	100%

(II) Industry Overview

Due to lower production volume of agricultural corps the from major production areas caused by global climate change and influence from market speculation brought by expectation of growing demands from China and emerging countries, price hike of production materials remained. Despite recovering economy and increasing consumer confidence, cost pressure brought by inflating commodity prices to the food producers is not likely to transfer.

In addition, as some distributors are also developing their own brands and begin to charge various fees for distribution, these not only squeeze the viability and profit margin of the food product makers and but also change the relationship between the food makers and distributor.

Owing to the sequential events on food safety issues, the general public is putting a higher level of attention to food safety/health and quality control. In the mean time, the consumers' awareness on health care is elevating and this should make the said products to become the mainstream for the market. Also according a survey of new product developments in recent years among Taiwan's food product makers done by The Food Industry Research and Development Institute, health care products have always been the one that has the most potential.

(III) Technology Research and Development

1.R&D spending in the most recent years and up to the printing of the report

Unit: NTD Thousand

	2012	As of 3/31 of the year
Amount	66,967	17,513

2.R&D expenses for technology and products developed successfully up to the most recent year and the printing of the annual report:

- (1) Successfully developed the readily-absorbed "Quaker Advanced Glucosamine Formula" and rolled it out to market.
- (2) Developed "Quaker Sugar-Free Ginseng Formular" and "Quaker Decoction Drink of Ten Powerful Tonics" and rolled them out to the market successfully.
- (3) Developed new flavors for Quaker Fresh Cereal King: Super Healthy Beans, Super Healthy Wheat, and Super Healthy Berry and rolled them out to the market successfully.
- (4) Developed and upgraded products for Quaker Soup series.
- (5) Developed New Pearl Wheat Products: Sugar-Free Walnut Pearl Wheat, Almond Nuts, Pine Nuts, and Walnuts and rolled them out to the market successfully.
- (6) Developed 3 new flavors under Healthy Porridge series: Golden Corn with Lean Meat, Ten Veggie, and Seafood Scallop with Dried Bonito and rolled them out to the market successfully.
- (7) Developed new eight flavors for Hokkaido Oatmeal series and rolled them out to the market successfully.
- (8) Researched for Quaker series products and made associated efficiency tests. Several healthy food certifications have obtained for anti-aging (honey ginseng and youth formulas), anti-body fat (oat cereal) and other products.
- (9) Obtained several certifications for healthy food (Family Nutritious Milk Powder for immunoregulation, Functional Oatmeal for blood sugar regulation, and Fictional Oat Noodles for of blood Lipids regulation)
- (10) Developed Health Kids, Upgraded High-Calcium Powdered Milk Formula and rolled them out to the market successfully.

3.R&D Projects in the Latest Year:

(1)Research and application of health foods:

1.1 The study of functional materials and their effectiveness, such as milk powder

1.2 The study of functional materials and their effectiveness, such as cereal products and Kampo Medicine beverages

(2)Research and development of special nutrition foods and development and application of special nutritional food for patients.

(3)Analysis and study of healthy food.

(4)Study of various technologies, such as supercritical extract, coating, and extrusion.

(5)Upgrade development and research for the entire series of solid food for infants.

(IV)Long-term and short-term business development plan

The Company has long been leading the market trend and takes health food development as the core business, in order to provide high-quality products for the country. We've always operated under the principles of being stable and pragmatic. We only concentrate on core-business operation and originate various new products through non-stop developments and scientific researches, so as to foster new product lines and enhance the brand value.

In terms of our short-term business goals, which always revolves around the long-term spindle, we plan to expand the business scale by stages through introduction of new formula and flavors for the existing products to cover the needs of customer from each layer. Also we will grow the China market gradually by applying the successful experience accumulated in Taiwan and flexible marketing strategies.

II. Market analysis and the conditions of sales and production

(I)Market analysis

Sales regions: For Taiwan only.

Market supply and demand:

Nutritious Foods:

1. Oats

(1)Market share

Our cereal products, including instant oats, three-in one cereal, canned cereal powder, package cereal powder, and refrigerated oat drinks, are well received among the consumers. Through our unremitting brand management, we have continued to lead the cereal product market in Taiwan in 2012.

(2)Future supply and demand and market growth

Owing to unbalanced diet behaviors, civilization diseases are becoming common. Hence, cereal products are now the most convenient and economic choices for health improvement due to the increasing awareness on health issues, more attention to his/her own and their family's health from customers, plus the promoting of daily balanced diet from Department of Health, Executive Yuan R.O.C.. In addition, their easy to fix and instantly drinkable features with various flavor choices have met the needs from various age layer and kept the market continue to grow.Under improvement in consumer consciousness, consumers will increasingly emphasize the food safety issues. Therefore, providing safe and high quality cereal products will be the trend in the future.

(3) Competitiveness, the advantages and disadvantages of development, and responsive strategies

The Company has cereals products developed with a balance of health, taste, quality and diversity to meet the combing needs of consumers. Quaker Oats have been promoted under the product appeal of "cholesterol reduction". In 2012 the product lines also received the health certification of "anti-body fat". We believe the product lines will continue to expand via the advertisement of dual certification. Moreover, through the comprehensive promotion of refrigerated oat drinks, our oat product line has successfully penetrated into the youth group; this has strengthened the Standard Foods' leadership in oats product category. As for three-in one instant cereal products, after sculpting a supreme-quality image for "Quaker Pearl Cereal" through advocating the careful production procedures and high-quality materials through commercials, our latest promoting slogan of "Choose Quaker for good cereal" has enrooted deeper trust and favorable comments from the consumers. A new series of "Nutty Quaker Pearl Cereal" was introduced in 2012 to expand the consumer groups.

Looking forward to the future, for more complete and diverse product lines, the Company will consistently develop cereal products to become a favorite brand for the old and the young and meet different needs of different groups of people. We will keep improving business growth and maintain gross profit through advertisement investment.

2. Herbal tonic drink

(1) Market share

According to market survey from AC Nielsen, Standard Foods was ranked the number one seller in tonic drink market in 2012 which had a total value of NT\$ 4.8 billion reached for the year. This has proven recognition among the customers for the product.

(2) Future supply and demand and market growth

Since the impact of the global financial crisis gradually receded and more and more healthy concepts prevail among modern people, consumers are willing to spend more on nutriment foods in addition to daily necessities. Longevity along with the aging population in Taiwan and hopes of being well when getting old provide growth potential for healthcare food. Well positioned functional products have potential to grow.

(3) Competitiveness, the advantages and disadvantages of development, and responsive strategies

Standard Foods is the pioneer in the health nutriment market. The popular brands of Four Herbs Drink, Ginseng, and Tonic Linchi Drink are the leading brands in their respective fields. The Company has built up a healthy image and good reputation as a specialist in nutriment food through massive investment in advertisement and dedication to business operations. In addition, the diversified product lines and the spirit of innovation are the keys that make the Company a leader in the market with great development potential in the future.

The Company has been striving in delivering the best quality product to the consumers. After receiving the certification of liver protection and through continuous advertisement about it, our sales from Quaker Ginseng kept delivering new record height and the trend hasn't seen a stop yet. The product now is the number one liver-protection drink for the market and has won the trust and favorable comments from the consumers. On the other hand, our Heaven and Complement Top Rose Four-nutriment drink continued to dominate menstruation regulation market, as we see taking care of Taiwan women's health is Standard Foods' mission. Other than the aforementioned drink that already led the menstruation soothing sector and received certification of anti-aging, we launch beauty drinks in 2012 to offer more

choices to our target customers, cater the trend of aging society, enroot our female customers. For our Glucosamine formula, it was the number-two brand in the sector in 2011 through our hard work. We believe it has the great potential to generate better sales in the near future.

In the new year, the company will strive to develop and promote herbal tonic drinks to meet demands from customers in all age groups; also, it will continue to invest in advertisement, to approach the herbal tonic drinks market with diversified marketing and distribution activities in order to increase market share and prevalence, to improve sales, and to take care of the health of consumers.

3. Baby food

(1)Market share

Standard Foods has becoming the leading brand for infants and young children food with possession of niche advantage and growing momentum. The achievement is resulted from our continuous innovation and research, as well as investment on commercial time buying and marketing activities. In 2012, our infant solid food, growth milk powder, and children milk powder all remained number one brand for the markets due to strong recognition from the customers.

(2)Future supply and demand and market growth

There were total of 229 thousand new-born babies during the year of dragon in 2012. Even though the market is under the influence of slow economy and the increasing trend of longer breast feeding, we believe the demands for good-quality baby nutrition stays high; therefore, we will be focusing on developing of high-quality and functional products for this market in the future.

(3) Competitiveness, the advantages and disadvantages of development, and responsive strategies

Standard Foods insists the spirit of "pursuing good nutrition" for providing high-quality and suitable products for babies in all stages in Taiwan. For solid food, we launched the first series of gluten-free hydrolyzed amino-peptide baby essence to solve celiac disease from babies, in order to provide the best to the baby customers. More innovation have made in our infant and young children milk powder. Other than processing the first certification for Quaker Growth Formula with Three healthy Biotics and introducing the advanced version for the products, our creative TV commercials and seamless marketing event have made the product line, both basic and advanced versions, star offerings for the market and boosted up our market share for infant and young children formula market. Moreover, we also have nutrition supplements, including Must series, children honey ganoderma, etc to provide professional and comprehensive

nutritious care from new-born to school-age children in Taiwan. Lastly through the offerings of parenting classroom and professional videos on nutrition education for branding, every one of two babies in Taiwan is Quaker's customer. (Note) Quaker will continue to care of our baby customers from the heart to provide high-quality and various products and put in marketing and promotional resources to win the loyalty from the mommies and their babies.

(Note: Data resource, Quaker's penetration rate of baby food market for infants under age of three from baby index of 2012 Kantar World panel Baby

Dairy products and drinks:

4. Powdered milk (for adults)

(1) Market share

Quaker Adult Milk Powder is the leader in low fat milk powder in Taiwan. According to the market survey of Kantar Worldpanel, Quaker adult milk powder had the highest market share of the low fat milk powder market from 2001 till present, close to a 60% market share.

(2) Future supply and demand and market growth

Taiwan's milk powder market is in a mature and stable period. However, based on continuous provision of high quality and multi-functional products with innovative marketing strategy planning and smooth communication, Standard Foods not only shows consistent growth but also gains consumers' recognition.

Regarding the market's prospects, from observing the demographics and health orientation of residents in Taiwan, adult milk powder has market potential and demand. According to the statistical data of the Council for Economic Planning and Development, Taiwanese society is aging rapidly. Senior citizens do stress the importance of healthcare and a healthy diet; therefore, they are the main consumers of milk powder and their demand for nutritious adult milk powder will be steadily growing.

Standard Foods has won the hearts of consumers with its innovative quality products since entering the milk powder market in 1993. Standard Foods' R&D team has a series of personalized health milk powders designed for the nutriment of consumers in Taiwan, for example: Quaker high-calcium zero-cholesterol milk powder is for consumers over 50 years old, Quaker High Iron Milk Powder with Collagen Formula is for the beauty and health of women, a special functional nutriment is for menopause, and high-calcium milk powder is for stool issues. Among Standard Foods' products, high-calcium has dual certifications and has been awarded with two national health certificates; moreover, it has been popular with consumers upon its market launch; furthermore, it helps to secure Standard Foods' leading position in the market.

(3) Competitiveness, the advantages and disadvantages of development, and

responsive strategies

In caring for consumers' nutrition and health, Standard Foods strives to continuously develop good products. The Company introduced the healthy "Quaker Nutriment" in 2006 and sales naturally improved with its marketing campaign and celebrity endorsements. Furthermore, Standard Foods has entered the adult nutriment market with the introduction of a diabetic liquid formula, with the intention of developing market share and sales amounts in the aging Taiwanese market.

Standard Foods has made "pursuing good nutriment" the mission of its business and has promised to provide consumers with the best quality products. Several products of Standard Foods are awarded national health certifications and its brand name is recognized by consumers. It is our intention to enter the field of adult nutrients with Quaker's brand name and sales experience, our extensive R&D team and active marketing strategy.

5. Distribution Product (adult milk powder and cheese)

(1) Market share

According market report from AC Nielsen, market scale of adult milk powder was stable in 2012 Fonterra milk powder remained one of the three main brand names in the market had the same growth rate as the overall market. Overall sales figure of cheese decreased mildly due to price hikes. In the meantime, market share of Chesdale was down by an inch because of a lower supply. Nevertheless its leadership in the market stayed intact.

(2) Future supply/demand and market growth

Under new products, new advertisements and promotion activities continuously launched by various brands in 2013, overall sales are expected to stay stable.

The ratio of distribution networks was kept the same as the year before. Discount stores and distribution network for civil servants and teachers remained as the main channels. The market landscape has not experienced significant change.

(3) Competitiveness, the advantages and disadvantages of development, and responsive strategies

Consumers now care more about getting their money's worth and about quality and brand name. Fernleaf Milk is a pure quality brand name from New Zealand; therefore, with distribution promotion and price manipulation, it is expected to grow stably in the full-cream market. Anlene Milk Powder is popular low-fat milk. A new advertisement was launched in 2013 to solidify existing consumers and improve the brand image. A comprehensive distribution network was arranged to increase sales. Although the cheese market increased slightly, various

consumer theme activities will be arranged to promote Chesdale cheese sales and to reinforce the healthy and nutritious image of Chesdale cheese for sales stimulation.

Standard Foods intends to work with the agent companies closely and promotes marketing activities and network operation intensively in the years ahead for higher market share and excellent sales.

Edible oil:

6. Edible oil

(1) Market share

The company has striven to manage the brand “Great Day” for over 20 years with a belief in providing families in Taiwan with the best edible oil, including Sunflower Seed Oil, High Oleic Canola oil, and imported oil - 100% olive oil and grape seed oil loved and supported by consumers for its healthy and quality image. It is a leading brand in the market.

(2) Future supply and demand and market growth

The oil market and market scale in recent years is stable; also, oil prices are expected to go up due to the rising costs of mass raw materials.

Due to the awakening of health consciousness and quality of life, the need for fine and healthy edible oil is ever increasing. Great Day insists on 100% pure Sunflower Seed Oil with innovative oil refinery processes implemented to reserve more naturally healthy elements – lutein, chlorophyll, and β carotene. Great Day sunflower oil has been the first choice of housewives. The professional combination of Great Day five-treasure oil is in conformity with the 4:8:1 fatty acids ratio defined by the American Heart Association and is accredited with national health food certification for lowering total cholesterol in blood serum and it has become the most popular health oil for consumers. Moreover, Great Day 100% imported olive oil has launched new TV commercials in 2012 that has helped to stable the sales and kept the leadership among the peers.

(3) Competitiveness, the advantages and disadvantages of development, and responsive strategies

Home cooking is changing along with the upgrade of education levels. In addition to switching to a lighter diet and healthy edible oil, the market share for the health appeal of 100% natural sunflower seed oil and healthy oils is consistently growing and the two products have become the mainstream edible oil in the market; also, they are the main sources of sales growth for Great Day.

Under aggressive investment by various brands in 2013, it is expected that the high-class edible oil market will continuously expanded. Great Day will use its professional technology and experience to open up the cooking oil market with high quality products and healthy oil image.

We will continue to invest in advertisements for our Great Day Sunflower Seed Oil series to upgrade brand value and the image of health. Also, we will use the spirit of brand innovation to produce good edible oil, to upgrade product value and quality and to satisfy consumers in Taiwan in need of healthy edible oil.

Others:

7. Distribution (candy)

(1) Market share

According to the market survey of AC Nielsen, the soft candy and hard candy market size showed stable and slight growth in 2012. The sales of Mentos is stable among six major brands, representing slight growth compared to the sales last year.

(2) Future supply and demand and market growth

The candy market is expected to stay stable in 2013. The convenience stores which are the main distribution channel of candy products have attracted consumers to consume through a continuous and new marketing strategy and large store activities. The sale activity inspires consumers to consume. Other distribution channels, such as discount stores, chained supermarkets, and franchised network, should stay flat.

(3) Competitiveness, the advantages and disadvantages of development, and responsive strategies

To further increase the market share and product reached frequency, Mentos will launch new commercials in 2013 to implement the fresh image among the consumers and enhance the brand topicality and awareness. We've set up a fan page under Facebook for Mentos in 2012 to not only shorten the distance to the consumers and increase the exposure and amiability for higher sales under the era of Internet explosion. For this year, we will also co-work with the distributors' event to create another flow of product topicality to lead the consumption trend.

Also, new secret flavor for the candy will be offered in the middle of the year in the seasonal package and distributed in convenient store chains. In the second half of the year, Mentos plans to introduce dual flavors Mentos Rainbow Candy in various channels to increase the diversity and uniqueness of Mentos in order to impress consumers and to boost sales.

We intend to arrange marketing activities and distribution networks intensively in the years to come to maintain Mentos sales and to introduce new candy products for higher market shares and excellent sales.

(II) Application and production process of major products

1. Application of major products

Main product	Product application
Nutritious Foods	High fiber grain-based foods and nutritious beverages for breakfast and health diets.
Cooking products Food product type	For cooking needs.
Others	For leisure foods.

2. Production Process of Major Products

Oat flake: raw material->cutting->pressing->cooling->sieving->packaging

Oat powder: raw material->foam slurry-> gelatinization-> drying->graining-> sieving-> packaging

Processing Flow Chart for Herbal Drink: Tonic Drinks: raw material->extracting-> filtering-> mixing-> bottling->packaging

Dairy Products: raw material->homogenization->pasteurization-> refrigerating->bottling-> packaging

Refined Oil: raw oil->refining, deacidification-> bleaching-> deodorization-> winterization-> packaging

Three Treasure Oats: raw material->extrusion->drying->cooling->packaging

(III) Supply of major raw materials

Major raw materials	Sources
Oats	Imported from Australia
Sunflower Seed Oil	Suppliers in the USA
Oleic Canola oil	Suppliers in Canada, Australia, and the USA
Flour	Domestic suppliers
Cane sugar	Taiwan Sugar Corp.
Milk Powder	Suppliers in France, Denmark, Australia & Taiwan

(IV) Major Customers and Suppliers of the last two fiscal years

1. Major Customers in the past two fiscal years

Unit: NTD Thousand

Item	2011			2012			As of March 31, 2013					
	Name	Amount	Percentage of total net sale amount (%)	Relationship with the issuer	Name	Amount	Percentage of total net sale amount (%)	Relationship with the issuer	Name	Amount	Percentage of total net sale amount (%)	Relationship with the issuer
1	A	3,179,374	25.4		A	3,113,659	25.6		A	703,463	24.5	
2	B	1,594,605	12.7		B	1,336,145	11.0		B	325,893	11.4	
	Others	7,770,286	61.9		Others	7,712,995	63.4		Others	1,839,262	64.1	
	Net sale amount	12,544,265	100.0		Net sale amount	12,162,799	100.0		Net sale amount	2,868,618	100.0	

Note 1: List the name, sales amount and sales ratio of the customers who have accounted for over 10% of total sales in the last two years. The customers who are not related parties and must be kept in confidence in accordance with the agreement signed and can be identified by code.

Note 2: No substantial change occurred in the last two years.

2. Major Suppliers in the past two fiscal years

Unit: NTD Thousand

Item	2011			2012			As of March 31, 2013					
	Name	Amount	Percentage of net purchase amount (%)	Relationship with the issuer	Name	Amount	Percentage of net purchase amount (%)	Relationship with the issuer	Name	Amount	Percentage of net purchase amount (%)	Relationship with the issuer
1	A	1,183,096	16.8		A	972,956	15.1		A	148,296	9.5	
	Others	5,848,644	83.2		Others	5,476,267	84.9		Others	1,408,426	90.5	
	Net purchase amount	7,031,740	100.0		Net purchase amount	6,449,223	100.0		Net purchase amount	1,556,722	100.0	

Note 1: List the name, sales amount and sales ratio of the customers who have accounted for over 10% of the total sales amount in the last two years. The customers who are not related parties and must be kept in confidence in accordance with the agreement signed and can be identified by code.

Note 2: No substantial change occurred in the last two years.

(V) Production Quantities and Value over the Past Two Years

Unit: 1 tons / NTD Thousand

Fiscal year QTY & Value	2011			2012		
	Capacity	Production Quantity	Production Value	Capacity	Production Quantity	Production Value
Major Products						
Nutritious Foods	95,000.00	78,726.65	6,337,102	95,000.00	76,890.33	5,656,681
Cooking products	33,000.00	20,380.17	1,146,974	33,000.00	20,951.46	1,224,803
Others	(Note)	7,768.81	193,577	(Note)	9,503.37	221,209
Total	128,000.00	106,875.63	7,677,653	128,000.00	107,345.16	7,102,693

Note: Nutritious Foods production line was used for production.

(VI) Sales Quantities and Value over the Past Two Years

Unit: 1 ton/NTD Thousand

Fiscal year QTY & Value	2011				2012			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
Major Products	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Nutritious Foods	76,315.1	10,551,065	21.4	3,028	76,328.3	10,125,767	90.7	11,477
Cooking products	20,812.6	1,704,933	13.0	921	20,524.8	1,697,129	13.0	947
Others	7,406.6	284,304	0.0	14	9,086.7	327,479	0.0	0
Total	104,534.3	12,540,302	34.4	3,963	105,939.8	12,150,375	103.7	12,424

III. Status of employees over the past two years and up to the printing of the annual report

As of March 31, 2013

Fiscal year		2011	2012	As of March 31, 2013
Number Of Employees	Management & Staff	439	451	453
	Technicians & Laborers	330	348	330
	Total	769	799	783
Average Age		36.76	36.79	37.13
Average Years of Service		8.47	8.58	8.92
Education distribution	Ph. D.	5	5	5
	Masters	79	87	88
	College/ University	337	352	349
	Senior High School	269	256	244
	Junior	79	99	97

Note: Contracted personnel and foreign laborers are included.

IV. Expenditure on environmental protection

We have spared no effort to follow government policy in environmental protection. In addition to environmental management inspections and environmental protection equipment, we have a responsible team designated for the operation, repair and maintenance, and improvement of pollution fighting equipment

(I) **Total losses of environmental pollution (including indemnification) and punitive fines amount in the most recent years and up to the printing of the annual report:** None

(II) **Response strategy**

1. Corrective action plan

(1) Corrective action: N/A.

(2) Estimated environmental protection expenses in the next three years

	2013	2014	2015
Pollution fighting equipment or expenditure planned	Environmental protection equipment operating expense and garbage clean up expense	Environmental protection equipment operating expense and garbage clean up expense	Environmental protection equipment operating expense and garbage clean up expense
Corrective action planned	Maintain environmental protection equipment and clean up garbage	Maintain environmental protection equipment and clean up garbage	Continue implementing electricity, heat and water resource saving projects and adding efficiency enhancement facilities, so as to achieve the goals of energy conservation/ carbon reduction and greenhouse gas subtraction
Amount	NT\$6,250 thousand	NT\$6,250 thousand	NT\$6,250 thousand

(3) Impact afterwards

	2013	2014	2015
Impact on net income	Minor	Minor	Minor
Impact on competitiveness	NONE	NONE	NONE

2. Corrective action is not implemented: N/A.

V. Employee / Employer Relations

(I) **Major coordination and implementation of current labor issues**

1. Employee's welfare package

Employees' welfare is arranged as follows:

- (1) Labor insurance and health insurance are arranged for employees as required by law. The company will have the employees informed automatically upon the occurrence of insurance settlements and will assist them in applying for the said settlement for their protection.
- (2) The company has group insurance for employees as a whole (including their spouses and children) including life insurance, accident insurance, medical insurance, and cancer-prevention insurance with the premium paid by the company in full.
- (3) Annual bonus and performance prize money from retained earnings are distributed to employees.
- (4) Physical check-ups for employees are arranged periodically.
- (5) Gifts are distributed to employees on Moon Festival, Dragon Boat Festival, Chinese New Year, and Labor Day.

The Employee Welfare Committee will handle the employees' welfare as follows:

- (1) Gifts are distributed to employees on Moon Festival, Dragon Boat Festival, and Chinese New Year
- (2) Birthday gift money
- (3) The Committee offers wedding, birth, consolation and condolence, and disability subsidies to employees
- (4) Company tour compensation
- (5) Group activity compensation
- (6) Festival celebration activities

The Company has set up employee welfare committee per approvals of 1986.11.03 Taoyuan County Government Ruling Fu-Lao-She-Chi No.148470 and Department of Labor, Taipei City Government 1992.07.14 Ruling Bei-Shi-Lao No.12761. The Committee members are elected by employees and a membership fee is collected monthly for welfare activities.

2.Retirement plan

The company has a retirement plan defined for the contracted managers and employees.

Since 2005.07.01, those who elected the new pension system, the Company deposits the monthly pension to his/her personal under Bureau of Labor Insurance according to the regulation of "Labor Pension Act ". And those who elected the old pension system and the seniority of service accumulated by the aforementioned employees, according to the regulation of "Labor Pension Act ", the Company deposits the monthly pension of the actuarial computation from actuaries to an account in Taiwan under Supervisory Committee Labor Retirement Reserve for its management.

In addition, the Company appoints the relevant managers to expense accrued pension.

3.Education and training

Talents are assets of the company. We believe that the growth of the company follows the growth of employees. We have a plan formed to help our employees upgrade in order to have an outstanding team organized for competitive advantages and for the ongoing concern of the organization taken as a whole.

We have helped our employees refine their expertise, communication skills, and management and leadership. A training blueprint is drawn for each department with a focus on various trainings for each job level; moreover, management trainees are recruited for manufacturing operations and a diversified learning environment is provided. For example, orientation training, plant tours, sales joint calls, common course training, intra-departmental on-job training and practice, senior adviser's research and guidance, project study, theme meeting attendance, intra-departmental and inter-company rotation, annual sales meetings, overseas study for management and assigned textbook reading and self-learning for personal and group development and growth in a diversified learning environment are provided.

For the cultivation of expertise, a learning program is designed according to the expertise needed for performing job responsibilities. Technology and experience are to be passed on and the core competence is to be built through the internal instructors' training and accreditation system and the counseling procedure of the management. The industrial growth and employee's personal development needs are to be integrated to construct a talent database for internal promotion.

A common course is arranged for new recruits of the company. Orientation training and plant tours and job-related training courses are arranged to help them adjust and understand the company promptly and do their job effectively.

Help is given to sales & marketing teams to build up and substantiate the expertise and skills needed for job performance by providing them with special skill courses, comprehensive guidance, and joint call assistance. Moreover, annual sales meetings are arranged to help salespersons understand the company, products, and marketing strategy in order to be cooperative and maintain energy and creativity.

For the cultivation of the management trainees, courses are arranged and a supervisor will be appointed to prepare the trainees for management responsibilities in the near future. We have a talent database for internal promotion constructed through job rotation, project study, and the instruction of senior management and consultants.

In supporting the company's development, various training courses are arranged to upgrade work efficiency and build up employee's competence. The opportunity of job rotation for related party and overseas rotations are provided to help employees expand their vision and reinforce teamwork within the company.

The education and training expenses of the Company amounted to NT\$5,540 thousand in 2012.

4. Protection measures for working environment and employee personal safety:

To protect the working environment of the factory and office and the safety of employees, we have standard operation manuals and protection measures stipulated according to the Labor Health & Safety Law and Rules Governing Labor Health & Safety.

- (1) Establishment of Labor Health & Safety Committee: Meetings are held annually to discuss labor health and safety and firefighting plans.
- (2) Stipulation of occupational hazards prevention plan: Protect labor safety and prevent occupation hazards from occurring.
- (3) Stipulation of health and safety inspection plan: Inspect machine and equipment safety automatically to prevent accidents from occurring.
- (4) Stipulation of health and safety code: It is stipulated by the Labor Health & Safety Committee and the labor representative to ensure its enforcement by employees.
- (5) Employee's health check-up: It includes the physical check-up and health management arranged for the contracted laborers, new recruits, and employees.
- (6) Labor health and safety education and training: Labor health & safety education and disaster prevention training are arranged periodically.
- (7) Special training: Machine and equipment operators must be trained by the independent training institutions that are contracted by the government and must receive a certificate of qualification.
- (8) Transportation of female workers for graveyard shifts: The Company will have transportation arranged for female workers who get off duty after 22:00 at night.
- (9) Employee's dormitory: The Company has a dormitory arranged for male workers and female workers who live too far away or who work the

graveyard shift.

- (10) Appointment of labor health & safety personnel: The Company has labor health & safety personnel and Class A labor health & safety managers designated in accordance with laws.
- (11) Designation of medical personnel: Medical personnel are arranged in the factory to care for the employees in accordance with laws.
- (12) Occupational disaster investigation: Analyze the status and causes of occupational disasters and have preventive action stipulated and report the incidents to labor inspection units for the record.
- (13) Subcontractor management: A review committee is organized by subcontractors and the company to study work safety and prevent occupational disasters from occurring.
- (14) Operational environment test: Inspect the noise level in the working area annually to protect worker's hearing.
- (15) Substantiate control processes: Substantiate fire control processes, restrictive space processes, and firefighting system suspension process according to the standard operation procedure.
- (16) Labor health & safety audit: Firefighting directors of each unit and department head are to tour the factory daily to prevent accidents from occurring and to protect the safety of life and property.

5. Employee's codes

Employee's codes are stipulated according to the Labor Standards Law and regulations to define the rights and obligations of employer and employees, to substantiate management systems and to inspire employees to work together as a team. The service codes for employees are detailed as follows:

- (1) Employees are obligated to perform tasks responsibly and diligently, follow the regulations of the company, obey the instructions and supervision of the management in all levels and may not take their job responsibilities lightly. The management is obligated to guide employers in a friendly manner.
- (2) Employees are expected to work hard, take care of public property, reduce losses, improve product quality, increase productivity, and to keep business and job responsibilities in confidence.
- (3) Employees may not manufacture or package personal objects or ask others to do it for them.
- (4) Employees may not leave their work post during working hours without authorization.
- (5) Visitors, employee's family and friends, and employees of the company must obey the access controls of the company.
- (6) Employees may not attack or criticize other departments maliciously. Any constructive suggestions must be reported by the responsible

department directly.

- (7) Employees are to report for work to their direct supervisors only except in an emergency.
- (8) Employees may not hold a second job for another company that is similar in responsibilities assigned within the company without the written consent of the company.
- (9) Employees may not run a business for themselves or any third party that is similar in business to the company without the written consent of the company. Employees may not be a shareholder with unlimited responsibility, executive shareholder, director or manager, or a general or silent partner of another business entity.
- (10) Employees may not take advantage of the position held within the Company to benefit themselves or any third party; also, they may not demand profits, gifts, kickbacks or any illegal gains by performing or not performing certain job responsibilities.
- (11) Employees may not bring ammunition, knives or guns, illegal items, cameras, and objects that are irrelevant to their job performance to the Company.
- (12) Employees may not take the property of the Company off the premises or the factory without authorization. Employees who take the property of the Company off of the premises must present it to the guard at the gate for inspection and collect a release form from the department head with the signature of the competent authorities affixed on it.
- (13) Employees are obligated to obey labor health and safety laws and maintain the health, safety and hygiene of the working area and the surrounding environment; moreover, this will prevent theft, fire and hindrance in case of any natural disaster.

6. Employer-employee relations

The labor representatives are elected according to the Rules for the enforcement of employer-employee meetings announced by the Labor Committee. The representatives of the employer are designated by the company. The representatives for labor meetings are elected for a 3-year term and they can be elected or appointed for a second term. Labor meetings are held by the representatives of employers and employees once every three months to coordinate labor relations, promote labor collaboration, and prevent labor issues from occurring. The labor welfare, labor health and safety, improvement of production efficiency, and calendar events are to be discussed in the labor meeting for enforcement and for the benefit of both parties.

(II) Losses resulting from labor disputes in the most recent years and up to the printing of the annual report: None.

VI. Important commitments

As of March 31, 2013

Nature of Agreement	Client	Agreement period	Content	Restrictive Clauses
Technological cooperation	Quaker Co.	1994.07-2024.07.11 (Note 1)	Quaker oatmeal and baby oatmeal powder in Taiwan	(Note 2)
Distribution and agency	Fonterra Brands (Far East) Limited	(Note 3)	Solely franchiser in Taiwan Fonterra branded products	(Note 3)
Supply & sales agreement	MND PX Ministry	2013.04.26-2014.04.25 (Note 4)	Welfare for military personnel and their spouses	NONE
Long-term loan	Mega International Commercial Bank	2012.06.07-2014.06.06	Credit loan quota NT\$300 million	NONE
Long-term loan	Mega International Commercial Bank	2012.06.07-2014.06.06	Guaranteed loan quota NT\$300 million	Da-Yuan land and manufacturing facilities used as collateral

Note 1: The terms and conditions for Agreement renewal is for five years each time. The parties shall meet no later than six months prior to the expiration of the term of the Agreement in order to discuss the renewal of the Agreement.

Note 2: If there is a subsequent material decline of 18% or more in Net Sales of the Quaker brand products in any two consecutive quarters as compared with Net Sales in the corresponding quarterly periods in the previous fiscal year due to the non-performance of the agreement; also, the company could not evidence it to the Quaker Oats Company in the USA that it was due to special causes instead of non-performance of the agreement, the Quaker Oats Company shall have the option to terminate the Agreement with the Company informed in writing six months in advance.

Note 3: The contract has expired, the both parties have reached a common consensus to renew the contract based on the all the original terms but "Trade Spend." Before the renewal, all business conducted based on the terms of the original contract.

Note 4: The Agreement shall be renewed every year.

Six. FINANCIAL INFORMATION

I. Condensed balance sheets, income statements, and the auditor's opinions over the last five years

(I) Financial Highlights – International Financial Reporting Standards (Note.1)

Unit: NTD Thousand

Item	Fiscal year	As of March 31, 2013 Financial Information (Note. 2)
Current Assets		10,877,195
Property, Plant and Equipment		2,277,247
Intangible Assets		15,317
Other Assets		1,019,325
Total Assets		14,189,084
Current Liabilities	Before appropriation	3,198,046
	After appropriation	(Note 3)
Current Liabilities		225,341
Total Liabilities	Before appropriation	3,423,387
	After appropriation	(Note 3)
Equity attributable to owners of the parent		10,627,867
Capital Stock		5,748,973
Capital Reserve		35,240
Retained Earnings	Before appropriation	4,709,305
	After appropriation	(Note 3)
Other equity		155,531
Treasury Stock		(21,182)
Non-controlling interest		137,830
Total equity	Before appropriation	10,765,697
	After appropriation	(Note 3)

*For companies that prepared parent only financial reports, they shall prepare the overview of the company's financial status include condensed balance sheets and statements of comprehensive income for the past 5 fiscal years.

*For those who prepare their financial reports with IFRS for less than five fiscal years, the following statement (2) shall be prepared in accordance with Taiwan GAAP.

Note1: The Company began to adopt IFRS in 2013.

Note2: Financial statements reviewed by CPA as of March 31, 2013.

Note3: Final earnings distribution await for the resolution from general shareholders' meeting.

Condensed Balance Sheet – Taiwan GAAP

Unit: NTD Thousand

Fiscal year		Summarized Balance Sheets of Fiscal Years 2008~2012				
		2008	2009	2010	2011	2012
Current Assets		3,176,944	3,409,102	3,664,896	5,099,436	5,375,229
Funds & Long-term Investments		1,695,862	2,436,854	3,990,077	4,332,935	5,022,831
Properties		1,061,252	1,004,865	986,367	1,079,911	1,093,285
Intangible Assets		9,763	8,474	11,566	21,076	17,606
Other Assets		444,493	421,476	391,956	346,646	355,719
Total Assets		6,388,314	7,280,771	9,044,862	10,880,004	11,864,670
Current Liabilities	Before appropriation	1,400,054	1,419,202	1,816,336	1,943,164	1,888,553
	After appropriation	1,849,340	2,064,248	2,743,590	3,055,868	(Note 1)
Long Term Liabilities		-	552	1,029	2,184	1,455
Other liabilities		52,535	53,500	55,332	55,638	56,361
Total Liabilities	Before appropriation	1,452,589	1,473,254	1,872,697	2,000,986	1,946,369
	After appropriation	1,901,875	2,118,300	2,799,951	3,113,690	(Note 1)
Capital Stock		3,209,184	3,225,230	3,709,015	4,636,269	5,748,973
Capital Reserve		21,606	29,242	33,947	40,704	48,814
Retained Earnings	Before appropriation	1,618,977	2,443,854	3,445,609	4,049,459	4,062,113
	After appropriation	1,153,645	1,315,023	1,591,101	1,824,051	(Note 1)
Unrealized gain or loss on financial instrument		(51,692)	11,840	21,398	(3,688)	21,665
Cumulative Translation Adjustments		135,698	95,399	(39,756)	154,322	34,912
Revaluation Increment		23,134	23,134	23,134	23,134	23,134
Net Loss not Recognized as Pension Cost		-	-	-	-	(128)
Treasury Stock		(21,182)	(21,182)	(21,182)	(21,182)	(21,182)
Total Shareholders' Equity	Before appropriation	4,935,725	5,807,517	7,172,165	8,879,018	9,918,301
	After appropriation	4,486,439	5,162,471	6,244,911	7,766,314	(Note 1)

Note1: Final earnings distribution await for the resolution from general shareholders' meeting.

Note2: The Company's assets reappraisal in 2008 had resulted in an incremental amount of NT\$49,596 thousand.

(II) Financial Highlights – International Financial Reporting Standards (Note.1)

Unit: NTD Thousands, Except EPS

Item	Fiscal year	As of March 31, 2013 Financial Information (Note. 2)
Sales revenue		5,076,330
Gross Profit		1,582,182
Operating Income		749,193
Non-operating Income/expense		93,050
Earnings before tax		842,243
Net income from continuing operations		699,669
Loss from discontinued operations		-
Net income		699,669
Other comprehensive income (net after tax)		98,957
Current comprehensive income/loss		798,626
Net earnings attributable to owners of the parent		700,663
Net earnings attributable to non-controlling interest		(994)
Comprehensive income/loss attributable to owners of the parent		799,617
Comprehensive income/loss attributable to non-controlling interest		(991)
Earnings per share		1.23

*For companies that prepared parent only financial reports, they shall prepare the overview of the company's financial status include condensed balance sheets and statements of 3 comprehensive income for the past 5 fiscal years.

*For those who prepare their financial reports with IFRS for less than five fiscal years, the 3 following statement (2) shall be prepared in accordance with Taiwan GAAP.

Note1: The Company began to adopt IFRS in 2013.

Note2: Financial statements reviewed by CPA as of March 31, 2013.

Condensed Income Statement - Taiwan GAAP

Unit: NTD Thousands, Except EPS

Fiscal year Item	Summarized Balance Sheets of Fiscal Years 2008~2012				
	2008	2009	2010	2011	2012
Sales revenue	8,317,144	9,729,708	11,423,863	12,544,265	12,162,799
Gross Profit	3,283,806	4,077,647	4,870,548	5,109,533	4,880,148
Operating Income	1,347,019	1,809,108	2,370,888	2,469,255	2,209,876
Non-operating Income	32,370	19,262	241,912	436,867	523,703
Non-operating Expenses	419,301	156,098	36,684	4,255	32,434
Income from Continuing Operations before Tax	960,088	1,672,272	2,576,116	2,901,867	2,701,145
Income from Continuing Operations	705,549	1,290,209	2,130,586	2,458,358	2,238,062
Income from Discontinued Operations	-	-	-	-	-
Extraordinary Gain and Loss	-	-	-	-	-
Cumulative Effect of Change in Accounting Principle	-	-	-	-	-
Net Income	705,549	1,290,209	2,130,586	2,458,358	2,238,062
Earnings per share (Note 1)	1.24	2.26	3.73	4.31	3.92

Note 1: It is based on the weighted average outstanding shares adjusted retroactively in accordance with the ratio of paid-in capital from retained earnings.

(III) CPAs and their auditing opinions in the past five years

Fiscal year	CPA Firm	CPA's name	Auditing opinion
2012	Deloitte Touch Tohmatsu - DTT	Ting-Chen Hsu, Hung-Hsiang Tsai	Unqualified
2011	Deloitte Touch Tohmatsu - DTT	Ting-Chen Hsu, Hung-Hsiang Tsai	Unqualified
2010	Deloitte Touch Tohmatsu - DTT	Wen-Chi Kuo Ru-Yang Liao	Unqualified
2009	Deloitte Touch Tohmatsu - DTT	Wen-Chi Kuo Ru-Yang Liao	Unqualified
2008	Deloitte Touche Tohmatsu	Ting-Chen Hsu Wen-Chi Kuo	Amended Unqualified

II. Financial analysis in the past five years

Financial Analysis

Item		Fiscal year	As of March 31, 2013 Financial information
Financial structure (%)	Ratio of liabilities to assets		24.13
	Long-term capital to property, plant, and facility%		482.65
Solvency	Current ratio (%)		340.12
	Quick ratio (%)		236.94
	Times interest earned ratio (times)		249.01
Operating ability	Accounts receivable turnover (times)		6.18
	Days sales in accounts receivable		59.05
	Inventory turnover (times)		5.26
	Accounts payable turnover (times)		14.08
	Average days in sales		69.46
	Property, plant and facility turnover (times)		9.10
	Total assets turnover (times)		1.45
Profitability	Ratio of return on total assets (%)		5.01
	Ratio of return on total equities (%)		6.75
	to total paid-in ratio (%)	Operating income	13.03
		Net income before tax	14.65
	Profit ratio (%)		13.78
Cash flow	Earnings per share (\$)		1.23
	Cash flow ratio (%)		38.34
	Cash flow adequacy ratio (%)		195.74
Balance	Cash reinvestment ratio (%)		9.19
	Degree of operating leverage		1.08
	Degree of financial leverage		1.00

*For companies that prepared parent-only financial reports, they shall prepare financial ratio analysis for parent-only company separately.

*For those that prepared their financial reports with IFRS for less than five fiscal years, the following statements (2) shall be prepared based on Taiwan GAAP.

Note 1: Noted if the financial information for the fiscal year was not audited by CPA

Note 2: Companies, whose stock is listed or traded on over-the-counter markets, shall include the financial analysis of the last quarter up to the printing date of the annual report.

Note 3: The following equations shall be listed at the bottom of this chart.

1. Financial structure

(1) Ratio of debt to assets = Total debt/Total assets.

(2) Long-term capital to fixed assets ratio = (total equity + non-current debt) / total net fixed assets

2. Solvency

(1) Current ratio = Current assets / current liability

(2) Quick ratio = (Current assets – Inventory – Prepaid expense) / Current liabilities

(3) Times interest earned ratio = Net income before tax and interest expense / Interest expense of the year

3. Operating ability

(1) Accounts receivable turnover (including accounts receivable and notes receivable derived from business operation) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation).

(2) Average collection days = 365 / Account receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory amount

- (4) Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold/ Average accounts payable (including accounts payable and notes payable derived from business operation).
- (5) Average inventory turnover days = 365 / Inventory turnover
- (6) Fixed assets turnover = Net sales / Average net fixed assets
- (7) Total assets turnover = Net sales / Total assets

4. Profitability

- (1) Return on assets = [Net income (loss) + interest expense x (1-tax rate)] / Average total assets
- (2) Return on shareholder's equity = Net income (loss) / Net average shareholders' equity
- (3) Profit ratio = Net income (loss) / Net sales
- (4) EPS = (Net earnings attributable to owners of the parent – preferred dividend) / Weighted-average shares issued (Note 4)

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activity / Current liability
- (2) Cash flow adequacy ratio = Net cash flow from operating activities in the past five years / (Capital expenditure + Inventory increase + Cash dividend) in the past five years
- (3) Cash reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long-term investment + other assets + Working capital). (Note 5)

6. Leverage:

- (1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income (Note 6)
- (2) Degree of financial leverage = Operating income / (Operating income – interest expense).

Note 4: When analyzing EPS equation above, please note the followings

- 1. Based on weighted average common stocks, not the shares issued at the end of the year.
- 2. Calculation for weighted-average common stock shall take into consideration the number of floating days of new shares issued from cash funding and treasury shares
- 3. Those that had capital increase from retain earnings or capital reserve, the total capital shall be adjusted retroactively by the percentage of increase, and no consideration for the issuing period is needed, when calculate EPS for the entire fiscal year or the first six months
- 4. If the preferred shares are non-convertible cumulative preferred stocks, the dividend (whether paid or not) shall be deducted from the after-tax net income/loss. If the preferred shares are non-cumulative preferred stocks, the dividends shall be deducted from the after-tax net income. No such adjustment shall be made if after-tax net loss.

Note 5: When analyzing the cash flows, please note the following matters:

- 1. Cash flows from operating activities mean the business has generated a net inflow of cash.
- 2. Capital expenditure means cash paid for long-term assets purchase during the year.
- 3. Inventory addition is only included when inventory balance at the period end is bigger than that at the beginning of the period. No inventory addition is included if inventory balance was down at the year end.
- 4. Cash dividend includes cash distribution paid to holders of both common stocks and preferred stocks.
- 5. Gross fixed assets means total fixed assets before depreciation

Note 6: The issuer shall divide each operation cost and expense into fixed and variable categories based on their natures, if it is done by estimation or subjective judgments, the bases shall be logical and consistent.

Note 7: For foreign companies, when calculating all aforementioned ratios that take the total paid-in capital as the denominator, the net worth shall be used to replace the total paid-in capital.

Item		Fiscal year	Financial analysis in the past five years					
			2008	2009	2010	2011	2012	
Financial structure (%)	Ratio of liabilities to assets		22.74	20.23	20.70	18.39	16.40	
	Ratio of long-term capital to fixed assets		465.09	577.99	727.23	822.40	907.33	
Solvency	Current ratio (%)		226.92	240.21	201.77	262.43	284.62	
	Quick ratio (%)		133.11	137.70	124.65	171.54	193.21	
	Times interest earned ratio (times)		631.81	209,035.00	1,923.47	18,844.29	18,251.98	
Operating ability	Accounts receivable turnover (times)		6.64	6.96	7.19	6.68	6.24	
	Days sales in accounts receivable		54.98	52.41	50.80	54.64	58.49	
	Inventory turnover (times)		3.81	4.22	4.73	4.83	4.29	
	Accounts payable turnover (times)		10.23	10.07	10.30	9.62	8.55	
	Average days in sales		95.85	86.55	77.19	75.56	85.08	
	Fixed assets turnover (times)		7.71	9.42	11.47	12.14	11.19	
	Total assets turnover (times)		1.34	1.42	1.40	1.26	1.07	
Profitability	Ratio of return on total assets (%)		11.36	18.88	26.11	24.68	19.68	
	Ratio of return on total equities (%)		14.90	24.02	32.83	30.63	23.81	
	Ratio to total paid-in capital (%)	Operating income		45.04	56.09	63.92	53.26	38.44
		Net income before tax		29.92	51.85	69.46	62.59	46.98
	Profit ratio (%)		8.48	13.26	18.65	19.60	18.40	
	Earnings per share (\$)		1.24	2.26	3.73	4.31	3.92	
Cash flow (%)	Cash flow ratio (%)		105.54	99.60	126.84	89.64	121.27	
	Cash flow adequacy ratio (%)		218.14	221.83	227.29	196.95	213.10	
	Cash reinvestment ratio (%)		18.45	12.99	18.76	7.67	10.04	
Leverage	Degree of operating leverage		1.63	1.52	1.40	1.42	1.46	
	Degree of financial leverage		1.00	1.00	1.00	1.00	1.00	

The root causes for the financial ratio change in the last two years:

1. Lower return on assets and equity in 2012 were due to the decline in overall sales caused by higher power and gas prices and sluggish economy (such as impacts from European sovereign debt crisis).
2. Increased cash flow ratio in 2012 was mainly due to the mix of cash inflows from operating activities and decrease in current liabilities caused by the following reasons 1) inventory level and pre-paid expense were high at 2011 end for the flourish outlook in 2011; 2) account receivables at 2012 end were down, due to the Chinese New Year started at later of the year in 2013; 3) lower inventory level and pre-paid expense triggered by delaying inventory orders.
3. Cash reinvestment ratio was higher in 2012 due cash inflows from operating activities caused by 1) account receivables at 2012 end were down, due to the Chinese New Year started at later of the year in 2013; 2) a lower inventory level and pre-paid expense triggered by delaying inventory orders.

Equations:

1. Financial structure

(1) Ratio of debt to assets = Total debt / Total assets.

(2) Ratio of long-term capital to fixed assets = (Net shareholders' equity + long-term liability) / Net fixed assets.

2. Solvency

(1) Current ratio = Current assets / current liability

(2) Quick ratio = (Current assets – Inventory – Prepaid expense) / Current liabilities

(3) Times interest earned ratio = Net income before tax and interest expense / Interest expense of the year

3. Operating ability

(1) Accounts receivable turnover (including accounts receivable and notes receivable derived from business operation) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation).

(2) Average collection days = 365 / Account receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory amount

(4) Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation).

(5) Average inventory turnover days = 365 / Inventory turnover

(6) Fixed assets turnover = Net sales / Net fixed assets

(7) Total assets turnover = Net sales / Total assets

4. Profitability

(1) Return on assets = [Net income (loss) + interest expense x (1-tax rate)] / Average total assets

(2) Return on shareholder's equity = Net income (loss) / Net average shareholders' equity

(3) Profit ratio = Net income (loss) / Net sales

(4) Earnings per share = (Net income – preferred stock dividend) / Weighted-average shares issued

5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activity / Current liability

(2) Cash flow adequacy ratio = Net cash flow from operating activities in the past five years / (Capital expenditure + Inventory increase + Cash dividend) in the past five years

(3) Cash reinvestment ratio = (Net cash flow from operating activities – Cash dividend) / (Fixed assets + Long-term investment + other assets + Working capital).

6. Leverage:

(1) Degree of operating leverage = (Net operating income – Variable operating costs and expenses) / Operating income

(2) Degree of financial leverage = Operating income / (Operating income – interest expense).

III. Supervisor's report in the most recent year

Standard Foods Corporation SUPERVISORS' REPORT

The Board has submitted the Company's 2012 business report, financial statements and earnings distribution proposal, where financial statements have been audited by CPA Ting-Chen Hsu and CPA Hung-Hsiang Tsai of Deloitte Touche Tohmatsu through the appointment by the Board and an audit report has been issued accordingly.

The aforementioned business report, financial statements and earnings distribution proposal have been audited by the undersigned and are considered in the conformity with applicable laws and regulations. Therefore, the Supervisor's Report is hereby issued in accordance with Article 219 of the Company Law.

For your honor's approval

Sincerely

To: Standard Foods Corporation 2013 General Shareholders Meeting

Standard Foods Corporation

Supervisor: Tom A. Chien

Charng Hui Ltd.

Representative: Samson Wang

Date: April 25, 2013

**IV. Company financial reports and consolidated financial reports of
the current year**

Standard Foods Corporation

**Financial Statements for the
Years Ended December 31, 2012 and 2011 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Standard Foods Corporation

We have audited the accompanying balance sheets of Standard Foods Corporation as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Standard Foods Corporation as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

March 22, 2013

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying 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 auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

STANDARD FOODS CORPORATION

BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY		2012		2011	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS										
Cash and cash equivalents (Note 4)	\$ 1,095,394	9	\$ 915,877	8	Notes payable	-	\$ 1,392	-	\$ 1,081	-
Financial assets at fair value through profit or loss - current (Note 5)	95,525	1	-	-	Accounts payable	846,331	846,331	7	853,222	8
Available-for-sale financial assets - current (Note 6)	317,276	3	167,798	2	Accounts payable to a related party (Note 19)	647	-	-	-	-
Notes receivable (Note 3)	2,474	-	2,341	-	Income tax payable, net of prepaid income tax	212,420	212,420	2	213,845	2
Accounts receivable, net of allowance for doubtful accounts of \$1,773 in 2012 and \$4,940 in 2011 (Note 3)	1,806,895	15	1,908,171	18	Accrued expenses	764,183	764,183	6	819,260	8
Accounts receivable from a related party (Notes 3 and 19)	91,091	1	86,344	1	Other payables	59,257	59,257	1	46,901	-
Other receivables (Note 3)	28,995	-	13,605	-	Obligations under capital leases - current	728	728	-	728	-
Other receivables from related parties (Notes 3 and 19)	804	-	640	-	Other current liabilities	3,595	3,595	-	8,127	-
Inventories (Note 7)	1,674,641	14	1,718,028	16	Total current liabilities	1,888,553	1,888,553	16	1,943,164	18
Prepaid expenses	51,634	-	48,012	-	LONG-TERM LIABILITIES					
Prepayments	180,574	2	218,648	2	Obligations under capital leases - noncurrent	1,455	1,455	-	2,184	-
Deferred income tax assets - current (Note 13)	18,107	-	16,064	-	RESERVES					
Other current assets	11,819	-	3,908	-	Reserve for land value increment tax (Note 10)	33,685	33,685	-	33,685	-
Total current assets	5,375,229	45	5,099,436	47	OTHER LIABILITIES					
LONG-TERM INVESTMENTS					Accrued pension cost (Note 17)	21,776	21,776	-	21,053	-
Financial assets carried at cost - noncurrent (Note 8)	120,062	1	150,904	1	Deposits received	900	900	-	900	-
Long-term stock investments accounted for under equity method (Note 9)	4,902,769	42	4,182,031	39	Total other liabilities	22,676	22,676	-	21,953	-
Total long-term investments	5,022,831	43	4,332,935	40	Total liabilities	1,946,369	1,946,369	16	2,000,986	18
PROPERTIES (Notes 10 and 20)					STOCKHOLDERS' EQUITY (Note 14)					
Cost					Common stock, \$10 par value, authorized - 2012: 580,000 thousand shares, 2011: 480,000 thousand shares; issued - 2012: 574,897 thousand shares, 2011: 463,627 thousand shares	5,748,973	5,748,973	49	4,636,269	43
Land	339,536	3	374,642	4	Capital surplus					
Buildings and improvements	684,759	6	667,471	6	Treasury stock transactions	35,240	35,240	-	27,130	-
Machinery and equipment	1,545,588	13	1,375,309	13	Long-term stock investments	13,574	13,574	-	13,574	-
Transportation equipment	30,282	-	26,473	-	Total capital surplus	48,814	48,814	-	40,704	-
Furniture and equipment	93,042	1	88,109	1	Retained earnings					
Leased assets	1,664	-	1,664	-	Legal reserve	1,282,134	1,282,134	11	1,036,298	9
Other equipment	33,557	-	33,449	-	Unappropriated earnings	2,779,979	2,779,979	23	3,013,161	28
Total cost	2,728,428	23	2,567,117	24	Total retained earnings	4,062,113	4,062,113	34	4,049,459	37
Appreciation - land	56,819	-	56,819	-	Other equity items					
Total cost and appreciation	2,785,247	23	2,623,936	24	Cumulative translation adjustments	34,912	34,912	1	154,322	2
Less: Accumulated depreciation	(1,766,687)	(15)	(1,703,148)	(16)	Net loss not recognized as pension cost (128)	(128)	(128)	-	(3,688)	-
Construction in progress and prepayments	74,725	1	159,123	2	Unrealized gain (loss) on available-for-sale financial assets	21,665	21,665	-	23,134	-
Properties, net	1,093,285	9	1,079,911	10	Revaluation increment (Note 10)	23,134	23,134	-	-	-
INTANGIBLE ASSETS					Treasury stock - 2012: 4,190 thousand shares, 2011: thousand shares (Note 15)	(21,182)	(21,182)	-	(21,182)	-
Computer software, net (Note 11)	17,606	-	21,076	-	Total other equity items	58,401	58,401	1	152,586	2
OTHER ASSETS					Total stockholders' equity	9,918,301	9,918,301	84	8,879,018	82
Properties for lease, net (Notes 12 and 20)	128,342	1	128,757	1	TOTAL	\$ 11,864,670	\$ 11,864,670	100	\$ 10,880,004	100
Refundable deposits	12,418	-	12,418	-						
Deferred charges, net	9,605	-	17,244	-						
Deferred income tax assets - noncurrent (Note 13)	205,750	2	188,227	2						
Total other assets	355,719	3	346,646	3						
TOTAL	\$ 11,864,670	100	\$ 10,880,004	100						

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

STANDARD FOODS CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
GROSS SALES (Note 19)	\$ 12,733,882	105	\$ 13,057,531	104
LESS: SALES RETURNS	92,688	1	119,227	1
SALES ALLOWANCES	<u>478,395</u>	<u>4</u>	<u>394,039</u>	<u>3</u>
NET SALES	12,162,799	100	12,544,265	100
COST OF GOODS SOLD (Notes 7, 18 and 19)	<u>7,282,651</u>	<u>60</u>	<u>7,434,732</u>	<u>59</u>
GROSS PROFIT	<u>4,880,148</u>	<u>40</u>	<u>5,109,533</u>	<u>41</u>
OPERATING EXPENSES (Note 18)				
Selling	2,352,142	19	2,335,585	19
General and administrative	251,163	2	231,320	2
Research and development	<u>66,967</u>	<u>1</u>	<u>73,373</u>	<u>-</u>
Total operating expenses	<u>2,670,272</u>	<u>22</u>	<u>2,640,278</u>	<u>21</u>
INCOME FROM OPERATIONS	<u>2,209,876</u>	<u>18</u>	<u>2,469,255</u>	<u>20</u>
NON-OPERATING INCOME AND GAINS				
Interest income	11,073	-	5,534	-
Investment income recognized under equity method, net (Note 9)	271,196	2	358,864	3
Dividend income	155,416	1	12,167	-
Gain on disposal of properties and properties for lease	64,180	1	24,589	-
Gain on disposal of investments, net	1,708	-	2,279	-
Foreign exchange gain, net	-	-	7,234	-
Gain on reversal of bad debts	3,167	-	12,009	-
Others (Note 19)	<u>16,963</u>	<u>-</u>	<u>14,191</u>	<u>-</u>
Total non-operating income and gains	<u>523,703</u>	<u>4</u>	<u>436,867</u>	<u>3</u>
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	148	-	154	-
Loss on disposal of properties and properties for lease	9,661	-	9	-
Foreign exchange loss, net	424	-	-	-
Impairment loss on financial assets carried at cost (Note 8)	8,941	-	4,009	-

(Continued)

STANDARD FOODS CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
Valuation loss on financial assets (Note 5)	\$ 9,917	-	\$ -	-
Others	<u>3,343</u>	-	<u>83</u>	-
Total non-operating expenses and losses	<u>32,434</u>	-	<u>4,255</u>	-
INCOME BEFORE INCOME TAX	2,701,145	22	2,901,867	23
INCOME TAX EXPENSE (Note 13)	<u>463,083</u>	4	<u>443,509</u>	3
NET INCOME	<u>\$ 2,238,062</u>	<u>18</u>	<u>\$ 2,458,358</u>	<u>20</u>
	2012		2011	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 16)				
Basic earnings per share	<u>\$ 4.73</u>	<u>\$ 3.92</u>	<u>\$ 5.08</u>	<u>\$ 4.31</u>
Diluted earnings per share	<u>\$ 4.73</u>	<u>\$ 3.92</u>	<u>\$ 5.08</u>	<u>\$ 4.30</u>

Had the Corporation treated its stock held by a subsidiary as long-term investments rather than treasury stock, the resulting pro forma information would have been as follows:

	2012	2011
NET INCOME	<u>\$ 2,246,172</u>	<u>\$ 2,465,115</u>
BASIC EARNINGS PER SHARE	<u>\$3.91</u>	<u>\$4.29</u>
DILUTED EARNINGS PER SHARE	<u>\$3.90</u>	<u>\$4.28</u>

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

(Concluded)

STANDARD FOODS CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Per Share Information)**

	Capital Surplus (Note 14)			Retained Earnings (Note 14)			Other Equity Items				Total Stockholders' Equity			
	Common Stock (Note 14)	Treasury Stock Transactions	Long-term Stock Investments	Total	Legal Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain (Loss) on Available-for-sale Financial Assets		Revaluation Increment (Note 10)	Treasury Stock (Note 15)	Total
BALANCE, JANUARY 1, 2011	\$ 3,709,015	\$ 20,373	\$ 13,574	\$ 33,947	\$ 823,240	\$ 2,622,369	\$ 3,445,609	\$ (39,756)	\$ -	\$ 21,398	\$ 23,134	\$ (21,182)	\$ (16,406)	\$ 7,172,165
Appropriations of prior years' earnings	-	-	-	-	-	(213,058)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	213,058	(927,254)	(927,254)	-	-	-	-	-	-	(927,254)
Cash dividends - \$2.5 per share	-	-	-	-	-	(927,254)	(927,254)	-	-	-	-	-	-	-
Stock dividends - 25%	927,254	-	-	-	-	(927,254)	(927,254)	-	-	-	-	-	-	-
Adjustments for long-term stock investments accounted for under equity method	-	-	-	-	-	-	-	-	-	(20,982)	-	-	(20,982)	(20,982)
Adjustment of capital surplus for the Corporation's cash dividends received by a subsidiary	-	6,757	-	6,757	-	-	-	-	-	-	-	-	-	6,757
Net income for the year ended December 31, 2011	-	-	-	-	-	2,458,358	2,458,358	-	-	-	-	-	-	2,458,358
Change in translation adjustments	-	-	-	-	-	-	-	194,078	-	-	-	-	194,078	194,078
Change in unrealized gain or loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(4,104)	-	-	(4,104)	(4,104)
BALANCE, DECEMBER 31, 2011	4,636,269	27,130	13,574	40,704	1,036,298	3,013,161	4,049,459	154,322	-	(3,688)	23,134	(21,182)	152,586	8,879,018
Appropriations of prior years' earnings	-	-	-	-	-	(245,836)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	245,836	(1,112,704)	(1,112,704)	-	-	-	-	-	-	(1,112,704)
Cash dividends - \$2.4 per share	-	-	-	-	-	(1,112,704)	(1,112,704)	-	-	-	-	-	-	-
Stock dividends - 24%	1,112,704	-	-	-	-	(1,112,704)	(1,112,704)	-	-	-	-	-	-	-
Adjustments for long-term stock investments accounted for under equity method	-	-	-	-	-	-	-	-	(128)	22,024	-	-	21,896	21,896
Adjustment of capital surplus for the Corporation's cash dividends received by a subsidiary	-	8,110	-	8,110	-	-	-	-	-	-	-	-	-	8,110
Net income for the year ended December 31, 2012	-	-	-	-	-	2,238,062	2,238,062	-	-	-	-	-	-	2,238,062
Change in translation adjustments	-	-	-	-	-	-	-	(119,410)	-	-	-	-	(119,410)	(119,410)
Change in unrealized gain or loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	3,329	-	-	3,329	3,329
BALANCE, DECEMBER 31, 2012	\$ 5,748,973	\$ 35,240	\$ 13,574	\$ 48,814	\$ 1,282,134	\$ 2,779,979	\$ 4,062,113	\$ 34,912	\$ (128)	\$ 21,665	\$ 23,134	\$ (21,182)	\$ 58,401	\$ 9,918,301

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

STANDARD FOODS CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,238,062	\$ 2,458,358
Depreciation	96,107	91,490
Amortization	29,412	20,678
Gain on disposal of investments, net	(1,708)	(2,279)
Investment income recognized under equity method, net	(271,196)	(358,864)
Cash dividends from investees accounted for under equity method	250,890	219,866
Impairment loss on financial assets carried at cost	8,941	4,009
Gain on disposal of properties and properties for lease, net	(54,519)	(24,580)
Unrealized exchange loss (gain) on investments in corporate bonds	335	(1,144)
Deferred income tax	1,543	28,123
Others	(326)	-
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(95,525)	-
Notes receivable	(133)	288
Accounts receivable	101,276	(230,297)
Accounts receivable from a related party	(4,747)	(8,051)
Other receivables	(15,390)	(1,493)
Other receivables from related parties	(164)	266
Inventories	43,387	(357,205)
Prepaid expenses	(3,622)	(7,932)
Prepayments	38,074	(198,461)
Other current assets	(7,911)	(398)
Notes payable	311	(1,667)
Accounts payable	(6,891)	167,132
Account payable to a related party	647	(2,226)
Income tax payable	(1,425)	(88,684)
Accrued expenses	(55,077)	60,989
Other payables	3,632	(2,291)
Other current liabilities	(4,532)	(13,368)
Accrued pension cost	<u>723</u>	<u>323</u>
Net cash provided by operating activities	<u>2,290,174</u>	<u>1,752,582</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(1,102,137)	(1,916,000)
Proceeds from disposal of available-for-sale financial assets	957,361	1,795,824
Acquisition of financial assets carried at cost	-	(5,000)
Proceeds from capital reduction of financial assets carried at cost	21,901	22,265
Acquisition of long-term stock investments accounted for under equity method	(894,615)	(43,328)
Proceeds from capital reduction of long-term stock investments accounted for under equity method	83,996	-
Acquisition of properties and properties for lease	(147,933)	(201,875)
Proceeds from disposal of properties and properties for lease	101,381	49,934

(Continued)

STANDARD FOODS CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
Acquisition of computer software	\$ (12,826)	\$ (21,037)
Decrease (increase) in refundable deposits	396	(3,286)
Payments for deferred charges	<u>(5,477)</u>	<u>(16,710)</u>
Net cash used in investing activities	<u>(997,953)</u>	<u>(339,213)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in deposits received	-	(17)
Cash dividends	<u>(1,112,704)</u>	<u>(927,254)</u>
Net cash used in financing activities	<u>(1,112,704)</u>	<u>(927,271)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	179,517	486,098
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>915,877</u>	<u>429,779</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,095,394</u>	<u>\$ 915,877</u>
SUPPLEMENTAL INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 148</u>	<u>\$ 154</u>
Income tax paid	<u>\$ 462,965</u>	<u>\$ 504,070</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of properties and properties for lease	\$ 155,928	\$ 209,973
Add: Payable (included in other payables), beginning of year	32,964	26,429
Obligations under capital leases - current, beginning of year	728	320
Obligations under capital leases - noncurrent, beginning of year	2,184	1,029
Less: Payable (included in other payables), end of year	(41,688)	(32,964)
Obligations under capital leases - current, end of year	(728)	(728)
Obligations under capital leases - noncurrent, end of year	<u>(1,455)</u>	<u>(2,184)</u>
Cash paid for acquisition of properties and properties for lease	<u>\$ 147,933</u>	<u>\$ 201,875</u>

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

(Concluded)

STANDARD FOODS CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. GENERAL

The Corporation, incorporated on June 6, 1986, manufactures and sells nutritious foods, edible oil, dairy products and beverage.

The Corporation's stock has been listed on the Taiwan Stock Exchange ("TSE") since April 1994.

As of December 31, 2012 and 2011, the number of employees of the Corporation was 799 and 769, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China ("ROC").

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail. However, the accompanying financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau ("SFB") for their oversight purposes.

The Corporation's significant accounting policies are summarized as follows:

Foreign Currencies

Foreign-currency transactions other than derivative financial instruments are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from settlement of foreign-currency assets and liabilities at rates different from those at which these assets and liabilities are carried in the accounts are recognized in profit or loss in the year of settlement.

At year-end, foreign-currency monetary assets and liabilities are restated using prevailing exchange rates and the resulting differences are recognized in profit or loss.

At year-end, foreign-currency non-monetary assets and liabilities, which are measured at fair value, are restated using prevailing exchange rates and the resulting differences are treated as follows:

- a. For financial assets or liabilities at fair value through profit or loss - recognized in profit or loss; and

b. For available-for-sale financial assets - as adjustments to stockholders' equity.

At year-end, foreign-currency non-monetary assets and liabilities, which are measured at cost, are stated at historical exchange rates at transaction dates.

The differences resulting from translation of the foreign-currency financial statements of foreign investees accounted for under the equity method prepared in their respective functional currencies into New Taiwan dollars are recorded as translation adjustments under stockholders' equity.

Accounting Estimates

The preparation of financial statements in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of certain revenues and expenses during the reporting period. Actual results may differ from these estimates.

Current and Noncurrent Assets and Liabilities

Current assets are cash and those held primarily to be realized, sold or consumed within one year from the balance sheet date; all other assets are classified as noncurrent. Current liabilities are obligations to be settled within one year from the balance sheet date; all other liabilities are classified as noncurrent.

Cash Equivalents

Repurchase agreements collateralized by bonds acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

Financial Instruments at Fair Value through Profit or Loss

Financial instruments held for trading are stated at fair value through profit or loss ("FVTPL"). Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial instruments at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial instruments at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. A regular way purchase or sale of financial instruments is accounted for using trade date accounting.

Available-for-sale Financial Assets

Investments designated as available-for-sale financial assets include quoted stocks, open-end funds and corporate bonds. Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. The changes in fair value from subsequent remeasurement are reported as a separate component of stockholders' equity. The corresponding accumulated gains or losses are recognized in profit or loss when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using trade date accounting.

Cash dividends are recognized as investment income on the ex-dividend date of an investee but are accounted for as reductions to the original cost of investment if such dividends are declared out of the earnings of the investee attributable to the period prior to the investment. Stock dividends are recorded for only as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares.

Financial Assets Carried at Cost

Investments in unquoted stocks and funds whose fair value can not be reliably measured are carried at their original cost. Costs of stocks and funds sold are determined using the weighted-average method. If there is objective evidence of impairment, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

The accounting treatment for cash dividends and stock dividends derived from financial assets carried at cost is the same as that for cash dividends and stock dividends derived from available-for-sale financial assets.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is estimated based on bad debt experience and a review of individual balances of notes and accounts receivable and the collateral provided by customers.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Corporation adopted the third-time revised Statement of Financial Accounting Standards (“SFAS”) No. 34, “Financial Instruments: Recognition and Measurement.” One of the main revisions is that impairment of receivables originated by the Corporation should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable’s original effective interest rate. The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

Impairment of Assets

When the carrying amount of an asset (including primarily long-term stock investments accounted for under equity method, properties, intangible assets and other assets) exceeds its recoverable amount, the excess is recognized as an impairment loss. If the recoverable amount increases in a future period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized.

Inventories

Inventories consist of raw materials, packing materials, work-in-process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs

are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

Long-term Stock Investments Accounted for Under Equity Method

Long-term stock investments in which the Corporation can exercise significant influence over the investees are accounted for under the equity method. The initial cost of investment is allocated to the assets and liabilities of the investee on the basis of their fair values at the date of investment, and the excess of investment cost over the fair value of the identifiable net assets of the investee is recognized as goodwill. Goodwill is not amortized. If the fair value of the net identifiable assets of the investee exceeds the initial cost of investment, the excess is used to reduce the fair value of each of the noncurrent assets of the investee (except financial assets other than investments accounted for under the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any unused excess recognized as an extraordinary gain.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee; however, if the Corporation has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee.

Properties and Properties for Lease

Properties and properties for lease other than land are stated at cost less accumulated depreciation. Land is stated at cost or cost plus appreciation. Depreciation is provided on a straight-line basis over estimated service lives which range as follows: buildings and improvements, 3 to 50 years; machinery and equipment, 2 to 20 years; transportation equipment, 5 years; furniture and equipment, 3 to 15 years; leased assets, 5 years; other equipment, 2 to 15 years. For properties and properties for lease which have reached their estimated service lives, their salvage values are further depreciated over estimated period of use.

Assets held under capital lease are initially recognized as assets of the Corporation at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments; the corresponding liability is included in the balance sheet as obligations under capital leases. The interest included in lease payments is expensed when paid.

Intangible Assets

Computer software is amortized on a straight-line basis over 2 to 3 years.

Pension Cost

For a defined contribution pension plan, pension cost is recorded based on the amount of contributions made during the period in which employees render services. For a defined benefit pension plan, pension cost is recorded based on actuarial calculations.

Income Tax

The Corporation applies the intra-year and inter-year allocation methods to its income tax, whereby (1) a portion of income tax expense is charged or credited directly to shareholders' equity; and (2) deferred income tax assets and liabilities are recognized for the tax effects of

temporary differences. Valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Investment tax credits are recognized using the flow-through method.

Additional income tax at 10% of undistributed earnings is recorded when the amount is determinable, namely, when the retention of earnings is resolved by the stockholders.

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

Treasury Stock

The Corporation's stock held by subsidiaries is treated as treasury stock when the Corporation recognizes investment income or loss and prepares financial statements.

Dividends distributed by the Corporation that are received by subsidiaries are recorded as capital surplus - treasury stock transactions, not as investment income.

Revenue Recognition

Sales are recognized when titles to products and risks of ownership are transferred to customers, primarily upon shipment.

Research and Development

Expenditures related to research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense when incurred.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

On January 1, 2011, the Corporation adopted the newly revised SFAS No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include loans and receivables originated by the Corporation are now covered by SFAS No. 34. The adoption did not have a material effect on the financial statements of the Corporation as of and for the year ended December 31, 2011.

On January 1, 2011, the Corporation adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires that segment information be disclosed based on the information about the components of the Corporation that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Corporation's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." The Corporation conformed to the disclosure requirements.

4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2012	2011
Cash on hand	\$ 1,341	\$ 1,318
Checking account deposits and demand deposits	342,350	309,939
Time deposits	364,418	87,500
Repurchase agreements collateralized by bonds	<u>387,285</u>	<u>517,120</u>
	<u>\$ 1,095,394</u>	<u>\$ 915,877</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	<u>December 31</u>	
	2012	2011
<u>Financial assets held for trading</u>		
Quoted stocks	<u>\$ 95,525</u>	<u>\$ -</u>

Net loss on financial assets held for trading for the year ended December 31, 2012 was \$9.9 million.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	2012	2011
Quoted stocks	\$ 17,233	\$ 16,448
Open-end funds	300,043	121,220
Corporate bonds - Deutsche Bank	<u>-</u>	<u>30,130</u>
	<u>\$ 317,276</u>	<u>\$ 167,798</u>

In June 2009, the Corporation purchased 3-year bonds issued by Deutsche Bank with an effective interest rate of 3.00%, at par value of US\$1 million.

7. INVENTORIES

	<u>December 31</u>	
	2012	2011
Merchandise	\$ 525,339	\$ 725,790
Finished goods	547,142	534,158
Work in process	127,830	140,688
Raw materials	443,893	286,547
Packing materials	<u>30,437</u>	<u>30,845</u>
	<u>\$ 1,674,641</u>	<u>\$ 1,718,028</u>

As of December 31, 2012 and 2011, the allowance for inventory devaluation was \$18.1 million and \$16.6 million, respectively.

The cost of goods sold for the year ended December 31, 2012 included \$1.4 million loss on write-downs of inventories, \$11.9 million loss on abandonment of inventories and \$8.2 million of unallocated overheads. The cost of goods sold for the year ended December 31, 2011 included \$6.7 million loss on write-downs of inventories, \$32.6 million loss on abandonment of inventories and \$9.4 million of unallocated overheads.

8. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	<u>December 31</u>	
	2012	2011
Unquoted stocks or funds		
Walden VC II, L.P.	\$ 65,707	\$ 72,080
GeneFerm Biotechnology Co., Ltd.	18,549	20,681
Global Strategic Investment Co., Ltd.	11,279	20,279
Dah Chung Bills Finance Corporation	9,600	9,600
Paradigm Venture Capital Corporation	9,000	11,723
Techgains Pan-Pacific Corporation	4,012	6,219
VantagePoint Communications Partners, L.P.	1,129	3,517
iGlobe Partners Fund, L.P.	786	4,183
United Venture Capital Corporation	-	2,622
Cheng Yung Venture Capital Investment Corporation	-	-
Authenex, Inc.	-	-
U-Teck Environment Corporation, Ltd.	-	-
Octamer, Inc.	-	-
	<u>\$ 120,062</u>	<u>\$ 150,904</u>

Impairment losses on the abovementioned investments recognized by the Corporation for the years ended December 31, 2012 and 2011 were as follows:

	<u>Years Ended December 31</u>	
	2012	2011
Paradigm Venture Capital Corporation	\$ 2,723	\$ 4,009
VantagePoint Communications Partners, L.P.	2,388	-
GeneFerm Biotechnology Co., Ltd.	2,132	-
Techgains Pan-Pacific Corporation	<u>1,698</u>	<u>-</u>
	<u>\$ 8,941</u>	<u>\$ 4,009</u>

Walden VC II, L.P., VantagePoint Communications Partners, L.P. and iGlobe Partners Fund, L.P. are investment funds, the beneficial certificates of which are not transferable within specified periods. As of December 31, 2012, the Corporation had subscribed for beneficial certificates of some of the abovementioned funds totaling US\$0.3 million, which should be paid upon request of the funds' managers.

9. LONG-TERM STOCK INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD

	December 31			
	2012		2011	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Unlisted companies				
Accession Limited	\$ 3,126,071	100.0%	\$ 3,188,059	100.0%
Standard Investment (Cayman) Limited (Cayman Standard)	851,160	100.0%	-	-
Standard Dairy Products Taiwan Limited (“Standard Dairy Products”)	533,007	100.0%	524,552	100.0%

(Continued)

	December 31			
	2012		2011	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Charng Hui Ltd. (“Charng Hui”)	\$ 165,415	100.0%	\$ 157,389	100.0%
Domex Technology Corporation (“Domex Technology”)	149,587	52.0%	159,578	52.0%
Standard Beverage Company Limited (“Standard Beverage”)	77,529	97.1%	76,130	97.1%
Standard Industries, LLC	-	-	76,323	50.0%
Renewable Resource Technology (Cayman) Co., Ltd. (“RRT”)	-	35.5%	-	35.5%
	<u>\$ 4,902,769</u>		<u>\$ 4,182,031</u>	

(Concluded)

Investment income (loss) recognized under the equity method comprised:

	Years Ended December 31	
	2012	2011
Accession Limited	\$ 41,885	\$ 137,458
Cayman Standard	(24,543)	-
Standard Dairy Products	188,069	194,330
Charng Hui	3,980	2,915
Domex Technology	5,571	26,025
Standard Beverage	500	(1,692)
Standard Industries, LLC	55,734	1,412
RRT	-	(1,584)
	<u>\$ 271,196</u>	<u>\$ 358,864</u>

Accession Limited is engaged in investment. It also acts as the holding company of Shanghai Standard Foods Co., Ltd. (“Shanghai Standard Foods”), which manufactures and sells edible oil and nutritious foods.

RRT was established to act as the holding company of Hunan Standard Biotechnology Co., Ltd., which manufactures and sells micro-biological ferment.

Cayman Standard is engaged in investment and acts as the holding company of Standard Corporation (Hong Kong) Limited (“Hong Kong Standard”). Hong Kong Standard is engaged in investment and acts as the holding company of Standard Investment (China) Co., Ltd. (“China Standard Investment”). China Standard Investment is engaged in investment and sells edible oil and nutritious foods and acts as the holding company of Standard Foods (China) Co., Ltd. (“China Standard Foods”), which manufactures and sells edible oil and nutritious foods.

Standard Industries, LLC went into liquidation in September 2012.

10. PROPERTIES

Accumulated depreciation comprised:

	December 31	
	2012	2011
Buildings and improvements	\$ 406,376	\$ 393,038
Machinery and equipment	1,237,587	1,200,405
Transportation equipment	16,365	13,492
Furniture and equipment	76,760	68,711
Leased assets	837	560
Other equipment	<u>28,762</u>	<u>26,942</u>
	<u>\$ 1,766,687</u>	<u>\$ 1,703,148</u>

In August 1989 and March 2008, the Corporation revalued the land of its Tayuan Plant based on government regulations. The net revaluation increment (after deducting a reserve for land value increment tax) has been credited to revaluation increment under stockholders’ equity.

Capitalized interest in 2011 amounted to \$0.03 million, and the interest rates used in computing capitalized interest were 0.87%-0.90% for the year ended December 31, 2011.

11. COMPUTER SOFTWARE, NET

	Years Ended December 31	
	2012	2011
Cost		
Balance, beginning of year	\$ 150,869	\$ 129,832
Acquisition	<u>12,826</u>	<u>21,037</u>
Balance, end of year	<u>163,695</u>	<u>150,869</u>
Accumulated amortization		
Balance, beginning of year	129,793	118,266
Amortization	<u>16,296</u>	<u>11,527</u>
Balance, end of year	<u>146,089</u>	<u>129,793</u>
Net book value, end of year	<u>\$ 17,606</u>	<u>\$ 21,076</u>

12. PROPERTIES FOR LEASE, NET

	<u>December 31</u>	
	2012	2011
Cost		
Land	\$ 121,446	\$ 121,446
Buildings and improvements	<u>19,704</u>	<u>19,704</u>
	<u>141,150</u>	<u>141,150</u>
Accumulated depreciation		
Buildings and improvements	<u>12,808</u>	<u>12,393</u>
	<u>\$ 128,342</u>	<u>\$ 128,757</u>

The Corporation entered into operating lease agreements to rent the abovementioned properties to a company. Under the lease agreement with the company expiring in May 2014 with rentals collected monthly, future rentals are as follows:

Year	Amount
2013	\$ 3,240
2014	1,350

13. INCOME TAX

	<u>Years Ended December 31</u>	
	2012	2011
Income tax based on income before income tax at statutory rate	\$ 459,195	\$ 493,317
Tax effect on adjusting items		
Permanent differences	(27,203)	(54,608)
Temporary differences	(1,543)	(28,123)
Additional income tax at 10% of undistributed earnings	<u>-</u>	<u>6,302</u>
Current income tax	430,449	416,888
Deferred income tax		
Temporary differences relating to recognition of foreign investment loss	3,613	24,259
Allowance for loss on inventories	(243)	(1,131)
Deferred sales returns and allowances	126	1,273
Unrealized valuation loss on financial assets	(2,662)	-
Others	709	3,722
Adjustment to prior years' tax	<u>31,091</u>	<u>(1,502)</u>
Income tax expense	<u>\$ 463,083</u>	<u>\$ 443,509</u>

Deferred income tax assets (liabilities) comprised:

	<u>December 31</u>	
	2012	2011
Current		
Deferred income tax assets		
Deferred sales returns and allowances	\$ 5,911	\$ 6,037
Allowance for loss on inventories	3,074	2,831
Unrealized valuation loss on financial assets	2,662	-
Others	<u>6,460</u>	<u>7,196</u>
	<u>\$ 18,107</u>	<u>\$ 16,064</u>
Noncurrent		
Deferred income tax assets		
Temporary differences relating to recognition of foreign investment loss	\$ 212,794	\$ 216,407
Unrealized loss on available-for-sale financial assets	-	301
Others	<u>3,153</u>	<u>3,126</u>
	<u>215,947</u>	<u>219,834</u>

(Continued)

	<u>December 31</u>	
	2012	2011
Deferred income tax liabilities		
Cumulative translation adjustments	\$ (7,151)	\$ (31,607)
Unrealized gain on available-for-sale financial assets	<u>(3,046)</u>	<u>-</u>
	<u>(10,197)</u>	<u>(31,607)</u>
	<u>\$ 205,750</u>	<u>\$ 188,227</u>

(Concluded)

As of December 31, 2012, income attributable to the following expansion project is exempted from income tax for a five-year period:

<u>Expansion Project</u>	<u>Tax-exemption Period</u>
Expansion of 2009	From 2011 to 2015

The Corporation's income tax returns through 2010, except 2009, have been examined by the tax authority.

For distribution of earnings generated on and after January 1, 1998 under the ITL, the ratio of the imputation credits allocated to stockholders of the Corporation is based on the balance of the imputation credit account ("ICA") as of the date of dividend distribution. Information about integrated income tax was as follows:

Undistributed earnings comprised:

	December 31	
	2012	2011
Unappropriated earnings generated before January 1, 1998	\$ 1,963	\$ 1,963
Unappropriated earnings generated on and after January 1, 1998	<u>2,778,016</u>	<u>3,011,198</u>
	<u>\$ 2,779,979</u>	<u>\$ 3,013,161</u>

The balance of the ICA as of December 31, 2012 and 2011 was \$320.4 million and \$343.2 million, respectively.

The imputation credits available for allocation to stockholders are based on the balance of the ICA at the dividend distribution date. Because the Corporation is unable to predict the amount of the imputation credits to be transferred from investees before the dividend distribution date, the creditable ratio for distribution of earnings of 2012 can not be reasonably estimated. The creditable ratio for distribution of earnings of 2011 was 18.86%.

14. STOCKHOLDERS' EQUITY

As of December 31, 2012, 50,521.2 Global Depositary Receipts ("GDRs") (representing 252,606 shares of the Corporation's common stock), each representing 5 shares of the Corporation's common stock, were traded on the Euro MTF Market of the Luxembourg Stock Exchange. Holders of the GDRs may request at any time that the shares represented by the GDRs be transferred to them.

Under the Company Law, the capital surplus recognized in treasury stock transactions may be used to offset a deficit. In addition, when the Corporation has no deficit, such capital surplus may be transferred to capital (limited to a certain percentage of the Corporation's paid in capital in a year) or distributed in cash. The capital surplus recognized in long-term stock investments may not be used for any purpose.

According to the Corporation's revised Articles of Incorporation, effective on June 6, 2012, the following shall be appropriated from the annual net income (less any deficit):

- a. 10% thereof as legal reserve;
- b. Special reserve provided or reversed in accordance with the regulations;
- c. Bonus to employees at no less than 1% and remuneration to directors and supervisors at 1% of the remainder; and
- d. 30% to 100% of the sum of the remainder and prior years' unappropriated earnings as dividends.

The Corporation's Articles of Incorporation also prescribe that 30% to 100% of dividends shall be paid in cash; however, if the Corporation has major investment plans for which external funds are not available, the percentage may be lowered to 5% to 20%.

For the years ended December 31, 2012 and 2011, the bonus to employees was \$28.2 million and \$31 million, respectively, and the remuneration to directors and supervisors was \$20.1 million and \$22.1 million, respectively. The bonus to employees was 1.4% and the

remuneration to directors and supervisors was 1% of the net income for the respective years, minus the legal reserve to be appropriated. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Under the Company Law, the aforementioned appropriation for legal reserve shall be made until the reserve equals the Corporation's capital. This reserve may be used to offset a deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2011 and 2010 had been approved in the stockholders' meetings on June 6, 2012 and June 15, 2011, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For	For	For	For
	Year 2011	Year 2010	Year 2011	Year 2010
Legal reserve	\$ 245,836	\$ 213,058		
Cash dividends	1,112,704	927,254	\$ 2.40	\$ 2.50
Stock dividends	1,112,704	927,254	2.40	2.50

The bonus to employees and the remuneration to directors and supervisors for the years ended December 31, 2011 and 2010 approved in the stockholders' meetings on June 6, 2012 and June 15, 2011 respectively, were as follows:

	Years Ended December 31	
	2011	2010
Bonus to employees - cash	\$ 30,975	\$ 26,845
Remuneration to directors and supervisors	22,125	19,175

The approved amounts of the bonus to employees and remuneration to directors and supervisors did not differ from the accrual amounts reflected in the financial statements for the years ended December 31, 2011 and 2010.

Information about the bonus to employees, directors and supervisors is available at the Market Observation Post System website of the TSE.

15. TREASURY STOCK

(Shares in Thousands)

Description	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
<u>Year ended December 31, 2012</u>				
The Corporation's stock held by a subsidiary treated as treasury stock	<u>3,379</u>	<u>811</u>	<u>-</u>	<u>4,190</u>
<u>Year ended December 31, 2011</u>				
The Corporation's stock held by a subsidiary treated as treasury stock	<u>2,703</u>	<u>676</u>	<u>-</u>	<u>3,379</u>

The subsidiary holding treasury stock retains shareholders' rights, except rights to participate in any share issuance for cash and to vote.

16. EARNINGS PER SHARE

The numerators and denominator used in calculating earnings per share were as follows:

	<u>Amount (Numerator)</u>		Shares (Denominator) (In Thousands)	<u>Earnings Per Share (In New Taiwan Dollars)</u>	
	Before Tax	After Tax		Before Tax	After Tax
<u>Year ended December 31, 2012</u>					
Basic earnings per share					
Earnings belonging to holders of common shares	\$ 2,701,145	\$ 2,238,062	570,707	<u>\$ 4.73</u>	<u>\$ 3.92</u>
Effect of dilutive potential common shares					
Bonus to employees	<u>-</u>	<u>-</u>	<u>550</u>		
Diluted earnings per share					
Earnings belonging to holders of common shares plus effect of dilutive potential common shares	<u>\$ 2,701,145</u>	<u>\$ 2,238,062</u>	<u>571,257</u>	<u>\$ 4.73</u>	<u>\$ 3.92</u>

(Continued)

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (In Thousands)</u>	<u>Earnings Per Share (In New Taiwan Dollars)</u>	
	<u>Before Tax</u>	<u>After Tax</u>		<u>Before Tax</u>	<u>After Tax</u>
<u>Year ended December 31, 2011</u>					
Basic earnings per share					
Earnings belonging to holders of common shares	\$ 2,901,867	\$ 2,458,358	570,707	<u>\$ 5.08</u>	<u>\$ 4.31</u>
Effect of dilutive potential common shares					
Bonus to employees	<u>-</u>	<u>-</u>	<u>722</u>		
Diluted earnings per share					
Earnings belonging to holders of common shares plus effect of dilutive potential common shares	<u>\$ 2,901,867</u>	<u>\$ 2,458,358</u>	<u>571,429</u>	<u>\$ 5.08</u>	<u>\$ 4.30</u>
				(Concluded)	

If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted earnings per share until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for the calculation of earnings per share has been retroactively adjusted for stock dividends. This adjustment caused the basic and diluted after-tax earnings per share for the year ended December 31, 2011 to decrease from \$5.34 to \$5.33 and from \$4.31 to \$4.30, respectively.

17. PENSION PLANS

The pension plan under the Labor Pension Act is a defined contribution pension plan. Pursuant to the plan, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of each employee's monthly salary. The Corporation recognized pension cost of \$21.6 million and \$20.6 million under the plan for the years ended December 31, 2012 and 2011, respectively.

Under the Labor Standard Law, the Corporation has a defined benefit pension plan for its employees. The Corporation also has a defined benefit plan for its entrusted managers. Benefits under these two plans are based on length of service and average salary for the six months before retirement. The Corporation makes monthly contributions to a pension fund, which is administered by the employees' pension fund committee and deposited in the committee's name with the Bank of Taiwan, for payment of employees' pension benefit. The Corporation also accrues pension benefits for entrusted managers monthly. Pension information under these two plans is summarized as follows:

Net periodic pension cost:

	Years Ended December 31			
	2012		2011	
	Entrusted Managers	Regular Employees	Entrusted Managers	Regular Employees
Service cost	\$ 449	\$ 5,840	\$ 453	\$ 5,659
Interest cost	357	6,676	350	6,239
Actual return on plan assets	\$ -	\$(2,620)	\$ -	\$(3,248)
Loss on plan assets	-	(2,983)	-	(2,165)
Expected return on plan assets	-	(5,603)	-	(5,413)
Amortization	<u>(308)</u>	<u>1,794</u>	<u>(237)</u>	<u>1,031</u>
Net periodic pension cost	<u>\$ 498</u>	<u>\$ 8,707</u>	<u>\$ 566</u>	<u>\$ 7,516</u>

A reconciliation of funded status of the plans and accrued pension cost is as follows:

	December 31			
	2012		2011	
	Entrusted Managers	Regular Employees	Entrusted Managers	Regular Employees
Benefit obligation				
Vested benefit obligation	\$ 16,938	\$ 109,840	\$ 16,330	\$ 88,685
Nonvested benefit obligation	-	<u>155,933</u>	-	<u>158,649</u>
Accumulated benefit obligation	16,938	265,773	16,330	247,334
Additional benefit based on future salary increase	<u>1,570</u>	<u>88,071</u>	<u>1,514</u>	<u>86,464</u>
Projected benefit obligation	18,508	353,844	17,844	333,798
Fair value of plan assets	-	<u>(275,623)</u>	-	<u>(277,044)</u>
Funded status	18,508	78,221	17,844	56,754
Unrecognized net transition obligation	-	(522)	-	(602)
Unamortized net gain (loss)	<u>2,542</u>	<u>(76,973)</u>	<u>2,709</u>	<u>(55,652)</u>
Accrued pension cost	<u>\$ 21,050</u>	<u>\$ 726</u>	<u>\$ 20,553</u>	<u>\$ 500</u>
Vested benefit	<u>\$ 20,750</u>	<u>\$ 133,787</u>	<u>\$ 20,250</u>	<u>\$ 110,531</u>

Actuarial assumptions:

	December 31			
	2012		2011	
	Entrusted Managers	Regular Employees	Entrusted Managers	Regular Employees
Discount rate used in determining present values	1.875%	1.875%	2.000%	2.000%
Future salary increase rate	3.000%	3.000%	3.000%	3.000%
Expected rate of return on plan assets	1.875%	1.875%	2.000%	2.000%

18. PERSONNEL COST, DEPRECIATION AND AMORTIZATION

	Year Ended December 31, 2012			Total
	Cost of Goods Sold	Operating Expenses	Non-operating Expenses and Losses	
Personnel cost				
Payroll	\$ 298,325	\$ 358,553	\$ -	\$ 656,878
Insurance	25,323	24,348	-	49,671
Pension	12,804	18,021	-	30,825
Others	<u>66,513</u>	<u>49,734</u>	<u>-</u>	<u>116,247</u>
	<u>\$ 402,965</u>	<u>\$ 450,656</u>	<u>\$ -</u>	<u>\$ 853,621</u>
Depreciation	<u>\$ 63,339</u>	<u>\$ 32,353</u>	<u>\$ 415</u>	<u>\$ 96,107</u>
Amortization	<u>\$ 11,101</u>	<u>\$ 18,311</u>	<u>\$ -</u>	<u>\$ 29,412</u>
	Year Ended December 31, 2011			Total
	Cost of Goods Sold	Operating Expenses	Non-operating Expenses and Losses	
Personnel cost				
Payroll	\$ 306,411	\$ 366,415	\$ -	\$ 672,826
Insurance	23,566	23,044	-	46,610
Pension	12,030	16,682	-	28,712
Others	<u>68,302</u>	<u>40,579</u>	<u>-</u>	<u>108,881</u>
	<u>\$ 410,309</u>	<u>\$ 446,720</u>	<u>\$ -</u>	<u>\$ 857,029</u>
Depreciation	<u>\$ 51,085</u>	<u>\$ 39,990</u>	<u>\$ 415</u>	<u>\$ 91,490</u>
Amortization	<u>\$ 6,603</u>	<u>\$ 14,075</u>	<u>\$ -</u>	<u>\$ 20,678</u>

19. RELATED PARTY TRANSACTIONS

- a. The Corporation engages in business transactions with the following related parties:

<u>Name of Related Party</u>	<u>Relationship with the Corporation</u>
Standard Dairy Products	A subsidiary
Standard Beverage	A subsidiary
Shanghai Standard Foods	An indirect subsidiary

- b. Significant transactions with related parties are summarized as follows:

	December 31	
	2012	2011
1) Accounts receivable		
Standard Dairy Products	<u>\$ 91,091</u>	<u>\$ 86,344</u>

		<u>December 31</u>	
		2012	2011
2) Other receivables			
Standard Dairy Products		\$ 768	\$ 640
Standard Beverage		<u>36</u>	<u>-</u>
		<u>\$ 804</u>	<u>\$ 640</u>
3) Accounts payable			
Standard Beverage		<u>\$ 647</u>	<u>\$ -</u>
		<u>Years Ended December 31</u>	
		2012	2011
4) Sales			
Standard Dairy Products		\$ 917,697	\$ 817,555
Shanghai Standard Foods		<u>-</u>	<u>475</u>
		<u>\$ 917,697</u>	<u>\$ 818,030</u>
5) Purchases of inventories			
Standard Dairy Products		\$ 680,652	\$ 598,293
Standard Beverage		<u>11,711</u>	<u>11,206</u>
		<u>\$ 692,363</u>	<u>\$ 609,499</u>
6) Royalty revenues (classified under non-operation income and gains - others)			
Standard Dairy Products		<u>\$ 2,453</u>	<u>\$ 1,897</u>

The transactions with related parties were conducted on normal commercial terms.

c. Compensation of directors, supervisors and management personnel:

		<u>Years Ended December 31</u>	
		2012	2011
Salaries, incentives, allowances and bonus		<u>\$ 29,408</u>	<u>\$ 31,263</u>

20. MORTGAGED ASSETS

The following assets had been mortgaged as collateral for long-term credit loans:

		<u>December 31</u>	
		2012	2011
Properties and properties for lease, net		<u>\$ 271,132</u>	<u>\$ 286,634</u>

21. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2012, the Corporation had the following significant commitments and contingencies:

- a. The Corporation has entered into a license agreement with The Quaker Oats Company (“Quaker”) for a period ending July 12, 2024. The agreement provides that the Corporation may use Quaker’s trademark, and process, manufacture, market and sell Quaker baby cereal, oatmeal, fruit cereal, ready-to-eat cereal, sesame paste, milk powder and other cereal products in the ROC. In consideration of the above, the Corporation shall pay Quaker royalties at an agreed percentage of net sales (as defined).
- b. Unused letters of credit of approximately US\$1 million.
- c. Commitments for purchase of properties of approximately \$42 million.
- d. The Corporation leases buildings and warehouses under several operating lease agreements with rentals paid monthly, quarterly or annually and expiring on various dates between March 2013 and October 2017. Future rental payments under these agreements are as follows:

Year	Amount
2013	\$ 18,188
2014	17,101
2015	1,787
2016	1,428
2017	1,190

22. DISCLOSURES FOR FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

	December 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	\$ 1,095,394	\$ 1,095,394	\$ 915,877	\$ 915,877
Financial assets at fair value through profit or loss - current	95,525	95,525	-	-
Available-for-sale financial assets - current	317,276	317,276	167,798	167,798
Notes receivable	2,474	2,474	2,341	2,341
Accounts receivable, net	1,806,895	1,806,895	1,908,171	1,908,171
Accounts receivable from a related party	91,091	91,091	86,344	86,344
Other receivables	28,995	28,995	13,605	13,605
Other receivables from related parties	804	804	640	640
Financial assets carried at cost - noncurrent	120,062		150,904	
Returnable deposits	12,022	12,022	12,418	12,418

(Continued)

	December 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities				
Notes payable	\$ 1,392	\$ 1,392	\$ 1,081	\$ 1,081
Accounts payable	846,331	846,331	853,222	853,222
Accounts payable to a related party	647	647	-	-
Other payables	59,257	59,257	46,901	46,901
Obligations under capital leases (including current portion)	2,183	2,183	2,912	2,912
Deposits received	900	900	900	900
			(Concluded)	

- b. Methods and assumptions used in the determination of fair values of financial instruments:
- 1) Fair values of short-term financial instruments are determined using their carrying amounts shown on the balance sheets because their maturities are short. This method applies to cash and cash equivalents, receivables and payables.
 - 2) Fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on their market prices.
 - 3) No fair value of financial assets carried at cost, i.e. unquoted stocks and funds, is shown because their market prices are not available.
 - 4) The fair value of obligations under capital leases is estimated using the present value of future cash flows discounted by prevailing interest rates after taking into account risk premiums.
 - 5) Fair values of refundable deposits and deposits received are determined using their carrying amounts, which approximate their expected future amount.
- c. As of December 31, 2012 and 2011, financial assets exposed to fair value interest rate risk were \$751.7 million and \$634.8 million, respectively; financial liabilities exposed to fair value interest rate risk were \$2.2 million and \$2.9 million, respectively.
- d. The Corporation recognized unrealized gains (losses) of \$5 million and \$(1.8) million directly in stockholders' equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2012 and 2011, respectively; the Corporation transferred the realized gains of \$1.7 million and \$2.3 million from stockholders' equity to earnings for the years ended December 31, 2012 and 2011, respectively. The Corporation also recognized unrealized gains (losses) of \$22 million and \$(21) million in stockholders' equity for the changes in fair value of available-for-sale financial assets held by equity-method investees for the years ended December 31, 2012 and 2011, respectively.

e. Information about financial risk:

1) Market risk

Financial assets at fair value through profit or loss and available-for-sale financial assets are quoted stocks and open-end funds. Therefore, the fluctuations in prices or foreign exchange rates would result in changes in fair value of these securities.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Corporation if the counterparties or third parties breached contracts. The counterparties and third parties are reputable financial institutions and business organizations; thus, no material credit risk is anticipated.

3) Liquidity risk

The Corporation's investments in quoted stocks and open-end funds could be sold or are redeemable at prices approximating fair values because they are traded in an active market or are redeemable rapidly; thus, no material liquidity risk is anticipated. There is a liquidity risk for the Corporation's investments in unquoted stocks and funds because they are neither traded in an active market nor transferable within a specified period. However, the Corporation had evaluated the risks before making investments.

23. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

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

	December 31					
	2012			2011		
	Foreign Currency (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currency (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
<u>Financial assets</u>						
Monetary items						
USD	\$ 9,833	29.04	\$ 285,545	\$ 9,021	30.28	\$ 273,083
EUR	1,001	38.49	38,516	546	39.18	21,393
AUD	59	30.17	1,767	53	30.74	1,621
Non-monetary items						
USD	3,289	29.04	95,525	995	30.28	30,130
Long-term stock investments accounted for under equity method						
USD	-	29.04	-	107,824	30.28	3,264,382
RMB	860,835	4.62	3,977,231	-	4.81	-
<u>Financial liabilities</u>						
Monetary items						
USD	149	29.04	4,335	288	30.28	8,728
EUR	34	38.49	1,309	69	39.18	2,701
AUD	423	30.17	12,769	508	30.74	15,616

24. OPERATING SEGMENT FINANCIAL INFORMATION

The Corporation disclosed its operating segment financial information in the consolidated financial statements.

Standard Foods Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2012 and 2011 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Standard Foods Corporation

We have audited the accompanying consolidated balance sheets of Standard Foods Corporation and its subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Standard Foods Corporation and its subsidiaries as of December 31, 2012 and 2011, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

March 22, 2013

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated results of operations and consolidated 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 accepted and applied in the Republic of China.

For the convenience of readers, the 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 auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY		2012		2011	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS										
Cash and cash equivalents (Note 4)	\$ 2,229,880	16	\$ 1,970,467	16	Short-term loans (Notes 15 and 23)		\$ 653,014	5	\$ 494,327	4
Financial assets at fair value through profit or loss - current (Note 5)	95,525	1	-	-	Notes payable		6,312	-	1,241	-
Available-for-sale financial assets - current (Note 6)	678,046	5	490,125	4	Accounts payable		1,135,334	8	1,132,434	9
Notes receivable (Note 3)	25,753	-	26,700	-	Income tax payable, net of prepaid income tax		244,489	2	219,540	2
Accounts receivable, net of allowance for doubtful accounts of \$2,480 in 2012 and \$8,211 in 2011 (Note 3)	3,313,751	24	3,315,881	27	Accrued expenses		1,532,178	10	1,432,402	11
Other receivables - a related party (Notes 3 and 22)	1,999	-	7,875	-	Other payables		149,385	1	62,551	1
Other receivables (Note 3)	63,985	-	40,337	-	Obligations under capital leases - current		728	-	-	-
Other receivables - a related party (Notes 3 and 22)	129	-	123	-	Other current liabilities		105,545	1	23,861	-
Inventories (Note 7)	2,855,268	21	2,975,852	24	Total current liabilities		3,646,985	27	3,367,084	27
Prepaid expenses	218,920	2	96,060	1	LONG-TERM LIABILITIES					
Prepayments	933,446	7	496,736	4	Obligations under capital leases - noncurrent		1,455	-	2,184	-
Deferred income tax assets - current (Note 16)	21,515	-	17,474	-	RESERVES					
Restricted assets - current (Note 23)	277,912	2	700	-	Reserve for land value increment tax (Note 11)		33,685	-	33,685	-
Other current assets	12,136	-	4,883	-	OTHER LIABILITIES					
Total current assets	10,728,265	78	9,443,213	76	Accrued pension cost (Note 20)		26,901	-	24,263	-
LONG-TERM INVESTMENTS					Deposits received		14,089	-	8,936	-
Financial assets carried at cost - noncurrent (Note 8)	180,807	1	214,929	2	Total other liabilities		40,990	-	33,199	-
Long-term stock investments accounted for under equity method (Note 9)	-	-	54,246	1	Total liabilities		3,723,115	27	3,436,152	28
Investments in real estate (Note 10)	53,937	1	-	-	STOCKHOLDERS' EQUITY (Note 17)					
Total long-term investments	234,744	2	345,498	3	Equity attributable to stockholders of the parent					
PROPERTIES (Notes 11 and 23)					Common stock, \$10 par value, authorized - 2012: 580,000 thousand shares,					
Cost					2011: 480,000 thousand shares; issued - 2012: 574,897 thousand					
Land	645,586	5	680,693	5	shares, 2011: 463,627 thousand shares		5,748,973	42	4,636,269	37
Buildings and improvements	1,333,866	10	1,323,161	11	Capital surplus					
Machinery and equipment	2,642,354	19	2,527,980	20	Treasury stock transactions		35,240	-	27,130	-
Leased assets	1,664	-	1,664	-	Long-term stock investments		13,574	-	13,574	-
Other equipment	349,881	2	340,157	3	Total capital surplus		48,814	-	40,704	-
Total cost	4,973,351	36	4,873,655	39	Retained earnings		1,282,134	10	1,036,298	9
Appreciation - land	56,819	1	56,819	1	Legal reserve		2,779,979	20	3,013,161	24
Total cost and appreciation	5,030,170	37	4,930,474	39	Unappropriated earnings		4,062,113	30	4,049,459	33
Less: Accumulated depreciation	(2,973,806)	(22)	(2,909,626)	(23)	Other equity items					
Construction in progress and prepayments	177,053	1	165,989	1	Cumulative translation adjustments		34,912	-	154,322	1
Properties, net	2,233,417	16	2,186,837	17	Net loss not recognized as pension cost		(128)	-	-	-
INTANGIBLE ASSETS					Unrealized gain (loss) on available-for-sale financial assets		21,665	-	(3,688)	-
Technical know-how, net	-	-	22	-	Revaluation increment (Note 11)		23,134	-	23,134	-
Computer software, net (Note 12)	17,606	-	21,457	-	Treasury stock - 2012: 4,190 thousand shares, 2011: 3,379 thousand					
Goodwill	558	-	558	-	shares (Note 18)		(21,182)	-	(21,182)	-
Deferred pension cost	187	-	-	-	Total other equity items		58,401	-	152,586	-
Land use rights, net (Note 13)	110,527	1	11,358	-	Total equity attributable to stockholders of the parent		9,918,301	72	8,879,018	71
Total intangible assets	128,878	1	33,395	-	Minority interest in subsidiaries		139,851	1	149,027	1
OTHER ASSETS					Total stockholders' equity		10,058,152	73	9,028,045	72
Properties for lease, net (Notes 14 and 23)	211,309	2	214,000	2	TOTAL					
Refundable deposits (Note 5)	22,189	-	31,790	-			\$ 13,781,267	100	\$ 12,464,197	100
Deferred charges, net	17,213	-	22,125	-						
Deferred income tax assets - noncurrent (Note 16)	205,252	1	187,339	2						
Total other assets	455,963	3	455,254	4						
TOTAL	\$ 13,781,267	100	\$ 12,464,197	100						

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

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
GROSS SALES	\$ 20,748,195	104	\$ 20,437,210	103
LESS: SALES RETURNS	157,949	1	167,478	1
SALES ALLOWANCES	<u>534,128</u>	<u>3</u>	<u>442,521</u>	<u>2</u>
NET SALES (Note 22)	20,056,118	100	19,827,211	100
COST OF GOODS SOLD (Notes 3, 7, 21 and 22)	<u>12,418,989</u>	<u>62</u>	<u>12,312,059</u>	<u>62</u>
GROSS PROFIT	<u>7,637,129</u>	<u>38</u>	<u>7,515,152</u>	<u>38</u>
OPERATING EXPENSES (Note 21)				
Selling	4,744,318	24	4,243,574	22
General and administrative	420,539	2	393,956	2
Research and development	<u>72,559</u>	<u>-</u>	<u>79,629</u>	<u>-</u>
Total operating expenses	<u>5,237,416</u>	<u>26</u>	<u>4,717,159</u>	<u>24</u>
INCOME FROM OPERATIONS	<u>2,399,713</u>	<u>12</u>	<u>2,797,993</u>	<u>14</u>
NON-OPERATING INCOME AND GAINS				
Interest income	40,251	-	16,059	-
Investment income recognized under equity method, net (Note 9)	55,734	-	-	-
Dividend income	166,852	1	28,974	-
Gain on disposal of properties and properties for lease	64,508	1	28,433	-
Gain on disposal of investments, net	3,392	-	3,316	-
Foreign exchange gain, net	-	-	33,100	1
Rental revenue (Note 22)	23,569	-	23,740	-
Gain on reversal of bad debts	4,958	-	12,009	-
Valuation gain on financial assets, net (Note 5)	6,712	-	-	-
Others	<u>29,455</u>	<u>-</u>	<u>20,832</u>	<u>-</u>
Total non-operating income and gains	<u>395,431</u>	<u>2</u>	<u>166,463</u>	<u>1</u>
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	7,018	-	9,039	-
Investment loss recognized under equity method, net (Note 9)	-	-	172	-

(Continued)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Per-Share Information)

	Capital Surplus (Note 17)				Retained Earnings (Note 17)				Other Equity Items					Total Stockholders' Equity
	Treasury Stock Transactions	Long-term Stock Investments	Total	Legal Reserve	Unappropriated Earnings	Legal Reserve	Net Loss Not Recognized as Pension Cost	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Revaluation Increment (Note 11)	Treasury Stock (Note 18)	Total	Total Equity Attributable to Stockholders of the Parent	Minority Interest in Subsidiaries	
BALANCE, JANUARY 1, 2011	\$ 3,709,015	\$ 20,373	\$ 13,574	\$ 33,947	\$ 823,240	\$ 2,622,069	\$ -	\$ 21,398	\$ 23,134	\$ (21,182)	\$ (16,406)	\$ 7,172,165	\$ 148,993	\$ 7,321,158
Appropriations of prior years' earnings	-	-	-	-	213,038	(213,038)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	(927,254)	-	-	-	-	-	(927,254)	-	(927,254)
Cash dividends - \$2.5 per share	-	-	-	-	-	(927,254)	-	-	-	-	-	-	-	-
Stock dividends - 25%	927,254	-	-	-	-	(927,254)	-	-	-	-	-	-	-	-
Adjustments for long-term stock investments accounted for under equity method	-	-	-	-	-	-	(20,982)	-	-	-	(20,982)	-	-	(20,982)
Adjustment of capital surplus for the Corporation's cash dividends received by a subsidiary	-	6,757	-	6,757	-	-	-	-	-	-	-	6,757	-	6,757
Consolidated net income for the year ended December 31, 2011	-	-	-	-	-	2,458,358	-	-	-	-	-	2,458,358	23,963	2,482,321
Change in translation adjustments	-	-	-	-	-	-	194,078	-	-	-	194,078	-	-	194,078
Change in unrealized gain or loss on available-for-sale financial assets	-	-	-	-	-	-	(4,104)	-	-	-	(4,104)	-	-	(4,104)
Net decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(23,929)	(23,929)
BALANCE, DECEMBER 31, 2011	4,636,269	27,130	13,574	40,704	1,036,298	3,013,161	-	(3,688)	23,134	(21,182)	152,586	8,879,018	140,027	9,028,045
Appropriations of prior years' earnings	-	-	-	-	245,836	(245,836)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	(1,112,704)	-	-	-	-	-	(1,112,704)	-	(1,112,704)
Cash dividends - \$2.4 per share	-	-	-	-	-	(1,112,704)	-	-	-	-	-	-	-	-
Stock dividends - 24%	1,112,704	-	-	-	-	(1,112,704)	-	-	-	-	-	-	-	-
Adjustments for long-term stock investments accounted for under equity method	-	-	-	-	-	-	(128)	22,024	-	-	21,896	-	-	21,896
Adjustment of capital surplus for the Corporation's cash dividends received by a subsidiary	-	8,110	-	8,110	-	-	-	-	-	-	-	8,110	-	8,110
Consolidated net income for the year ended December 31, 2012	-	-	-	-	-	2,238,062	-	-	-	-	-	2,238,062	5,155	2,243,217
Change in translation adjustments	-	-	-	-	-	-	(119,410)	-	-	-	(119,410)	-	-	(119,410)
Change in unrealized gain or loss on available-for-sale financial assets	-	-	-	-	-	-	3,329	-	-	-	3,329	-	-	3,329
Net decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(14,331)	(14,331)
BALANCE, DECEMBER 31, 2012	\$ 5,748,973	\$ 35,240	\$ 13,574	\$ 48,814	\$ 1,282,134	\$ 2,779,929	\$ (128)	\$ 21,665	\$ 23,134	\$ (21,182)	\$ 58,401	\$ 9,918,301	\$ 139,851	\$ 10,058,152

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

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 2,243,217	\$ 2,482,321
Depreciation	191,631	182,061
Amortization	34,379	24,862
Investment loss (income) recognized under equity method, net	(55,734)	172
Cash dividends from investees accounted for under equity method	46,998	-
Impairment loss on financial assets carried at cost	8,941	4,009
Gain on disposal of investments, net	(3,392)	(3,316)
Gain on disposal of properties and properties for lease, net	(45,436)	(22,863)
Unrealized exchange loss (gain) on investments in corporate bonds	335	(1,144)
Deferred income tax	(844)	30,340
Others	(326)	-
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(95,525)	-
Notes receivable	321	(12,067)
Accounts receivable	(40,245)	(17,664)
Accounts receivable - a related party	5,876	(2,174)
Other receivables	(24,549)	(1,972)
Other receivables - a related party	(6)	(16)
Inventories	76,115	(424,101)
Prepaid expenses	(123,781)	(13,933)
Prepayments	(445,277)	71,034
Other current assets	(7,247)	(496)
Notes payable	5,071	(2,591)
Accounts payable	8,334	205,052
Income tax payable	24,949	(86,353)
Accrued expenses	(61,880)	55,487
Other payables	67,453	(13,429)
Other current liabilities	81,479	(1,699)
Accrued pension cost	<u>2,319</u>	<u>2,707</u>
Net cash provided by operating activities	<u>1,893,176</u>	<u>2,454,227</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(2,062,810)	(3,061,387)
Proceeds from disposal of available-for-sale financial assets	1,900,977	2,906,389
Acquisition of financial assets carried at cost	-	(5,000)
Proceeds from capital reduction of financial assets carried at cost	23,787	29,901
Acquisition of long-term stock investments accounted for under equity method	-	(43,328)
Proceeds from capital reduction of long-term stock investments accounted for under equity method	83,996	-
Acquisition of properties and properties for lease	(293,944)	(248,905)
Proceeds from disposal of properties and properties for lease	103,735	107,351
Decrease (increase) in restricted assets	(275,941)	45,369

(Continued)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
Acquisition of computer software	\$ (12,826)	\$ (21,037)
Acquisition of land use rights	(101,099)	-
Decrease in refundable deposits	8,915	1,815
Payments for deferred charges	<u>(12,495)</u>	<u>(21,426)</u>
Net cash used in investing activities	<u>(637,705)</u>	<u>(310,258)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	175,470	112,027
Repayments of long-term debt	-	(149,580)
Increase (decrease) in deposits received	5,294	(5,247)
Cash dividends	(1,104,595)	(920,496)
Cash dividends of a subsidiary paid to minority interest	<u>(14,359)</u>	<u>(22,824)</u>
Net cash used in financing activities	<u>(938,190)</u>	<u>(986,120)</u>
EFFECT OF CHANGES IN EXCHANGE RATES	<u>(57,868)</u>	<u>54,842</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	259,413	1,212,691
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,970,467</u>	<u>757,776</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,229,880</u>	<u>\$ 1,970,467</u>
SUPPLEMENTAL INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 6,634</u>	<u>\$ 11,036</u>
Income tax paid	<u>\$ 472,019</u>	<u>\$ 510,699</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of properties and properties for lease	\$ 312,584	\$ 246,327
Add: Payable (included in other payables), beginning of year	41,721	45,862
Obligations under capital leases - current, beginning of year	728	320
Obligations under capital leases - noncurrent, beginning of year	2,184	1,029
Less: Payable (included in other payables), end of year	(61,090)	(41,721)
Obligations under capital leases - current, end of year	(728)	(728)
Obligations under capital leases - noncurrent, end of year	<u>(1,455)</u>	<u>(2,184)</u>
Cash paid for acquisition of properties and properties for lease	<u>\$ 293,944</u>	<u>\$ 248,905</u>

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

(Concluded)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. GENERAL

Standard Foods Corporation (the “Corporation”), incorporated on June 6, 1986, manufactures and sells nutritious foods, edible oil, dairy products and beverage. The Corporation’s stock has been listed on the Taiwan Stock Exchange (“TSE”) since April 1994.

Information about subsidiaries included in the consolidated financial statements is summarized as follows:

Name of Investor	Name of Subsidiary	Businesses	Percentage of Ownership		Remark
			2012	2011	
The Corporation	Standard Dairy Products Taiwan Limited (“Standard Dairy Products”)	Manufacture and sale of dairy products and beverage	100.0%	100.0%	-
	Charng Hui Ltd. (“Charng Hui”)	Investing	100.0%	100.0%	-
	Domex Technology Corporation (“Domex Technology”)	Manufacture and sale of computer peripherals and computer appliances	52.0%	52.0%	-
	Standard Beverage Company Limited (“Standard Beverage”)	Manufacture and sale of beverage	97.1%	97.1%	-
	Accession Limited	Investing	100.0%	100.0%	-
	Standard Investment (Cayman) Limited (“Cayman Standard”)	Investing	100.0%	-	In January and July 2012, the Corporation invested US\$9.01 million and US\$21 million in Cayman Standard.
Accession Limited	Shanghai Standard Foods Co., Ltd. (“Shanghai Standard Foods”)	Manufacture and sale of edible oil and nutritious foods	100.0%	100.0%	-
Shanghai Standard Foods	Inner Mongolia Jiatai Agriculture Technology Co., Ltd. (“Inner Mongolia Jiatai Agriculture”)	Cultivate sunflower seeds	100.0%	100.0%	-
Cayman Standard	Standard Corporation (Hong Kong) Limited (“Hong Kong Standard”)	Investing	100.0%	-	In January and July 2012, Cayman Standard invested US\$9.005 million and US\$21 million in Hong Kong Standard.
Hong Kong Standard	Standard Investment (China) Co., Ltd. (“China Standard Investment”)	Investing and sale of edible oil and nutritious foods	100.0%	-	In January and July 2012, Hong Kong Standard invested US\$9 million and US\$21 million in China Standard Investment.
China Standard Investment	Standard Foods (China) Co., Ltd. (“China Standard Foods”)	Manufacture and sale of edible oil and nutritious foods	100.0%	-	In April 2012, China Standard Investment invested US\$8 million in China Standard Foods.

Based on the Corporation's evaluation, the abovementioned foreign subsidiaries do not anticipate any material special business risk.

As of December 31, 2012 and 2011, the number of employees of the Corporation and subsidiaries was 2,131 and 2,041, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China ("ROC").

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 consolidated financial statements shall prevail. However, the accompanying consolidated financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau ("SFB") for their oversight purposes.

Significant accounting policies of the Corporation and subsidiaries are summarized as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of investees over which the Corporation had direct or indirect controlling interest. Significant intercompany transactions and balances have been eliminated upon consolidation.

Foreign Currencies

Foreign-currency transactions other than derivative financial instruments are recorded in bookkeeping currencies at the rates of exchange in effect when the transactions occur. Gains or losses resulting from settlement of foreign-currency assets and liabilities at rates different from those at which these assets and liabilities are carried in the accounts are recognized in profit or loss in the year of settlement.

At year-end, foreign-currency monetary assets and liabilities are restated using prevailing exchange rates and the resulting differences are recognized in profit or loss.

At year-end, foreign-currency non-monetary assets and liabilities, which are measured at fair value, are restated using prevailing exchange rates and the resulting differences are treated as follows:

- a. For financial assets or liabilities at fair value through profit or loss - recognized in profit or loss; and
- b. For available-for-sale financial assets - as adjustments to stockholders' equity.

At year-end, foreign-currency non-monetary assets and liabilities, which are measured at cost, are stated at historical exchange rates at transaction dates.

The differences resulting from translation of the foreign-currency financial statements of foreign investees accounted for under the equity method prepared in their respective functional currencies into New Taiwan dollars are recorded as translation adjustments under stockholders' equity.

The foreign-currency financial statements of foreign subsidiaries prepared in their respective functional currencies are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - year-end rates; stockholders' equity - historical rates; income and expenses - average rates during the year. The resulting differences are recorded as translation adjustments under stockholders' equity.

Accounting Estimates

The preparation of consolidated financial statements in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of certain revenues and expenses during the reporting period. Actual results may differ from these estimates.

Current and Noncurrent Assets and Liabilities

Current assets are cash and those held primarily to be realized, sold or consumed within one year from the balance sheet date; all other assets are classified as noncurrent. Current liabilities are obligations to be settled within one year from the balance sheet date; all other liabilities are classified as noncurrent.

Cash Equivalents

Repurchase agreements collateralized by bonds acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments held for trading (including derivatives that do not meet the criteria for hedge accounting) are classified as financial instruments at fair value through profit or loss and initially measured at fair value, with transaction costs expensed as incurred. The financial instruments are subsequently measured at fair value with changes in fair value recognized in profit or loss. A regular way purchase or sale of financial instruments is recognized and derecognized using trade date accounting.

Available-for-sale Financial Assets

Investments designated as available-for-sale financial assets include quoted stocks, close-end funds, open-end funds and corporate bonds. Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. The changes in fair value from subsequent remeasurement are reported as a separate component of stockholders' equity. The corresponding accumulated gains or losses are recognized in profit or loss when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using trade date accounting.

Cash dividends are recognized as investment income on the ex-dividend date of an investee but are accounted for as reductions to the original cost of investment if such dividends are declared out of the earnings of the investee attributable to the period prior to the investment. Stock dividends are recorded for only as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares.

Financial Assets Carried at Cost

Investments in unquoted stocks and funds whose fair value can not be reliably measured are carried at their original cost. Costs of stocks and funds sold are determined using the weighted-average method. If there is objective evidence of impairment, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

The accounting treatment for cash dividends and stock dividends derived from financial assets carried at cost is the same as that for cash dividends and stock dividends derived from available-for-sale financial assets.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is estimated based on bad debt experience and a review of individual balances of notes and accounts receivable and the collateral provided by customers.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Corporation and subsidiaries adopted the third-time revised Statement of Financial Accounting Standards (“SFAS”) No. 34, “Financial Instruments: Recognition and Measurement.” One of the main revisions is that impairment of receivables originated by the Corporation and subsidiaries should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable’s original effective interest rate. The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

Impairment of Assets

When the carrying amount of an asset (including primarily long-term stock investments accounted for under equity method, investments in real estate, properties, intangible assets and other assets) exceeds its recoverable amount, the excess is recognized as an impairment loss. If the recoverable amount increases in a future period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized.

Inventories

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

Long-term Stock Investments Accounted for Under Equity Method

Long-term stock investments in which the Corporation and subsidiaries can exercise significant influence over the investees are accounted for under the equity method. The initial cost of investment is allocated to the assets and liabilities of the investee on the basis of their fair values at the date of investment, and the excess of investment cost over the fair value of the identifiable net assets of the investee is recognized as goodwill. Goodwill is not amortized. If the fair value of the net identifiable assets of the investee exceeds the initial cost of investment, the excess is used to reduce the fair value of each of the noncurrent assets of the investee (except financial assets other than investments accounted for under the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any unused excess recognized as an extraordinary gain.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the percentage of ownership of the Corporation and subsidiaries in the investee; however, if the Corporation and subsidiaries have control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the percentage of ownership of the Corporation and subsidiaries in the investee.

Investments in Real Estate

Investments in real estate are stated at cost less accumulated depreciation. Depreciation of buildings and improvements is provided on a straight-line basis over estimated service life of 35 years.

Properties and Properties for Lease

Properties and properties for lease other than land are stated at cost less accumulated depreciation. Land is stated at cost or cost plus appreciation. Depreciation is provided on a straight-line basis over estimated service lives which range as follows: buildings and improvements, 3 to 54 years; machinery and equipment, 2 to 20 years; leased assets, 5 years; other equipment, 2 to 15 years. For properties and properties for lease which have reached their estimated service lives, their salvage values are further depreciated over estimated period of use.

Assets held under capital lease are initially recognized as assets of the Corporation and subsidiaries at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments; the corresponding liability is included in the consolidated balance sheet as obligations under capital leases. The interest included in lease payments is expensed when paid.

Intangible Assets

Computer software is amortized on a straight-line basis over 2 to 3 years.

Land use rights are amortized on a straight-line basis over 50 years.

Goodwill

The excess of the cost of investment over the fair value of the identifiable net assets of the subsidiary is recognized as goodwill. Goodwill is not amortized.

Pension Cost

For a defined contribution pension plan, pension cost is recorded based on the amount of contributions made during the period in which employees render services. For a defined benefit pension plan, pension cost is recorded based on actuarial calculations.

Income Tax

The Corporation and subsidiaries apply the intra-year and inter-year allocation methods to income tax, whereby (1) a portion of income tax expense is charged or credited directly to shareholders' equity; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Investment tax credits are recognized using the flow-through method.

Additional income tax at 10% of undistributed earnings is recorded when the amount is determinable, namely, when the retention of earnings is resolved by the stockholders.

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

Treasury Stock

The Corporation's stock held by subsidiaries is treated as treasury stock when the Corporation recognizes investment income or loss and prepares financial statements.

Dividends distributed by the Corporation that are received by subsidiaries are recorded as capital surplus - treasury stock transactions, not as investment income.

Revenue Recognition

Sales are recognized when titles to products and risks of ownership are transferred to customers, primarily upon shipment.

Research and Development

Expenditures related to research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense when incurred.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

On January 1, 2011, the Corporation and subsidiaries adopted the newly revised SFAS No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include loans and receivables originated by the Corporation and subsidiaries are now covered by SFAS No. 34. The adoption did not have a material effect on the consolidated financial statements of the Corporation and subsidiaries as of and for the year ended December 31, 2011.

On January 1, 2011, the Corporation and subsidiaries adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires that segment information be disclosed based on the information about the components of the Corporation and subsidiaries that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Corporation and subsidiaries' chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." The Corporation and its subsidiaries conformed to the disclosure requirements.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2012	2011
Cash on hands	\$ 10,963	\$ 13,733
Checking account deposits and demand deposits	813,137	1,048,736
Time deposits	958,537	320,985
Repurchase agreements collateralized by bonds	<u>447,243</u>	<u>587,013</u>
	<u>\$ 2,229,880</u>	<u>\$ 1,970,467</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	<u>December 31</u>	
	2012	2011
<u>Financial assets held for trading</u>		
Quoted stocks	\$ 95,525	\$ -

Net loss on financial assets held for trading for the year ended December 31, 2012 was \$9.9 million.

Shanghai Standard Foods entered into structured time deposits during the years ended December 31, 2012 and 2011 mainly to earn from favorable effects of fluctuations of interest rates.

Shanghai Standard Foods entered into futures contracts during the years ended December 31, 2012 and 2011 mainly to manage exposures due to fluctuations of raw material prices. Those contracts entered into by Shanghai Standard Foods did not meet the criteria for hedge accounting prescribed by SFAS No. 34, "Accounting for Financial Instruments". Therefore, Shanghai Standard Foods did not apply hedge accounting treatment for those contracts.

At December 31, 2012 and 2011, Shanghai Standard Foods did not have outstanding structured time deposit.

At December 31, 2012, Shanghai Standard Foods did not have outstanding futures contract.

As of December 31, 2011, information of outstanding futures contracts held by Shanghai Standard Foods was as follows:

Financial Instrument	Type	Quantities (Metric Tons)	<u>December 31, 2011</u>		
			Contract Amount (In Thousands of RMB)	Market Price (In Thousands of RMB)	Net Gain (Loss) (In Thousands of RMB)
Soybean oil futures contracts	Buy	310	\$ 3,063	\$ 2,783	\$ (280)

As of December 31, 2011, the margin deposits paid by Shanghai Standard Foods amounted to \$7.1 million, which had been included in refundable deposits.

Shanghai Standard Foods recognized net income (loss) of \$16.6 million and \$(2.2) million from derivative financial instruments for the years ended December 31, 2012 and 2011, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	2012	2011
Quoted stocks	\$ 69,168	\$ 63,681
Closed-end funds	2,589	2,112
Open-end funds	606,289	394,202
Corporate bonds - Deutsche Bank	<u>-</u>	<u>30,130</u>
	<u>\$ 678,046</u>	<u>\$ 490,125</u>

In June 2009, the Corporation purchased 3-year bonds issued by Deutsche Bank with an effective interest rate of 3.00% at par value of US\$1 million.

7. INVENTORIES

	December 31	
	2012	2011
Merchandise	\$ 525,453	\$ 725,790
Finished goods	1,060,678	1,025,834
Work in process	169,816	207,486
Raw materials	1,040,212	961,390
Packing materials	<u>59,109</u>	<u>55,352</u>
	<u>\$ 2,855,268</u>	<u>\$ 2,975,852</u>

As of December 31, 2012 and 2011, the allowance for inventory devaluation was \$42.4 million and \$37.6 million, respectively.

The cost of goods sold for the year ended December 31, 2012 included \$8.9 million loss on write-downs of inventories, \$28 million loss on abandonment of inventories and \$25.3 million of unallocated overheads. The cost of goods sold for the year ended December 31, 2011 included \$5.4 million loss on write-downs of inventories, \$44 million loss on abandonment of inventories and \$26.4 million of unallocated overheads.

8. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2012	2011
Unquoted stocks or funds		
Walden VC II, L.P.	\$ 65,707	\$ 72,080
AsiaVest Opportunities Fund IV	32,744	36,024
InnoComm Mobile Technology Corp.	26,586	26,586
GeneFerm Biotechnology Co., Ltd.	18,549	20,681
Global Strategic Investment Co., Ltd.	11,279	20,279
Dah Chung Bills Finance Corporation	9,600	9,600
Paradigm Venture Capital Corporation	9,000	11,723
Techgains Pan-Pacific Corporation	4,012	6,219
Hsin Tung Yang Co., Ltd.	1,415	1,415
VantagePoint Communications Partners, L.P.	1,129	3,517
iGlobe Partners Fund, L.P.	786	4,183
United Venture Capital Corporation	-	2,622
Cheng Yung Venture Capital Investment Corporation	-	-
Authenex, Inc.	-	-
U-Teck Environment Corporation, Ltd.	-	-
Octamer, Inc.	-	-
Hong Da Leasing & Finance Co., Ltd.	<u>-</u>	<u>-</u>
	<u>\$ 180,807</u>	<u>\$ 214,929</u>

Impairment losses on the abovementioned investments recognized by the Corporation and subsidiaries for the years ended December 31, 2012 and 2011 were as follows:

	<u>Years Ended December 31</u>	
	<u>2012</u>	<u>2011</u>
Paradigm Venture Capital Corporation	\$ 2,723	\$ 4,009
VantagePoint Communications Partners, L.P.	2,388	-
Geneferm Biotechnology Co., Ltd.	2,132	-
Techgains Pan-Pacific Corporation	<u>1,698</u>	<u>-</u>
	<u>\$ 8,941</u>	<u>\$ 4,009</u>

Walden VC II, L.P., VantagePoint Communications Partners, L.P., iGlobe Partners Fund, L.P. and AsiaVest Opportunities Fund IV are investment funds, the beneficial certificates of which are not transferable within specified periods. As of December 31, 2012, the Corporation and subsidiaries had subscribed for beneficial certificates of some of the abovementioned funds totaling US\$0.3 million, which should be paid upon request of the funds' managers.

9. LONG-TERM STOCK INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD

	<u>December 31</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Carrying Amount</u>	<u>% of Ownership</u>	<u>Carrying Amount</u>	<u>% of Ownership</u>
Unlisted companies				
Standard Industries, LLC	\$ -	-	\$ 76,323	50.0
Renewable Resource Technology (Cayman) Co., Ltd. ("RRT")	<u>-</u>	35.5	<u>-</u>	35.5
	<u>\$ -</u>		<u>\$ 76,323</u>	

Investment income (loss) recognized under the equity method comprised:

	<u>Years Ended December 31</u>	
	<u>2012</u>	<u>2011</u>
Standard Industries, LLC	\$ 55,734	\$ 1,412
RRT	<u>-</u>	<u>(1,584)</u>
	<u>\$ 55,734</u>	<u>\$ (172)</u>

RRT was established to act as the holding company of Hunan Standard Biotechnology Co., Ltd., which manufactures and sells micro-biological ferment.

Standard Industries, LLC went into liquidation in September 2012.

10. INVESTMENTS IN REAL ESTATE

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Cost		
Land	\$ 46,943	\$ 46,943
Buildings and improvements	<u>11,048</u>	<u>11,048</u>
	<u>57,991</u>	<u>57,991</u>
Accumulated depreciation		
Buildings and improvements	<u>4,054</u>	<u>3,745</u>
	<u>\$ 53,937</u>	<u>\$ 54,246</u>

11. PROPERTIES

Accumulated depreciation comprised:

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Buildings and improvements	\$ 689,937	\$ 662,898
Machinery and equipment	2,024,633	2,005,311
Leased assets	837	560
Other equipment	<u>258,399</u>	<u>240,857</u>
	<u>\$ 2,973,806</u>	<u>\$ 2,909,626</u>

In August 1989 and March 2008, the Corporation revalued the land of its Tayuan Plant based on government regulations. The net revaluation increment (after deducting a reserve for land value increment tax) has been credited to revaluation increment under stockholders' equity.

Capitalized interest in 2011 amounted to \$0.03 million, and the interest rates used in computing capitalized interest were 0.87%-0.90% for the years ended December 31, 2011.

12. COMPUTER SOFTWARE, NET

	<u>Years Ended December 31</u>	
	<u>2012</u>	<u>2011</u>
Cost		
Balance, beginning of year	\$ 173,160	\$ 151,119
Acquisition	12,826	21,037
Translation adjustment	<u>(812)</u>	<u>1,004</u>
Balance, end of year	<u>185,174</u>	<u>173,160</u>
Accumulated amortization		
Balance, beginning of year	151,703	138,337
Amortization	16,660	12,416
Translation adjustment	<u>(795)</u>	<u>950</u>
Balance, end of year	<u>167,568</u>	<u>151,703</u>
Net book value, end of year	<u>\$ 17,606</u>	<u>\$ 21,457</u>

13. LAND USE RIGHTS, NET

All land in the People's Republic of China ("PRC") is owned by the state or is subject to collective ownership, and neither, individuals nor legal entities may own land. The changes in land use rights of subsidiaries in the PRC were as follows:

	Years Ended December 31	
	2012	2011
Cost		
Balance, beginning of year	\$ 16,615	\$ 15,347
Additions	101,099	-
Translation adjustment	<u>(1,809)</u>	<u>1,268</u>
Balance, end of year	<u>115,905</u>	<u>16,615</u>
Accumulated amortization		
Balance, beginning of year	5,257	4,544
Amortization	323	323
Translation adjustment	<u>(202)</u>	<u>390</u>
Balance, end of year	<u>5,378</u>	<u>5,257</u>
Net book value, end of year	<u>\$ 110,527</u>	<u>\$ 11,358</u>

14. PROPERTIES FOR LEASE, NET

	December 31	
	2012	2011
Cost		
Land	\$ 121,446	\$ 121,446
Buildings and improvements	<u>138,585</u>	<u>138,585</u>
	<u>260,031</u>	<u>260,031</u>
Accumulated depreciation		
Buildings and improvements	<u>48,722</u>	<u>46,031</u>
	<u>\$ 211,309</u>	<u>\$ 214,000</u>

Under operating lease agreements with several lessees expiring on various dates between May and December 2014 with rentals collected monthly, future rentals are as follows:

Year	Amount
2013	\$ 24,064
2014	20,233

15. SHORT-TERM LOANS

	December 31	
	2012	2011
New Taiwan dollar secured loans: Due in January 2012, interest at 1.28%	\$ -	\$ 40,000
U.S. dollar unsecured loans: 2012 - due between August and November 2013, interest at 1.60%-2.06%; 2011 - due between February and December 2012, interest at 1.80%-2.20%	377,523	454,327 (Continued)

	December 31	
	2012	2011
New Taiwan dollars unsecured loans: Due in January 2013, interest at 1.15%-1.40%	\$ 26,000	\$ -
RMB secured loans: Due in January 2013, interest at 5.26%-5.60%	<u>249,491</u>	<u>-</u>
	<u>\$ 653,014</u>	<u>\$ 494,327</u>
		(Concluded)

16. INCOME TAX

	Years Ended December 31	
	2012	2011
Income tax expense based on income before income tax at statutory rate	\$ 500,906	\$ 539,194
Tax effect on adjusting items		
Permanent differences	(34,433)	(53,921)
Temporary differences	492	(30,033)
Loss carryforwards generated	-	110
Loss carryforwards used	(2,027)	(37,402)
Additional income tax at 10% of undistributed earnings	1,511	9,044
Less: Investment tax credits used	<u>(117)</u>	<u>(2,081)</u>
Current income tax	466,332	424,911
Deferred income tax		
Loss carryforwards	3,410	33,756
Investment tax credits	-	4,566
Temporary differences relating to recognition of foreign investment loss	3,613	24,259
Allowance for loss on inventories	(246)	(848)
Deferred sales returns and allowances	(1,408)	1,273
Unrealized valuation loss on financial assets	(2,662)	-
Others	211	5,350
Adjustment to valuation allowance	(3,762)	(38,017)
Adjustment to prior years' tax	<u>30,636</u>	<u>(564)</u>
Income tax expense	<u>\$ 496,124</u>	<u>\$ 454,686</u>

Deferred income tax assets (liabilities) comprised:

	December 31	
	2012	2011
Current		
Deferred income tax assets		
Loss carryforwards	\$ 1,013	\$ 3,967
Unrealized valuation loss on financial assets	2,662	-
Deferred sales returns and allowances	7,445	6,037
		(Continued)

	December 31	
	2012	2011
Allowance for loss on inventories	\$ 5,194	\$ 4,947
Others	<u>8,077</u>	<u>8,526</u>
	24,391	23,477
Less: Valuation allowance	<u>(2,876)</u>	<u>(5,968)</u>
	21,515	17,509
Deferred income tax liabilities		
Unrealized foreign exchange gain	<u>-</u>	<u>(35)</u>
	<u>\$ 21,515</u>	<u>\$ 17,474</u>
Noncurrent		
Deferred income tax assets		
Loss carryforwards	\$ 5,370	\$ 5,826
Temporary differences relating to recognition of foreign investment loss	212,794	216,407
Unrealized loss on available-for-sale financial assets	-	301
Others	<u>4,656</u>	<u>4,900</u>
	222,820	227,434
Less: Valuation allowance	<u>(6,800)</u>	<u>(7,470)</u>
	<u>216,020</u>	<u>219,964</u>
Deferred income tax liabilities		
Cumulative translation adjustments	(7,151)	(31,607)
Unrealized gain on available-for-sale financial assets	(3,046)	-
Others	<u>(571)</u>	<u>(1,018)</u>
	<u>(10,768)</u>	<u>(32,625)</u>
	<u>\$ 205,252</u>	<u>\$ 187,339</u>
		(Concluded)

As of December 31, 2012, income of the Corporation and Standard Dairy Products attributable to the following expansion projects is exempted from income tax for a five-year period:

Expansion Project	Tax-exemption Period
Expansion of 2009 by the Corporation	2011 to 2015
Expansion of 2009 by Standard Dairy Products	2012 to 2016

The Corporation's income tax returns through 2010, except 2009, have been examined by the tax authority.

As of December 31, 2012, unused loss carryforwards of Charng Hui, Domex Technology and Standard Beverage were as follows:

Year of Expiry	Charng Hui	Domex Technology	Standard Beverage
2013	\$ -	\$ -	\$ 5,107
2014	-	-	2,642
2015	16,331	4,126	1,259
2016	-	1,811	-
2017	-	-	1,049
2018	-	-	2,154
2020	-	-	1,931
2021	<u>-</u>	<u>-</u>	<u>1,117</u>
	<u>\$ 16,331</u>	<u>\$ 5,937</u>	<u>\$ 15,259</u>

For distribution of earnings generated on and after January 1, 1998 under the ITL, the ratio of the imputation credits allocated to stockholders of the Corporation is based on the balance of the imputation credit account (“ICA”) as of the date of dividend distribution. Information about integrated income tax of the Corporation was as follows:

Undistributed earnings of the Corporation comprised:

	December 31	
	2012	2011
Unappropriated earnings generated before January 1, 1998	\$ 1,963	\$ 1,963
Unappropriated earnings generated on and after January 1, 1998	<u>2,778,016</u>	<u>3,011,198</u>
	<u>\$ 2,779,979</u>	<u>\$ 3,013,161</u>

The balance of the ICA of the Corporation as of December 31, 2012 and 2011 was \$320.4 million and \$343.2 million, respectively.

The imputation credits available for allocation to stockholders are based on the balance of the ICA at the dividend distribution date. Because the Corporation is unable to predict the amount of the imputation credits to be transferred from investees before the dividend distribution date, the creditable ratio for distribution of earnings of 2012 can not be reasonably estimated. The creditable ratio of the Corporation for distribution of earnings of 2011 was 18.86%.

17. STOCKHOLDERS’ EQUITY

As of December 31, 2012, 50,521.2 Global Depositary Receipts (“GDRs”) (representing 252,606 shares of the Corporation’s common stock), each representing 5 shares of the Corporation’s common stock, were traded on the Euro MTF Market of the Luxembourg Stock Exchange. Holders of the GDRs may request at any time that the shares represented by the GDRs be transferred to them.

Under the Company Law, the capital surplus recognized in treasury stock transactions may be used to offset a deficit. In addition, when the Corporation has no deficit, such capital surplus may be transferred to capital (limited to a certain percentage of the Corporation’s paid in capital in a year) or distributed in cash. The capital surplus recognized in long-term stock investments may not be used for any purpose.

According to the revised corporation’s Articles of Incorporation, effective on June 6, 2012, provide that the following shall be appropriated from the annual net income (less any deficit):

- a. 10% thereof as legal reserve;
- b. Special reserve provided or reversed in accordance with the regulations;
- c. Bonus to employees at no less than 1% and remuneration to directors and supervisors at 1% of the remainder; and
- d. 30% to 100% of the sum of the remainder and prior years’ unappropriated earnings as dividends.

The Corporation’s Articles of Incorporation also prescribe that 30% to 100% of dividends shall be paid in cash; however, if the Corporation has major investment plans for which external funds are not available, the percentage may be lowered to 5% to 20%.

For the years ended December 31, 2012 and 2011, the bonus to employees of the Corporation was \$28.2 million and \$31 million, respectively, and the remuneration to directors and supervisors of the Corporation was \$20.1 million and \$22.1 million, respectively. The bonus to employees was 1.4% and the remuneration to directors and supervisors was 1% of the net income of the Corporation for the respective years, minus the legal reserve to be appropriated. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Under the Company Law, the aforementioned appropriation for legal reserve shall be made until the reserve equals the Corporation's capital. This reserve may be used to offset a deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2011 and 2010 had been approved in the Corporation's stockholders' meetings on June 6, 2012 and June 15, 2011, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2011	For Year 2010	For Year 2011	For Year 2010
Legal reserve	\$ 245,836	\$ 213,058		
Cash dividends	1,112,704	927,254	\$ 2.40	\$ 2.50
Stock dividends	1,112,704	927,254	2.40	2.50

The bonus to employees and the remuneration to directors and supervisors for the years ended December 31, 2011 and 2010 approved in the Corporation's stockholders' meetings on June 6, 2012 and June 15, 2011, respectively, were as follows:

	Years Ended December 31	
	2011	2010
Bonus to employees - cash	\$ 30,975	\$ 26,845
Remuneration to directors and supervisors	22,125	19,175

The approved amounts of the bonus to employees and remuneration to directors and supervisors of the Corporation did not differ from the accrual amounts reflected in the financial statements for the years ended December 31, 2011 and 2010.

Information about the bonus to employees, directors and supervisors is available at the Market Observation Post System website of the TSE.

18. TREASURY STOCK

(Shares in Thousands)

Description	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
<u>Year ended December 31, 2012</u>				
The Corporation's stock held by a subsidiary treated as treasury stock	<u>3,379</u>	<u>811</u>	<u>-</u>	<u>4,190</u>
<u>Year ended December 31, 2011</u>				
The Corporation's stock held by a subsidiary treated as treasury stock	<u>2,703</u>	<u>676</u>	<u>-</u>	<u>3,379</u>

The subsidiary holding the treasury stock retains shareholders' rights, except rights to participate in any share issuance for cash and to vote.

Information about the Corporation's stock held by a subsidiary is summarized as follows:

Name of Subsidiary	Shares (In Thousands)	Carrying Amount	Market Value
<u>December 31, 2012</u>			
Charng Hui	4,190	<u>\$ 21,182</u>	<u>\$ 333,108</u>
<u>December 31, 2011</u>			
Charng Hui	3,379	<u>\$ 21,182</u>	<u>\$ 310,874</u>

19. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share of the parent were as follows:

	Amount (Numerator)		Shares (Denominator) (In Thousands)	Earnings Per Share (In New Taiwan Dollars)	
	Before Tax	After Tax		Before Tax	After Tax
<u>Year ended December 31, 2012</u>					
Basic earnings per share					
Earnings belonging to holders of common shares of the parent	\$ 2,701,145	\$ 2,238,062	570,707	<u>\$ 4.73</u>	<u>\$ 3.92</u>
Effect of dilutive potential common shares					
Bonus to employees of the parent	<u>-</u>	<u>-</u>	<u>550</u>		
Diluted earnings per share					
Earnings belonging to holders of common shares of the parent plus effect of dilutive potential common shares	<u>\$ 2,701,145</u>	<u>\$ 2,238,062</u>	<u>571,257</u>	<u>\$ 4.73</u>	<u>\$ 3.92</u>

(Continued)

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (In Thousands)</u>	<u>Earnings Per Share (In New Taiwan Dollars)</u>	
	<u>Before Tax</u>	<u>After Tax</u>		<u>Before Tax</u>	<u>After Tax</u>
<u>Year ended December 31, 2011</u>					
Basic earnings per share					
Earnings belonging to holders of common shares of the parent	\$ 2,901,867	\$ 2,458,358	570,707	<u>\$ 5.08</u>	<u>\$ 4.31</u>
Effect of dilutive potential common shares					
Bonus to employees of the parent	<u>-</u>	<u>-</u>	<u>722</u>		
Diluted earnings per share					
Earnings belonging to holders of common shares of the parent plus effect of dilutive potential common shares	<u>\$ 2,901,867</u>	<u>\$ 2,458,358</u>	<u>571,429</u>	<u>\$ 5.08</u>	<u>\$ 4.30</u> (Concluded)

If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted earnings per share until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for the calculation of earnings per share has been retroactively adjusted for stock dividends. This adjustment caused the basic and diluted after-tax earnings per share for the year ended December 31, 2011 to decrease from \$5.34 to \$5.33 and from \$4.31 to \$4.30, respectively.

20. PENSION PLANS

The pension plan under the Labor Pension Act is a defined contribution pension plan. Pursuant to the plan, the Corporation and domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of each employee's monthly salary. The Corporation and domestic subsidiaries recognized pension cost of \$29.4 million and \$27.9 million under the plan for the years ended December 31, 2012 and 2011, respectively.

Under the Labor Standard Law, the Corporation and domestic subsidiaries have defined benefit pension plans for their employees. The Corporation also has a defined benefit plan for its entrusted managers. Benefits under the plans are based on length of service and average salary for the six months before retirement. The Corporation and domestic subsidiaries make monthly contributions to their pension funds, which are administered by the employees' pension fund committees and deposited in the name of committees with the Bank of Taiwan, for payment of employees' pension benefit. The Corporation also accrues pension benefits for entrusted managers monthly. Pension information about the plans is summarized as follows:

Net periodic pension cost:

	Years Ended December 31			
	2012		2011	
	Entrusted Managers	Regular Employees	Entrusted Managers	Regular Employees
Service cost	\$ 449	\$ 9,575	\$ 453	\$ 10,733
Interest cost	357	8,554	350	8,217
Actual return on plan assets	\$ -	\$ (3,452)	\$ -	\$ (4,255)
Loss on plan assets	-	(3,710)	-	(2,732)
Expected return on plan assets	-	(7,162)	-	(6,987)
Amortization	(308)	2,607	(237)	2,301
Curtailement or settlements gains	-	-	-	(804)
Net periodic pension cost	<u>\$ 498</u>	<u>\$ 13,574</u>	<u>\$ 566</u>	<u>\$ 13,460</u>

A reconciliation of funded status of the plans and accrued pension cost is as follows:

	December 31			
	2012		2011	
	Entrusted Managers	Regular Employees	Entrusted Managers	Regular Employees
Benefit obligation				
Vested benefit obligation	\$ 16,938	\$ 116,771	\$ 16,330	\$ 90,407
Nonvested benefit obligation	-	216,640	-	229,711
Accumulated benefit obligation	16,938	333,411	16,330	320,118
Additional benefit based on future salary increase	1,570	107,646	1,514	107,581
Projected benefit obligation	18,508	441,057	17,844	427,699
Fair value of plan assets	-	(347,202)	-	(353,796)
Funded status	18,508	93,855	17,844	73,903
Unrecognized net transition obligation	-	(5,241)	-	(6,099)
Unamortized net gain (loss)	2,542	(83,082)	2,709	(64,094)
Additional liability	-	319	-	-
Accrued pension cost	<u>\$ 21,050</u>	<u>\$ 5,851</u>	<u>\$ 20,553</u>	<u>\$ 3,710</u>
Vested benefit	<u>\$ 20,750</u>	<u>\$ 142,425</u>	<u>\$ 20,250</u>	<u>\$ 112,714</u>

Actuarial assumptions:

	December 31			
	2012		2011	
	Entrusted Managers	Regular Employees	Entrusted Managers	Regular Employees
Discount rate used in determining present values	1.875%	1.875%	2.000%	2.000%
Future salary increase rate	3.000%	1.500%-3.000%	3.000%	1.500%-3.000%
Expected rate of return on plan assets	1.875%	1.875%	2.000%	2.000%

The subsidiaries in the PRC have participated in a defined contribution pension plan administered by a government agency of the PRC. All employees of the PRC subsidiaries are entitled to receive a monthly pension from the government agency after their retirement; consequently, the PRC subsidiaries have to make monthly contributions to the government agency at a prescribed percentage of total salary. The PRC subsidiaries recognized pension cost of \$28.1 million and \$21.3 million under the plan for the years ended December 31, 2012 and 2011, respectively.

21. PERSONNEL COST, DEPRECIATION AND AMORTIZATION

	Year Ended December 31, 2012			
	Cost of Goods Sold	Operating Expenses	Non-operating Expenses and Losses	Total
Personnel cost				
Payroll	\$ 459,897	\$ 631,469	\$ -	\$ 1,091,366
Insurance	36,383	42,311	-	78,694
Pension	24,482	47,171	-	71,653
Others	<u>106,409</u>	<u>64,731</u>	<u>-</u>	<u>171,140</u>
	<u>\$ 627,171</u>	<u>\$ 785,682</u>	<u>\$ -</u>	<u>\$ 1,412,853</u>
Depreciation	<u>\$ 146,600</u>	<u>\$ 42,406</u>	<u>\$ 2,625</u>	<u>\$ 191,631</u>
Amortization	<u>\$ 13,022</u>	<u>\$ 21,357</u>	<u>\$ -</u>	<u>\$ 34,379</u>
	Year Ended December 31, 2011			
	Cost of Goods Sold	Operating Expenses	Non-operating Expenses and Losses	Total
Personnel cost				
Payroll	\$ 458,241	\$ 628,496	\$ -	\$ 1,086,737
Insurance	34,468	37,150	-	71,618
Pension	22,727	40,530	-	63,257
Others	<u>107,113</u>	<u>56,496</u>	<u>-</u>	<u>163,609</u>
	<u>\$ 622,549</u>	<u>\$ 762,672</u>	<u>\$ -</u>	<u>\$ 1,385,221</u>
Depreciation	<u>\$ 129,347</u>	<u>\$ 50,032</u>	<u>\$ 2,682</u>	<u>\$ 182,061</u>
Amortization	<u>\$ 8,361</u>	<u>\$ 16,501</u>	<u>\$ -</u>	<u>\$ 24,862</u>

22. RELATED PARTY TRANSACTIONS

a. Related party and relationship:

<u>Related Party</u>	<u>Relationship</u>
InnoComm Mobile	The chief executive officer of Domex Technology is the chairman of InnoComm Mobile.

b. Significant transactions with the related party:

	December 31	
	2012	2011
Accounts receivable		
InnoComm Mobile	<u>\$ 1,999</u>	<u>\$ 7,875</u>
Other receivables		
InnoComm Mobile	<u>\$ 129</u>	<u>\$ 123</u>
	Years Ended December 31	
	2012	2011
Sales		
InnoComm Mobile	<u>\$ 23,103</u>	<u>\$ 95,190</u>
Purchases		
InnoComm Mobile	<u>\$ 301</u>	<u>\$ 2,710</u>
Rental revenue		
InnoComm Mobile	<u>\$ 4,036</u>	<u>\$ 3,690</u>

The sales and purchases transactions made by Domex Technology with InnoComm Mobile were conducted on normal commercial terms.

The monthly rentals collected by Domex Technology from InnoComm Mobile were based on prevailing market rates.

c. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2012	2011
Salaries, incentives, allowances and bonus	<u>\$ 44,892</u>	<u>\$ 50,865</u>

23. PLEDGED OR MORTGAGED ASSETS

The following assets had been pledged or mortgaged as collateral for long-term and short-term credit loans and bond for customs clearance:

	December 31	
	2012	2011
Time deposits (included in restricted assets - current)	\$ 277,912	\$ 700
Properties and properties for lease, net	<u>438,132</u>	<u>457,934</u>
	<u>\$ 716,044</u>	<u>\$ 458,634</u>

24. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2012, the Corporation and subsidiaries had the following significant commitments and contingencies:

- a. The Corporation has entered into a license agreement with The Quaker Oats Company (“Quaker”) for a period ending July 12, 2024. The agreement provides that the Corporation may use Quaker’s trademark, and process, manufacture, market and sell Quaker baby cereal, oatmeal, fruit cereal, ready-to-eat cereal, sesame paste, milk powder and other cereal products in the ROC. In consideration of the above, the Corporation shall pay Quaker royalties at an agreed percentage of net sales (as defined).
- b. Unused letters of credit of approximately US\$1.1 million.
- c. Commitments for purchase of properties of approximately \$711 million.
- d. The Corporation leases buildings and warehouses under several operating lease agreements with rentals paid monthly, quarterly or annually and expiring on various dates between March 2013 and October 2017. Future rental payments under these agreements are as follows:

Year	Amount
2013	\$ 18,188
2014	17,101
2015	1,787
2016	1,428
2017	1,190

- e. Standard Dairy Products leases a building under an operating lease agreement with rentals paid annually and expiring in April 2014. Future rental payments under the agreement are as follows:

Year	Amount
2013	\$ 3,062
2014	1,021

- f. Domex Technology leases a parcel of land from the Science-Based Park Administration under an operating lease agreement with rentals paid monthly for a period ending August 2019. The agreement is renewable upon expiry. Future rental payments under the agreement are as follows:

Year	Amount
2013	\$ 2,886
2014	2,886
2015	2,886
2016	2,886
2017	2,886
2018 and thereafter	4,571

- g. Shanghai Standard Foods leases buildings and warehouses under several operating lease agreements expiring on various dates between March 2013 and September 2021. Future rental payments under these agreements are as follows:

Year	Amount
2013	\$ 8,431
2014	4,148
2015	2,286
2016	2,155
2017	2,155
2018 and thereafter	7,903

- h. Inner Mongolia Jiatai Agriculture leases cultivated land under several operating lease agreements expiring in March 2016. Future rental payments under these agreements are as follows:

Year	Amount
2013	\$ 3,142
2014	3,142
2015	3,142
2016	786

25. DISCLOSURES FOR FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

	December 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	\$ 2,229,880	\$ 2,229,880	\$ 1,970,467	\$ 1,970,467
Financial assets at fair value through profit or loss - current	95,525	95,525	-	-
Available-for-sale financial assets - current	678,046	678,046	490,125	490,125
Notes receivable	25,753	25,753	26,700	26,700
Accounts receivable, net	3,313,751	3,313,751	3,315,881	3,315,881
Accounts receivable - a related party	1,999	1,999	7,875	7,875
Other receivables	63,985	63,985	40,337	40,337
Other receivables - a related party	129	129	123	123
Financial assets carried at cost - noncurrent	180,807		214,929	
Restricted assets - current	277,912	277,912	700	700
Refundable deposits	22,189	22,189	31,790	31,790

(Continued)

	December 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities				
Short-term loans	\$ 653,014	\$ 653,014	\$ 494,327	\$ 494,327
Notes payable	6,312	6,312	1,241	1,241
Accounts payable	1,135,334	1,135,334	1,132,434	1,132,434
Other payables	149,385	149,385	62,551	62,551
Obligations under capital leases (including current portion)	2,183	2,183	2,912	2,912
Deposits received	14,089	14,089	8,936	8,936
				(Concluded)

b. Methods and assumptions used in the determination of fair values of financial instruments:

- 1) Fair values of short-term financial instruments are determined using their carrying amounts shown on the consolidated balance sheets because their maturities are short. This method applies to cash and cash equivalents, receivables, restricted assets, short-term bank loans and payables.
 - 2) Fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on their market prices.
 - 3) No fair value of financial assets carried at cost, i.e. unquoted stocks and funds, is shown because their market prices are not available.
 - 4) The fair value of obligations under capital leases is estimated using the present value of future cash flows discounted by prevailing interest rates after taking into account risk premiums.
 - 5) Fair values of refundable deposits and deposits received are determined using their carrying amounts shown on the consolidated balance sheet, which approximate their expected future amounts.
- c. As of December 31, 2012 and 2011, financial assets exposed to fair value interest rate risk were \$1,683.7 million and \$938.8 million, respectively; financial liabilities exposed to fair value interest rate risk were \$292.6 million and \$2.9 million, respectively; financial liabilities exposed to cash flow interest rate risk were \$362.6 million and \$494.3 million, respectively.
- d. The Corporation recognized unrealized gains (losses) of \$5 million and \$(1.8) million directly in stockholders' equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2012 and 2011, respectively; the Corporation transferred the realized gains of \$1.7 million and \$2.3 million from stockholders' equity to earnings for the years ended December 31, 2012 and 2011, respectively. The Corporation also recognized unrealized gains (losses) of \$22 million and \$(21) million in stockholders' equity for the changes in fair value of available-for-sale financial assets held by equity-method investees for the years ended December 31, 2012 and 2011, respectively.
- e. Information about financial risk:

1) Market risk

Financial assets and liabilities through profit or loss, available-for-sale financial assets are quoted stocks, closed-end funds and open-end funds. Therefore, the fluctuations in prices or foreign exchange rates would result in changes in fair value of these securities.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Corporation and subsidiaries if the counterparties or third parties breached contracts. The counterparties and third parties are reputable financial institutions and business organizations; thus, no material credit risk is anticipated.

3) Liquidity risk

The Corporation and subsidiaries have sufficient operating capital to meet the cash needs upon maturity of short-term loans; thus, the liquidity risk with respect to repayment of loans is low. Investments in quoted stocks, closed-end funds and open-ended funds could be sold or redeemed rapidly at prices approximating fair values because they are traded in an active market or are redeemable; thus, no material liquidity risk is anticipated. There is a liquidity risk for the investments in unquoted stocks and funds because they are neither traded in an active market nor transferable within a specified period. However, the Corporation and subsidiaries had evaluated the risks before making investments.

4) Cash flow interest rate risk

As of December 31, 2012, short-term loans with floating interest rates of the Corporation and subsidiaries amounted to \$362.6 million. Market interest rate changes will affect the effective interest rates of the debt and make the future cash flow fluctuate. If the market interest rates increase by 1%, the cash outflow of the Corporation and subsidiaries will increase by \$3.6 million annually.

26. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

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

	December 31					
	2012			2011		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
<u>Financial assets</u>						
Monetary items						
USD	\$ 34,796	29.04	\$ 1,010,445	\$ 14,830	30.28-30.29	\$ 448,962
EUR	1,002	38.49	38,569	547	39.18	21,425
AUD	59	30.17	1,767	53	30.74	1,621
RMB	394,335	4.62	1,821,910	416,698	4.81	2,003,071
Non-monetary items						
USD	9,375	29.04	272,261	5,894	30.28	178,433
Long-term stock investments accounted for under equity method						
USD	-	29.04	-	2,521	30.28	76,323
<u>Financial liabilities</u>						
Monetary items						
USD	13,321	29.04	386,864	15,453	30.28-30.29	468,039
EUR	34	38.49	1,309	69	39.18	2,701
AUD	423	30.17	12,769	508	30.74	15,616
RMB	89,796	4.62	414,874	31,564	4.81	151,730

27. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of corporation. The reportable segments are as follows:

- Standard Foods segment - the Corporation
- Standard Dairy Products segment - Standard Dairy Products
- Shanghai Standard Foods segment - Shanghai Standard
- Other segments - other than the above corporation

a. Operating segment information:

	Standard Foods Segment	Standard Dairy Products Segment	Shanghai Standard Foods Segment	Other Segments	Adjustments and Eliminations	Consolidated
Year ended December 31, 2012						
Sales from external customers	\$ 11,245,102	\$ 1,640,452	\$ 6,901,948	\$ 268,616	\$ -	\$ 20,056,118
Sales among intersegments	917,697	680,652	14,384	11,711	(1,624,444)	-
Total sales	<u>\$ 12,162,799</u>	<u>\$ 2,321,104</u>	<u>\$ 6,916,332</u>	<u>\$ 280,327</u>	<u>\$ (1,624,444)</u>	<u>\$ 20,056,118</u>
Interest income	\$ 11,073	\$ 594	\$ 12,498	\$ 16,086	\$ -	\$ 40,251
Interest expense	\$ 148	\$ 43	\$ 6,480	\$ 347	\$ -	\$ 7,018
Depreciation expense	\$ 96,107	\$ 27,161	\$ 52,048	\$ 16,315	\$ -	\$ 191,631
Amortization expense	\$ 29,412	\$ 3,399	\$ 1,568	\$ -	\$ -	\$ 34,379
Investment gain recognized under equity method, net	\$ 55,734	\$ -	\$ -	\$ -	\$ -	\$ 55,734
Other important non-cash items impairment loss on assets	\$ 8,941	\$ -	\$ -	\$ -	\$ -	\$ 8,941
Operating segment income (loss)	<u>\$ 2,485,683</u>	<u>\$ 220,254</u>	<u>\$ 36,118</u>	<u>\$ (3,462)</u>	<u>\$ 748</u>	<u>\$ 2,739,341</u>
Unallocated amount						-
Income before income tax						<u>\$ 2,739,341</u>
Segment assets (Note)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Year ended December 31, 2011						
Sales from external customers	\$ 11,726,235	\$ 1,469,977	\$ 6,175,760	\$ 455,239	\$ -	\$ 19,827,211
Sales among intersegments	818,030	598,293	-	11,206	(1,427,529)	-
Total sales	<u>\$ 12,544,265</u>	<u>\$ 2,068,270</u>	<u>\$ 6,175,760</u>	<u>\$ 466,445</u>	<u>\$ (1,427,529)</u>	<u>\$ 19,827,211</u>
Interest income	\$ 5,534	\$ 119	\$ 7,482	\$ 2,924	\$ -	\$ 16,059
Interest expense	\$ 154	\$ 35	\$ 8,093	\$ 757	\$ -	\$ 9,039
Depreciation expense	\$ 91,490	\$ 23,291	\$ 50,676	\$ 16,604	\$ -	\$ 182,061
Amortization expense	\$ 20,678	\$ 1,182	\$ 3,002	\$ -	\$ -	\$ 24,862
Investment loss recognized under equity method, net	\$ 172	\$ -	\$ -	\$ -	\$ -	\$ 172
Other important non-cash items impairment loss on assets	\$ 4,009	\$ -	\$ -	\$ -	\$ -	\$ 4,009
Operating segment income	<u>\$ 2,542,831</u>	<u>\$ 210,285</u>	<u>\$ 124,602</u>	<u>\$ 72,409</u>	<u>\$ (13,120)</u>	<u>\$ 2,937,007</u>
Unallocated amount						-
Income before income tax						<u>\$ 2,937,007</u>
Segment assets (Note)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: Because assets are not used by the chief operating decision maker in measuring performance of segments, amounts of segment assets were not shown.

b. Products information:

The following is an analysis of the Corporation and subsidiaries' sales from major products:

	Years Ended December 31	
	2012	2011
Nutritious foods	\$ 10,943,218	\$ 11,433,990
Cooking products	8,334,003	7,649,186
Others	<u>778,897</u>	<u>744,035</u>
	<u>\$ 20,056,118</u>	<u>\$ 19,827,211</u>

c. Geographical information:

The Corporation and subsidiaries' sales from external customers by operating regions and their noncurrent assets by locations are detailed below.

	Sales from External Customers		Noncurrent Assets	
	December 31		December 31	
	2012	2011	2012	2011
Taiwan	\$ 13,138,047	\$ 13,640,157	\$ 1,987,651	\$ 2,003,290
Mainland China	<u>6,918,071</u>	<u>6,187,054</u>	<u>656,358</u>	<u>506,755</u>
	<u>\$ 20,056,118</u>	<u>\$ 19,827,211</u>	<u>\$ 2,644,009</u>	<u>\$ 2,510,045</u>

Noncurrent assets excluded financial instruments, goodwill, deferred pension cost, and deferred income tax assets.

d. Information about major customers:

Sales to any individual customer which exceeded 10% of consolidated net sales for the years ended December 31, 2012 and 2011 are summarized as follows:

	Years Ended December 31			
	2012		2011	
	Amount	% of Consolidated Net Sales	Amount	% of Consolidated Net Sales
Customer A	\$ 3,680,779	18.4	\$ 3,699,493	18.7

28. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

According to the Rule No. 0990004943 issued by the Financial Supervisory Commission ("FSC") on February 2, 2010, the Corporation and subsidiaries' pre-disclosure information on the adoption of International Financial Reporting Standards ("IFRSs") for the year ended December 31, 2012 was as follows:

- a. On May 14, 2009, the FSC announced the "Framework for Adoption of IFRSs by companies in the ROC." Accordingly, starting 2013, corporations with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare the consolidated financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by

Securities Issuers, IFRSs, International Accounting Standards (“IASs”), Interpretations as well as related guidance issued by the FSC. To comply with this framework, the Corporation and subsidiaries have set up a project team and made a plan to adopt IFRSs. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2012 were as follows:

Contents of Plan	Responsible Department	Status of Execution
1) Establish the IFRSs taskforce	Accounting department	Finished
2) Set up a work plan for IFRSs adoption	Accounting department	Finished
3) Complete the identification of the differences between the existing accounting policies and IFRSs	Accounting department	Finished
4) Complete the identification of consolidated entities under IFRSs	Accounting department	Finished
5) Complete the evaluation of effect of exemptions and options under IFRS 1 - “First-time Adoption of International Financial Reporting Standards”	Accounting department	Finished
6) Complete the evaluation of IT systems modification	Information department	Finished
7) Complete the evaluation of internal control modification	Internal audit department	Finished
8) Determine IFRSs accounting policies	Human resources department Sales department Purchasing department Accounting department	Finished
9) Determine the exemptions and options under IFRS 1 - “First-time Adoption of International Financial Reporting Standards” to be adopted	Accounting department	Finished
10) Complete the preparation of opening date balance sheet under IFRSs	Accounting department	Finished
11) Complete the preparation of comparative financial information under IFRSs for 2012	Accounting department	Actively in progress
12) Complete the modification of relevant internal controls (including financial reporting process and related IT systems)	Accounting department	Finished

- b. As of December 31, 2012, based on the Corporation's assessment, the significant differences between the Corporation and subsidiaries' current accounting policies under ROC GAAP and the ones under IFRSs are stated as follows:

1) Reconciliation of consolidated balance sheet as of January 1, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Presentation Difference	Recognition and Measurement Difference	Amount	Item	
Item	Amount			Amount		
Current assets						
Cash and cash equivalents	\$ 1,970,467	\$ (252,915)	\$ -	\$ 1,717,552	Cash and cash equivalents	6) a)
Available-for-sale financial assets - current	490,125	-	-	490,125	Available-for-sale financial assets - current	
Notes receivable	26,700	-	-	26,700	Notes receivable	
Accounts receivable, net	3,315,881	31,248	-	3,347,129	Accounts receivable, net	6) b), m)
Accounts receivable - a related party	7,875	(7,875)	-	-	Accounts receivable - a related party	6) m)
Other receivables	40,337	123	-	40,460	Other receivables	6) m)
Other receivables - a related party	123	(123)	-	-	Other receivables - a related party	6) m)
Inventories	2,975,852	-	-	2,975,852	Inventories	
Prepaid expenses	96,060	-	-	96,060	Prepaid expenses	
Prepayments	496,736	-	-	496,736	Prepayments	
Deferred income tax assets - current	17,474	(17,474)	-	-	-	6) c)
Restricted assets - current	700	-	-	700	Restricted assets - current	
Other current assets	4,883	252,915	-	257,798	Other current assets	6) a)
Total current assets	9,443,213	5,899	-	9,449,112		
Long-term investments						
Financial assets carried at cost - noncurrent	214,929	-	-	214,929	Financial assets carried at cost - noncurrent	
Long-term stock investments accounted for under equity method	76,323	-	-	76,323	Investments accounted for under equity method	
Investments in real estate	54,246	(54,246)	-	-	-	6) e)
Total long-term investments	345,498	(54,246)	-	291,252		
Properties, net	2,186,837	(123,461)	-	2,063,376	Property, plant and equipment	6) d)
-	-	268,246	-	268,246	Investment property	6) e)
Intangible assets						
Technical know-how, net	22	-	-	22	Technical know-how	
Computer software, net	21,457	-	-	21,457	Computer software	
Goodwill	558	-	-	558	Goodwill	
Land use rights, net	11,358	(11,358)	-	-	-	6) f)
Total intangible assets	33,395	(11,358)	-	22,037		
Other assets						
Properties for lease, net	214,000	(214,000)	-	-	-	6) e)
Refundable deposits	31,790	-	-	31,790	Refundable deposits	
Deferred charges, net	22,125	(22,125)	-	-	-	6) g)
Deferred income tax assets - noncurrent	187,339	50,134	15,430	252,903	Deferred income tax assets	6) c), k)
Other noncurrent assets	-	156,944	-	156,944	Other noncurrent assets	6) d), f), g)
Total other assets	455,254	(29,047)	15,430	441,637		
Total	\$ 12,464,197	\$ 56,033	\$ 15,430	\$ 12,535,660	Total	
Current liabilities						
Short-term loans	\$ 494,327	\$ -	\$ -	\$ 494,327	Short-term loans	
Notes payable	1,241	-	-	1,241	Notes payable	
Accounts payable	1,132,434	-	-	1,132,434	Accounts payable	
Income tax payable, net of prepaid income tax	219,540	-	-	219,540	Income tax payable	
Accrued expenses	1,432,402	-	-	1,432,402	Other payables	
Other payables	62,551	-	-	62,551	Other payables	
Obligations under capital leases - current	728	-	-	728	Obligations under capital leases - current	
-	-	23,373	-	23,373	Provisions - current	6) b)
Other current liabilities	23,861	-	-	23,861	Other current liabilities	
Total current liabilities	3,367,084	23,373	-	3,390,457		
Long-term liabilities						
Obligations under capital leases - noncurrent	2,184	-	-	2,184	Obligations under capital leases - noncurrent	
Reserves						
Reserve for land value increment tax	33,685	(33,685)	-	-	-	6) h)

(Continued)

ROC GAAP		Effect of Transition to IFRSs			IFRSs		Note
		Presentation Difference	Recognition and Measurement Difference	Amount			
Item	Amount			Amount			
Other liabilities							
Accrued pension cost	\$ 24,263	\$ -	\$ 91,563	\$ 115,826	Accrued pension cost		6) k)
Deposits received	8,936	-	-	8,936	Deposits received		
Deferred income tax liabilities - noncurrent	-	66,345	-	66,345	Deferred income tax liabilities - noncurrent		6) c), h)
Total other liabilities	<u>33,199</u>	<u>66,345</u>	<u>91,563</u>	<u>191,107</u>			
Total liabilities	<u>3,436,152</u>	<u>56,033</u>	<u>91,563</u>	<u>3,583,748</u>	Total liabilities		
Equity attributable to stockholders of the parent							
Common stock	<u>4,636,269</u>	-	-	<u>4,636,269</u>	Common stock		
Capital surplus							
Treasury stock transactions	27,130	-	-	27,130	Treasury stock transactions		
Long-term stock investments	13,574	(13,574)	-	-	-		6) j)
Total capital surplus	<u>40,704</u>	<u>(13,574)</u>	<u>-</u>	<u>27,130</u>			
Retained earnings							
Legal reserve	1,036,298	-	-	1,036,298	Legal reserve		
Unappropriated earnings	3,013,161	36,708	(75,331)	2,974,538	Unappropriated earnings		6) i), j), k)
Total retained earnings	<u>4,049,459</u>	<u>36,708</u>	<u>(75,331)</u>	<u>4,010,836</u>			
Others							
Cumulative translation adjustments	154,322	-	-	154,322	Foreign currency translation reserve		
Unrealized gain (loss) on available-for-sale financial assets	(3,688)	-	-	(3,688)	Unrealized gain (loss) on available-for-sale financial assets		
Revaluation increment	23,134	(23,134)	-	-	-		6) i)
Treasury stock	<u>(21,182)</u>	<u>-</u>	<u>-</u>	<u>(21,182)</u>	Treasury stock		
Total others	<u>152,586</u>	<u>(23,134)</u>	<u>-</u>	<u>129,452</u>			
Equity attributable to shareholders of the parent	8,879,018	-	(75,331)	8,803,687	Equity attributable to shareholders of the parent		
Minority interests in subsidiaries	149,027	-	(802)	148,225	Noncontrolling interests in subsidiaries		6) k)
Total stockholders' equity	<u>9,028,045</u>	<u>-</u>	<u>(76,133)</u>	<u>8,951,912</u>	Total stockholders' equity		
Total	<u>\$ 12,464,197</u>	<u>\$ 56,033</u>	<u>\$ 15,430</u>	<u>\$ 12,535,660</u>	Total		

(Concluded)

2) Reconciliation of consolidated balance sheet as of December 31, 2012

ROC GAAP		Effect of Transition to IFRSs			IFRSs		Note
		Presentation Difference	Recognition and Measurement Difference	Amount			
Item	Amount			Amount			
Current assets							
Cash and cash equivalents	\$ 2,229,880	\$ (699,602)	\$ -	\$ 1,530,278	Cash and cash equivalents		6) a)
Financial assets at fair value through profit or loss - current	95,525	-	-	95,525	Financial assets at fair value through profit or loss - current		
Available-for-sale financial assets - current	678,046	-	-	678,046	Available-for-sale financial assets - current		
Notes receivable	25,753	-	-	25,753	Notes receivable		
Accounts receivable, net	3,313,751	21,834	-	3,335,585	Accounts receivable, net		6) b), m)
Accounts receivable - a related party	1,999	(1,999)	-	-	Accounts receivable - a related party		6) m)
Other receivables	63,985	129	-	64,114	Other receivables		6) m)
Other receivables - a related party	129	(129)	-	-	Other receivables - a related party		6) m)
Inventories	2,855,268	-	-	2,855,268	Inventories		
Prepaid expenses	218,920	-	-	218,920	Prepaid expenses		
Prepayments	933,446	-	-	933,446	Prepayments		
Deferred income tax assets - current	21,515	(21,515)	-	-	-		6) c)
Restricted assets - current	277,912	-	-	277,912	Restricted assets - current		
Other current assets	<u>12,136</u>	<u>699,602</u>	<u>-</u>	<u>711,738</u>	Other current assets		6) a)
Total current assets	<u>10,728,265</u>	<u>(1,680)</u>	<u>-</u>	<u>10,726,585</u>			

(Continued)

ROC GAAP		Effect of Transition to IFRSs			IFRSs		Note
		Presentation Difference	Recognition and Measurement Difference	Amount			
Item	Amount			Amount			
Long-term investments							
Financial assets carried at cost - noncurrent	\$ 180,807	\$ -	\$ -	\$ 180,807	Financial assets carried at cost - noncurrent		
Investments in real estate	53,937	(53,937)	-	-	-		6) e)
Total long-term investments	234,744	(53,937)	-	180,807			
Properties, net	2,233,417	(49,797)	-	2,183,620	Property, plant and equipment		6) d)
-	-	265,246	-	265,246	Investment property		6) e)
Intangible assets							
Computer software, net	17,606	-	-	17,606	Computer software		
Goodwill	558	-	-	558	Goodwill		
Deferred pension cost	187	-	(187)	-	-		6) k)
Land use right, net	110,527	(110,527)	-	-	-		6) f)
Total intangible assets	128,878	(110,527)	(187)	18,164			
Other assets							
Properties for lease, net	211,309	(211,309)	-	-	-		6) e)
Refundable deposits	22,189	-	-	22,189	Refundable deposits		
Deferred charges, net	17,213	(17,213)	-	-	-		6) g)
Deferred income tax assets - noncurrent	205,252	32,283	19,055	256,590	Deferred income tax assets		6) c), k)
Other noncurrent assets	-	177,537	-	177,537	Other noncurrent assets		6) d), f), g)
Total other assets	455,963	(18,702)	19,055	456,316			
Total	\$ 13,781,267	\$ 30,603	\$ 18,868	\$ 13,830,738	Total		
Current liabilities							
Short-term loans	\$ 653,014	\$ -	\$ -	\$ 653,014	Short-term loans		
Notes payable	6,312	-	-	6,312	Notes payable		
Accounts payable	1,135,334	-	-	1,135,334	Accounts payable		
Income tax payable, net of prepaid income tax	244,489	-	-	244,489	Income tax payable		
Accrued expenses	1,352,178	-	-	1,352,178	Other payables		
Other payables	149,385	-	-	149,385	Other payables		
Obligations under capital leases - current	728	-	-	728	Obligations under capital leases - current		
-	-	19,835	-	19,835	Provisions - current		6) b)
Other current liabilities	105,545	-	-	105,545	Other current liabilities		
Total current liabilities	3,646,985	19,835	-	3,666,820			
Long-term liabilities							
Obligations under capital leases - noncurrent	1,455	-	-	1,455	Obligations under capital leases - noncurrent		
Reserves							
Reserve for land value increment tax	33,685	(33,685)	-	-	-		6) h)
Other liabilities							
Accrued pension cost	26,901	-	109,412	136,313	Accrued pension cost		6) k)
Deposits received	14,089	-	-	14,089	Deposits received		
Deferred income tax liabilities - noncurrent	-	44,453	537	44,990	Deferred income tax liabilities - noncurrent		6) c), h), k)
Total other liabilities	40,990	44,453	109,949	195,392			
Total liabilities	3,723,115	30,603	109,949	3,863,667	Total liabilities		
Equity attributable to stockholders of the parent							
Common stock	5,748,973	-	-	5,748,973	Common stock		
Capital surplus							
Treasury stock transactions	35,240	-	-	35,240	Treasury stock transactions		
Long-term stock investments	13,574	(13,574)	-	-	-		6) j)
Total capital surplus	48,814	(13,574)	-	35,240			
Retained earnings							
Legal reserve	1,282,134	-	-	1,282,134	Legal reserve		
Unappropriated earnings	2,779,979	36,708	(90,179)	2,726,508	Unappropriated earnings		6) i), j), k)
Total retained earnings	4,062,113	36,708	(90,179)	4,008,642			
Others							
Cumulative translation adjustments	34,912	-	-	34,912	Foreign currency translation reserve		
Net loss not recognized as pension cost	(128)	-	128	-	-		6) k)
Unrealized gain (loss) on available-for-sale financial assets	21,665	-	-	21,665	Unrealized gain (loss) on available-for-sale financial assets		

(Continued)

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Presentation Difference	Recognition and Measurement Difference			
Item	Amount			Amount		
Revaluation increment	\$ 23,134	\$ (23,134)	\$ -	\$ -	-	6) i)
Treasury stock	(21,182)	-	-	(21,182)	Treasury stock	
Total others	58,401	(23,134)	128	35,395		
Equity attributable to stockholders of the parent	9,918,301	-	(90,051)	9,828,250	Equity attributable to stockholders of the parent	
Minority interests in subsidiaries	139,851	-	(1,030)	138,821	Noncontrolling interests in subsidiaries	6) k)
Total stockholders' equity	10,058,152	-	(91,081)	9,967,071	Total stockholders' equity	
Total	<u>\$ 13,781,267</u>	<u>\$ 30,603</u>	<u>\$ 18,868</u>	<u>\$ 13,830,738</u>	Total	(Concluded)

3) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Presentation Difference	Recognition and Measurement Difference			
Item	Amount			Amount		
Net sales	\$ 20,056,118	\$ (2,202,356)	\$ -	\$ 17,853,762	Net sales	6) l)
Cost of goods sold	12,418,989	-	(2,601)	12,416,388	Cost of goods sold	6) k)
Gross profit	7,637,129	(2,202,356)	2,601	5,437,374	Gross profit	
Operating expenses					Operating expenses	
Selling	4,744,318	(2,202,356)	(1,090)	2,540,872	Selling	6) k), l)
General and administrative	420,539	-	-	420,539	General and administrative	
Research and development	72,559	-	-	72,559	Research and development	
Total operating expenses	5,237,416	(2,202,356)	(1,090)	3,033,970	Total operating expenses	
Income from operations	2,399,713	-	3,691	2,403,404	Income from operations	
Non-operating income and gains						
Interest income	40,251	-	-	40,251	Interest income	
Investment income recognized under equity method investees, net	55,734	-	-	55,734	Share in other comprehensive income of associates	
Dividend income	166,852	-	-	167,153	Dividend income	
Gain on disposal of properties and properties for lease	64,508	-	-	64,508	Gain on disposal of properties and properties for lease	
Gain on disposal of investments, net	3,392	-	-	3,392	Gain on disposal of investments, net	
Rent revenue	23,569	-	-	23,569	Rent revenue	
Gain on reversal of bad debts	4,958	-	-	4,958	Gain on reversal of bad debts	
Valuation gain on financial assets, net	6,712	-	-	6,712	Valuation gain on financial assets at fair value through profit or loss	
Others	29,455	-	-	29,154	Others	
Total non-operating income and gains	395,431	-	-	395,431	Non-operating income and gains	
Non-operating expenses and losses					Non-operating expenses and losses	
Interest expense	7,018	-	-	7,018	Interest expense	
Loss on disposal of properties and properties for lease	19,072	-	-	19,072	Loss on disposal of properties and properties for lease	
Foreign exchange loss, net	10,752	-	-	10,752	Foreign exchange loss, net	
Impairment loss on financial assets carried at cost	8,941	-	-	8,941	Impairment loss on financial assets carried at cost	
Others	10,020	-	-	10,020	Others	
Total non-operating expenses and losses	55,803	-	-	55,803	Total non-operating expenses and losses	
Income before income tax	2,739,341	-	3,691	2,743,032	Income before income tax	
Income tax expense	496,124	-	611	496,735	Income tax expense	6) k)
Consolidated Net income	<u>\$ 2,243,217</u>	<u>\$ -</u>	<u>\$ 3,080</u>	<u>\$ 2,246,297</u>	Consolidated Net income	(Continued)

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	Item	
				\$ (143,812)	Exchange differences on translating foreign operations	
				28,732	Unrealized gain on available-for-sale financial assets	
				(21,855)	Actuarial loss from defined benefit pension	6) k)
				24,753	Income tax gain relating to components of other comprehensive loss	6) k)
				(112,182)	Other comprehensive income for the period, net of tax effect	
				<u>\$ 2,134,115</u>	Total comprehensive income for the period	

(Concluded)

4) Appropriation for special reserve at the date of transition to IFRSs

In accordance with Order No. 1010012865 issued by the FSC on April 6, 2012, at the first-time adoption of IFRSs, an entity shall appropriate to special reserve the amount of increase in retained earnings that resulted from the setting to zero by transfer to retained earnings of unrealized revaluation increment and cumulative translation differences (gain) because of the entity's use of exemptions under IFRS 1. However, if the amount of the increase in retained earnings that resulted from all IFRSs adjustments is smaller than the amount of unrealized revaluation increment and cumulative translation differences (gain) reclassified to retained earnings, only the amount of the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve will be reversed in proportion to the usage, disposal or reclassification of the related assets.

As of January 1, 2012, the Corporation and subsidiaries reclassified unrealized revaluation increment of \$23,134 thousand to retained earnings. However, the effect of all IFRSs adjustments was a net decrease in retained earnings in the amount of \$38,623 thousand; therefore, there was no need for the Corporation and subsidiaries to appropriate for special reserve.

5) Exemptions from IFRS 1

IFRS 1, "First-time Adoption of International Financial Reporting Standards," establishes the procedures for the preparation of the Corporation's first consolidated financial statements in accordance with IFRSs. According to IFRS 1, the Corporation and subsidiaries are required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in their opening consolidated balance sheets at the date of transition to IFRSs (January 1, 2012), except for optional exemptions to such retrospective application provided under IFRS 1. The main optional exemptions the Corporation and subsidiaries adopted are summarized as follows:

a) Business combinations

The Corporation and subsidiaries elected not to apply IFRS 3, "Business Combination," retrospectively to business combinations that occurred before the date of transition to IFRSs. Therefore, the carrying amounts of goodwill, assets, liabilities and minority interest generated from past business combinations in the opening consolidated balance sheets remain the same as their carrying amounts under ROC GAAP as of December 31, 2011.

The above exemption also applies to past acquisitions of investments in associates.

b) Share-based payment

The Corporation and subsidiaries elected the exemption from applying IFRS 2, "Share-based Payment," retrospectively for the share-based payment transactions granted and vested before the date of transition to IFRSs.

c) Deemed cost

The Corporation and subsidiaries elected to use ROC GAAP revaluations of the designated land at the date of transition to IFRSs as deemed cost at the date of revaluation.

d) Employee benefits

The Corporation and subsidiaries elected to recognize all cumulative actuarial gains and losses relating to employee benefits in retained earnings at the date of transition to IFRSs.

The effects of above exemptions from IFRSs for the Corporation and subsidiaries are shown on "6) Notes to the significant reconciliation items of transition to IFRSs."

6) Notes to the significant reconciliation items of transition to IFRSs:

The significant differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

a) Time deposits with deposit terms of over three months

Under ROC GAAP, time deposits that can be withdrawn at any moment without detriment to the principal are classified as cash. Under IFRSs, time deposits with deposit terms of over three months are not classified as cash and cash equivalents, because they are not traded in an active market; therefore, time deposits with deposit terms of over three months are reclassified as other financial assets.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from time deposits with deposit terms of over three months to other financial assets (classified under other current assets) were \$699,602 thousand and \$252,915 thousand, respectively.

b) Allowance for sales returns and others

Under ROC GAAP, provisions for estimated sales returns and others are recognized as a reduction in revenue in the period the related revenue is recognized based on historical experience. Allowance for sales returns and others is recorded as a deduction in accounts receivable. Under IFRSs, the allowance for sales returns and others is a present obligation with uncertain timing and an amount that arises from past events and is therefore reclassified as provisions (classified under current liabilities).

As of December 31, 2012 and January 1, 2012, the amounts reclassified from allowance for sales returns and others to provisions were \$19,835 thousand and \$23,373 thousand, respectively.

c) Deferred income tax assets/liabilities

Under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred income tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and valuation allowance account is not used.

Under ROC GAAP, deferred tax assets and liabilities are classified as current or noncurrent in accordance with the classification of their related assets or liabilities. However, if deferred income tax assets or liabilities do not relate to assets or liabilities in the financial statements they are classified as either current or noncurrent based on the expected length of time before they are realized or settled. Under IFRSs, deferred tax asset and liabilities are classified as noncurrent assets or liabilities.

Under ROC GAAP, the current deferred income tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount; the same for the noncurrent deferred income tax liabilities and assets.

Under IFRSs, an entity should offset deferred income tax assets and deferred income tax liabilities only if:

- i. The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and,
- ii. The deferred income tax assets and the deferred income tax liabilities are related to income taxes levied by the same taxation authority.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were \$21,515 thousand and \$17,474 thousand, respectively, deferred tax assets and deferred tax liabilities were adjusted for an increase of \$10,768 thousand and \$32,660 thousand.

d) Classification of prepayments for property, plant and equipment

Under ROC GAAP, the prepaid item for purchasing property, plant and equipment is classified as prepayments for property, plant and equipment under properties. Under IFRSs, they are reclassified as prepayments under other noncurrent assets.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from prepayments for property, plant and equipment to other noncurrent assets were \$49,797 thousand and \$123,461 thousand, respectively.

e) Investment property

Under ROC GAAP, leased assets are classified under properties or other assets. Under IFRSs, the aforementioned items are classified as investment property according to their nature. Therefore, the aforementioned items were reclassified as investment property.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from investments in real estate and leased assets to investment property were \$265,246 thousand and \$268,246 thousand, respectively.

f) Reclassification of land use rights

Under ROC GAAP, land use rights are classified as intangible assets; under IFRSs, in accordance with IAS No. 17 "Lease", land use rights are reclassified as long-term prepaid rent.

As of December 31, 2012, and January 1, 2012, the amounts reclassified from land use rights to long-term prepaid rent (classified under other noncurrent assets) were \$110,527 thousand and \$11,358 thousand, respectively.

g) Reclassification of deferred charges

Under ROC GAAP, deferred charges are classified as other assets. Under IFRSs, deferred charges are reclassified as properties, intangible assets, prepaid expenses and long-term prepaid expenses according to their nature.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred charges to long-term prepaid expenses (classified under other noncurrent assets) were \$17,213 thousand and \$22,125 thousand, respectively.

h) Reserve for land value increment tax

Under current Guidelines Governing the Preparation of Financial Reports by Securities Issuers, reserve for land value increment tax recognized due to revaluation on land is classified as long-term liabilities. Under IFRSs, ROC GAAP revaluations are selected as deemed cost for the designated land at the date of transition to IFRSs; thus, the related reserve for land value increment tax should be reclassified to deferred income tax liabilities - land value increment tax.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from reserve for land value increment tax to deferred income tax liabilities - land value increment tax were \$33,685 thousand.

i) Revaluation increment

Under IFRSs, ROC GAAP revaluations are selected as deemed cost for the designated land at the date of transition to IFRSs; thus, the adjusted unrealized revaluation increment should be reclassified to retained earnings.

As of December 31, 2012 and January 1, 2012, the amounts adjusted from revaluation increment to retained earnings were both \$23,134 thousand.

j) The accounting method for investments in associates/subsidiaries when they issue new shares and the investor/the parent does not acquire new shares proportionately and effect on capital reserve from long-term stock investments.

Under ROC GAAP, when the investor does not acquire proportionately from new shares issued by the investee that results in a change in the ownership holding percentage and interest in the investee's net assets, the difference shall be adjusted to the capital reserve - long-term stock investments and long-term stock investments.

Under IFRSs, a change in investor's ownership of associates and investees would be deemed as an acquisition or a disposal of interest in associates and investees if significant influence or control is not lost. In addition, according to "comments on IFRS" issued by the Taiwan Stock Exchange, capital surplus should be adjusted at the date of transition to IFRS if it did not meet the criteria of IFRS or company law or interpretations of the Ministry of Economic Affairs.

According to "comments on IFRS" issued by the Taiwan Stock Exchange, there is no need for the Corporation and subsidiaries to apply the rule retrospectively; therefore, the Corporation and subsidiaries reclassified capital surplus as retained earnings. As of December 31, 2012 and January 1, 2012, the amounts of capital surplus reclassified to retained earnings were \$13,574 thousand.

k) Employee benefits - unrecognized net transition obligation and actuarial gains and losses of defined benefit pension plans

Under ROC GAAP, unrecognized net transition obligation, resulting from first-time adoption of SFAS No. 18, "Accounting for Pensions," should be amortized to pension cost by the straight-line method over the average remaining service period of those employees who are still in service and expected to receive pension benefits. IAS No. 19, "Employee Benefits," did not have transition policy; therefore, the unrecognized net transition obligation and related amounts should be all recognized in retained earnings at the date of transition to IFRSs.

Under ROC GAAP, actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized in profit or loss over the average remaining service period of those employees who are still in service and expected to receive pension benefits. Under IFRSs, the Corporation and subsidiaries should carry out actuarial valuation on defined benefit plans in accordance with IAS No. 19, "Employee Benefits," and will recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings in the statement of changes in equity. The subsequent reclassification to profit or loss is not permitted.

At the date of transition to IFRSs, the Corporation and subsidiaries performed the actuarial valuation on defined benefit plans under IAS No. 19, "Employee Benefits," and recognized the valuation difference under the requirement of IFRS 1. As of December 31, 2012 and January 1, 2012, accrued pension cost was adjusted for an increase of \$109,412 thousand and \$91,563 thousand, respectively; deferred income tax assets were adjusted for an increase of \$19,055 thousand and \$15,430 thousand, respectively; deferred income tax liabilities were adjusted for an increase of \$537 thousand and zero; deferred pension cost was adjusted for a decrease of \$187 thousand and zero; net loss not recognized as pension cost was adjusted for a decrease of \$128 thousand and zero, respectively. Pension cost was adjusted for a decrease of \$3,691 thousand and tax expense was adjusted for an increase of \$611 thousand for the year ended December 31, 2012; actuarial loss of defined benefit plan and income tax gain for the year ended December 31, 2012 were \$21,855 thousand and \$3,699 thousand, respectively.

l) Revenue recognition

The rewards, sponsorships and subvention for customers are operating expenses. Under IFRSs, the amounts of sales revenues equal to the rewards, sponsorships and subsidies for customers are deducted from gross sales.

As of December 31, 2012, the amount reclassified from operating expenses to the amount deducted from gross sales was \$2,202,356 thousand.

m) Accounts receivable and other receivable - a related party

Under ROC GAAP, the Corporation's related parties include other corporations whose chairman or general manager are the same as the Corporation's, or having the relationship as spouse or within second degree of blood relationship. Under IFRSs, the above conditions do not conform to IFRSs.

As of January 1, 2012 and December 31, 2012, the amounts reclassified from accounts receivable - a related party to accounts receivable were \$1,999 thousand and \$7,875 thousand, respectively; the amounts reclassified from other receivable - a related party to other receivables were \$129 thousand and \$123 thousand, respectively.

- c. The Corporation and subsidiaries have made the above assessments in accordance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Therefore, actual results may differ from these assessments.

V. Financial difficulties of the Company and related parties in the current year and up to the printing of the annual report: None.

Seven. REVIEW OF FINANCIAL POSITION, MANAGEMENT PERFORMANCE, AND RISK MANAGEMENT

I. Financial position

Comparative financial analysis

Unit : NTD Thousand

Item	Date	As of December 31, 2011	As of December 31, 2012	Difference	
				Amount	%
Current Assets		5,099,436	5,375,229	275,793	5
Funds & investments		4,332,935	5,022,831	689,896	16
Properties		1,079,911	1,093,285	13,374	1
Other Assets		367,722	373,325	5,603	2
Total Assets		10,880,004	11,864,670	984,666	9
Current Liabilities		1,943,164	1,888,553	(54,611)	(3)
Long Term Liabilities		2,184	1,455	(729)	(33)
Other liabilities		55,638	56,361	723	1
Total Liabilities		2,000,986	1,946,369	(54,617)	(3)
Capital Stock		4,636,269	5,748,973	1,112,704	24
Capital Reserve		40,704	48,814	8,110	20
Retained Earnings		4,049,459	4,062,113	12,654	0
Cumulative Translation Adjustments		154,322	34,912	(119,410)	(77)
Net Loss not Recognized as Pension Cost		0	(128)	(128)	(100)
Unrealized Gain on Available-for-sale Financial Assets		(3,688)	21,665	25,353	687
Revaluation Increment		23,134	23,134	0	0
Treasury Stock		(21,182)	(21,182)	0	0
Total Shareholders' Equity		8,879,018	9,918,301	1,039,283	12

Remark:

1. A higher Funds & investments in 2012 was due to the addition of Standard Investment (Cayman) Limited which increased "long-term investment recognized under equity method".
2. The increase in paid-in capital in 2012 was due to capital increase out of earnings.
3. The increase in cumulative translation adjustment in 2012 was due to depreciation of USD against NTD.
4. The increase in Unrealized Gain on Available-for-sale Financial Assets in 2012 was due to market price appreciated for the underlying assets, thus unrealized gains from both available-for-sale financial assets and long-term equity investment have grown.

II. Management performance

(I) Comparative operation analysis

Unit: NTD Thousand

Fiscal year Item	2011	2012	Increase (decrease) amount	Increase (decrease) %
Gross sales	13,057,531	12,733,882	(323,649)	(2)
Less: Sales returns	119,227	92,688	(26,539)	(22)
Sales allowances	394,039	478,395	84,356	21
Net sales	12,544,265	12,162,799	(381,466)	(3)
Cost of goods sold	7,434,732	7,282,651	(152,081)	(2)
Gross Profit	5,109,533	4,880,148	(229,385)	(4)
Operating expenses	2,640,278	2,670,272	29,994	1
Operating income	2,469,255	2,209,876	(259,379)	(11)
Non-operating Income	436,867	523,703	86,836	20
Non-operating Expenses	4,255	32,434	28,179	662
Income before income tax	2,901,867	2,701,145	(200,722)	(7)
Income tax	443,509	463,083	19,574	4
Net income	2,458,358	2,238,062	(220,296)	(9)

Analysis of financial ratio change:

1. The decrease in sales returns in 2012 was due to lower revenue compared to 2011.
2. A higher Sales allowance in 2012 was due to higher discount offered to the clients for promotional purposes.
3. Operating income was down in 2012 due to lower net sales and higher operating expense,
4. The increase in Non-operating Income/gain in 2012 was due to a higher dividend received from financial assets carried at cost.
5. The increase in Non-operating expense/loss in 2012 was due to a higher loss on valuation of financial assets at fair value through profit or loss, impairment loss on financial assets carried at cost, and higher loss on disposal of properties.

(II) The Company's business scope is without significant change.

III. Analysis of Cash Flows

(I) Cash Flow Analysis of the Current Year

Unit: NTD Thousand

Cash and Cash Equivalents Beginning of the Year(1)	Net Cash Inflows From Operating Activities during the year(2)	Cash Outflows(3)	Cash surplus (shortfall) amount(1)+ (2)- (3)	Remedy for Cash Shortfall	
				Investing Plans	Financing Plans
915,877	2,290,174	2,110,657	1,095,394	N/A	N/A

1. Operating activities: A net inflow of NT\$2,290,174 thousand due to operating earnings for the current period.
2. Investment activities: A net outflow of NT\$997,953 thousand due to increase in available-for-sale financial assets and long-term equity investment and acquisition on properties.
3. Financing activities: A net cash outflow of NT\$1,112,704 thousand due to the distribution of cash dividends.

(II) Corrective action for insufficient liquidity and liquidity analysis

1. No insufficient liquidity occurred for the year.
2. Analysis of liquidity over the past two years

Item	Fiscal year		
	2011 (1)	2012 (2)	Increase (decrease) % (2)-(1) / (1)
Cash flow ratio (%)	89.64	121.27	35.28%
Cash flow adequacy ratio (%)	196.95	213.10	8.20%
Cash reinvestment ratio (%)	7.67	10.04	30.90%

Analysis of financial ratio change:

1. Increased cash flow ratio in 2012 was mainly due to the mix of cash inflows from operating activities and decrease in current liabilities caused by the following reasons 1) inventory level and pre-paid expense were higher at 2011 end for the flourish outlook in 2011; 2) account receivables at 2012 end were down, due to the Chinese New Year started at later of the year in 2013.
2. Cash reinvestment ratio was higher in 2012 due to cash inflows from operating activities caused by a lower account receivables balance at 2012 end as the Chinese New Year didn't start until later of the year in 2013.

(III) Forecast of cash liquidity for the next fiscal year

Unit: NTD Thousand

Cash and Cash Equivalents Beginning of the Year(1)	Net Cash Inflows From Operating Activities during the year(2)	Cash Outflows (3)	Cash Surplus (Deficit) (1) + (2) - (3)	Remedy for Cash Shortfall	
				Investing Plans	Financing Plans
1,095,394	2,150,171	2,084,790	1,160,775	N/A	N/A

1. Cash Flow Analysis for the Next Fiscal Year**(1) Operating activities:** Mainly from operating earnings**(2) Investment activities:** Mainly due to fixed assets acquisition and more investments acquired.**(3) Financing activities:** Mainly due to cash dividend distribution**2. Corrective action for insufficient cash liquidity and liquidity analysis:** N/A.**IV. Impact of major capital expenditure on finance and business in the current year****(I) Major capital expenditure and the funding sources of the year**

Unit: NTD Thousand

Projects Item	Actual or Expected Sources of Capital	Actual or Expected Dates of Completion	Total Capital Needed	Actual or expected capital expenditures			
				2012	2013	2014	2015
Procurement of machinery, transportation and office equipment and computer software; betterment projects for premises and buildings	Self-sufficient capital	2013	619,167	155,928	463,239	-	-

(II) Expected effectiveness from expansion plans:**1.Expected growths in production, sales volume/value, and gross profit:** Both sales volume and value are expected to increase by 2%, and gross profit by 1%.**2.Other effects:** Allocate the limited resources optimally to reduce costs and improve efficiency. Also, integrate the enterprise's operational system so the management may access accurate information for decision-making in a timely manner.

V. Reasons and remedial plans for investment gain or loss occurred in the current year and the investment plan for the next year:

Unit: NTD Thousand

Item	Remark	2012 income (loss) amount	Policies	Reasons for gain or loss	Remedial plans	Investment plan in one year
Shanghai Standard Foods Co.		32,517	Investment is focusing on the food-related industry to build brand name, increase market share in China, and increase profit sources.	Increased sales and production scales and reduced advertisement expense.	Increase product sales volume with niche, improve profits and effectiveness of product combination, enhance product development and innovation, as well as, strengthen the brand awareness.	No defined investment plan is made so far as it will evolve based on future market development.
Standard Dairy Products Taiwan Ltd.		187,569	Focus on the product development and sales of food-related industry for increasing market share and generating profits.	Enhanced production cost and expense control and improved sales growth.	Develop new products, strictly control cost and expenses, improve customer and brand loyalty.	No defined investment plan is made so far.
Standard Investment (China) Ltd.		(24,471)	Established as Standard Food Group's investment and sales head office to expand sales from the local market and generate profits.	Higher sales and marketing expenses at the initial stage.	Increase product sales volume to lower down the expenses.	No defined investment plan is made so far as it will evolve based on future market development.
Standard Foods (China) Ltd.		2,207	Establish as the production base for edible oil and nutritious food products.	Still under the construction stage, not yet enter the production. There is interest revenue as non-operating income.	Monitor and control plant building plant and the associate costs and expenses.	Plant building execution.

VI. Risk Management in the most recent year and up to the printing of the annual report:

(I) The impact of interest rates, foreign exchange rates, and inflation on the Company's profit and loss and the remedial measures:

- 1. Interest:** Interest expense accounted only for 0.0055% of net income before tax in 2012. It was mainly from the interest portion of lease amortization for

company cars. Minor influence from interest rate change as the Company did not withdraw any bank credit and there was no loan balance at 2012 end. The Company will follow the interest trend closely and improve interest revenue from capital allocation in the future.

2.Exchange rate: The Company has several types of raw materials imported; therefore, fluctuation in the exchange rate does affect the Company's profitability. Under the circumstances, the Company has a clear operating strategy and risk control procedure defined. In addition, it will respond to the spot exchange rate and maintain close contact with financial institutes and adjust exchange strategies to hedge exchange risks.

3.Inflation: The Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan just publish forecasted CPI of 1.37% for 2013, v.s. 1.93% in 2012. Accordingly, we believe there shall be no major concern of inflation for the year or immediate impacts to the Company's business or profitability for the year.

(II) High-risk investments, highly-leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

The Company had not undertaken any high-risk and highly-leveraged investments and derivative transactions in 2012.

The transactions and procedures related to lending/endorsement are based on "Procedures of Lending" and "Procedures of Endorsement Guarantee" of the Company.

(III) Major factor to impact research projects and the expected research expenditures in the future:

Research projects	Completion (%)	Expected research expenditure in the future	Expected completion time	Major factors to impact future success
The research and development of health foods	Completed 25%	\$13.97 million	Q4 2013	Product development and clinical test result

(IV) Impacts on the Company's business and financial situation due to changes of government policies and regulations domestically and internationally: Due to increasing international business transactions, Financial Supervisory Commission announced in May 2009 that the Taiwan GAPP used for the composition of financial statements shall be replaced by International Accounting Standards (IFRS) starting from 2013. The Company has promoted the conversion of IFRS in accordance with the requirements of the competence authorities since 2009 and has an ad hoc group organized for the task to carry out the internal education and trainings and update the implementation progress in the board meeting.

- (V) Impacts on the Company's business and financial situation due to changes in technology:** The Company does not take technology development and industrial progress lightly. The Company has striven to use information technology, for example, introducing ERP, setting up a video conferencing system, constructing a network phone and employee online management system, and implementing information technology actively and effectively in order to reduce costs and upgrade the Company's competitiveness.
- (VI) Impacts on the Company's crisis management due to changes of the corporate image and the responsive measures:** The Company has made contributions to support education and disadvantaged groups because it believes in giving back to society. The Company's products have the certification of GMP, CAS, and ISO22000. The affirmation of these competent authorities and the recognition by consumers are helpful for upgrading the Company's business development.
- (VII) Expected benefits or risks and responsive measures associated with merger and acquisition plans:** None.
- (VIII) Expected benefits or risks and responsive measures associated with the plant expansion:** Production volume is expected to increase 2%, mainly because demands in the beverage market will increase production lines. Therefore, there is no significant risk.
- (IX) The risks of supply from concentrating suppliers and customers and the responsive measures for remedy:** The Company's procurement channels and sales channels are stable without the risk of excessive concentration.
- (X) Impacts on the Company due to shares transferred or exchanged massively by directors, supervisors, or shareholders with over 10% shareholdings, and the responsive measures for remedy:** None.
- (XI) Impacts and risks on the Company associated with change of the Company's management and the remedial measures:** None.
- (XII) Impacts to the shareholders' equity or the prices of the Company's securities due litigation or non-contentious matters held by the Group companies (including chairmen, supervisors, presidents, de facto responsible person, shareholders with more than 10% holding, and affiliated companies), whether sentenced or in review:** None.

(XIII) Other important risks and responsive measures:

1. Risk management policy:

The Company's risk management policy is to establish a risk management mechanism for identifying, assessing, monitoring, and controlling risks. Construct an integrated risk management system and work on a business model that is risk management oriented for achieving business target and increasing shareholders' equities.

For the risks of marketing, production and operation, human resources planning, product development, and finance and accounting control faced by the Company in business, in addition to the existing system specifications and processes, the Company has striven to develop advanced and sensitive risk monitoring, assessing, and controlling procedures and standards for the sake of safety and efficiency. It has also established a better cost-effective business operation model, such as, enhancing information systems and warning and monitoring capabilities.

2. Organizational structure for risk management:

The Company has a risk-responsive organization formed with layered responsibilities according to the organization structure and under the management of the President. The center's responsible units are formed under the President for carrying out risk management.

- (1) Financial risk, liquidity risk, credit risk, and legal risk: The Finance & Accounting and Compliance units are responsible for strategy formation and enforcement. In addition, they analyze and assess the responsive measures adopted for changes in laws, policies, and market development, which are audited and monitored through the risk assessment by the auditing unit.
- (2) Market risk: The department heads of the Company are to have strategies formed and enforced in accordance with the job responsibilities. In addition, They analyze and assess the responsive measures for changes in laws, policies, and market development.
- (3) Internal Auditing unit: This unit reports directly to the Board of Directors and is responsible to set up the procedures for risk assessment and management in the Company for the fulfillment of the Company's risk management activities and plans. The internal auditors also examine high-risks items that could affect business operations and the goal achievement in the Company and subsidiaries by utilizing risk assessment and audit models. They also conduct internal control system management to increase organizational value and improve operation and risk management.

VII. Other Important Matters: None.

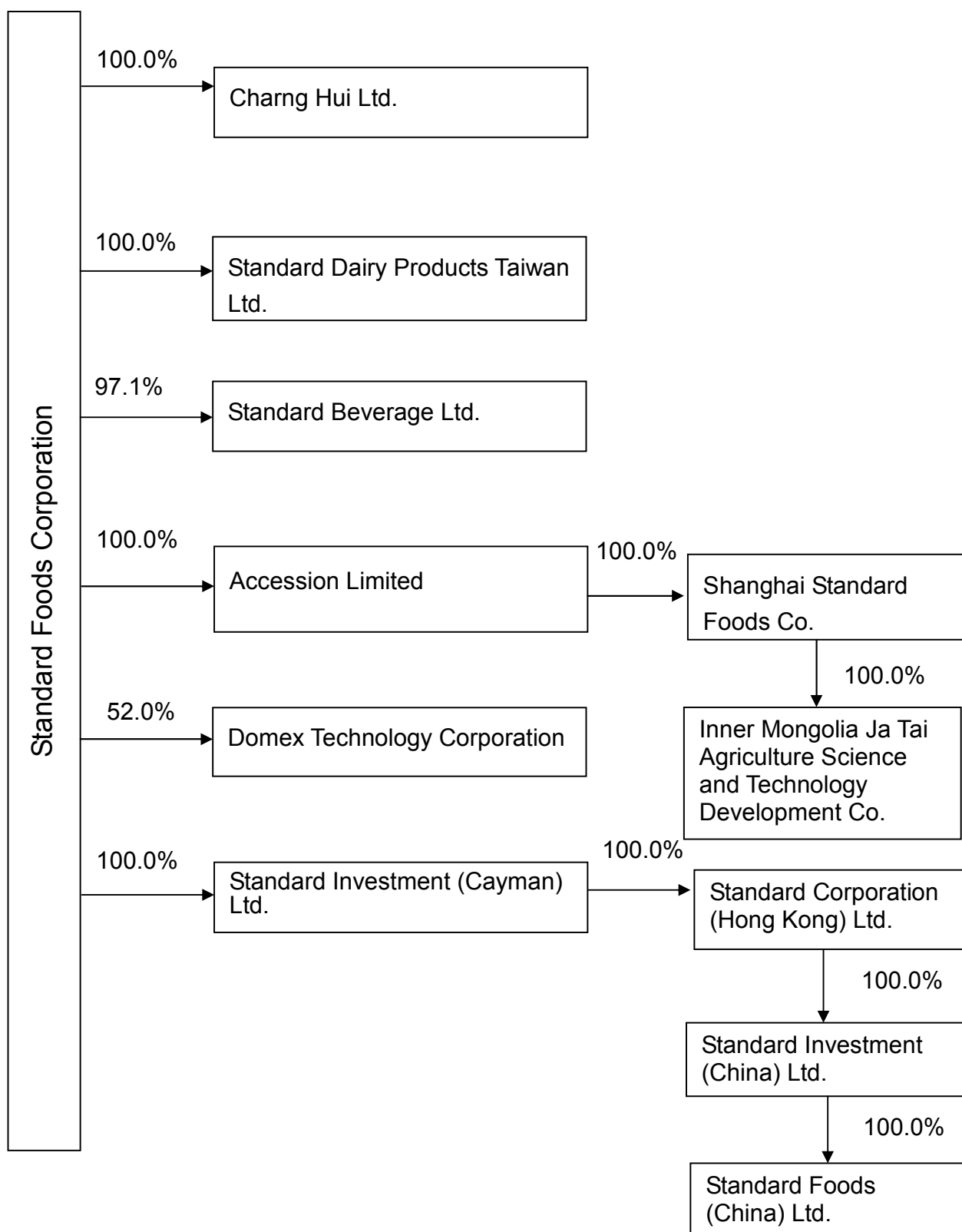
Eight. Special disclosures

I. Related parties

(I) Consolidated business report of the related parties

1.2012 consolidated business report of the related parties

(1) Organizational chart of the related parties



(2) Related party information

Unit: NTD Thousand, unless otherwise stated

Corporation	Incorporation date	Address	Total paid-in capital	Major business or products
Standard Dairy Products Taiwan Ltd.	1999.04.12	5F., No.136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City	300,000	Production and sales of dairy products and beverage
Standard Beverage Ltd.	1998.03.24	5F., No.136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City	79,070	Production and sales of beverages
Charng Hui Ltd.	1997.04.28	5F., No.136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City	150,000	Investment
Domex Technology Corporation	1986.07.30	6, Hsinan Road, Hsinchu Science Industrial Park	199,471	Production and sales of computer peripheral equipment and information products
Accession Limited	2000.05.17	Porticulis TrustNet Chambers, P. O. Box 3444, Road Town, Tortola, British Virgin Islands	US\$123,600 thousand	Investment
Shanghai Standard Foods Co.	2001.09.11	1128, Wuzhong Road, Shanghai, China	US\$124,500 thousand	Production and sales of edible oil and nutritious products
Inner Mongolia Ja Tai Agriculture Science and Technology Development Co.	2008.05.28	Mon-New Industrial Park, Din-Kou County, Inner Mongolia, China	RMB 20,000 thousand	Farming and produce wholesale and retailing
Standard Investment (Cayman) Limited	2011.08.05	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands	US\$30,010 thousand	Investment
Standard Corporation (Hong Kong) Ltd.	2011.08.30	Room 1004, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong	US\$30,005 thousand	Investment
Standard Investment (China) Ltd.	2011.12.26	No. 88, Shanghai E. Rd., Economy and Technology Development District (New District), Taicang Port	US\$30,000 thousand	Investments/selling of cooking oil and nutriments
Standard Foods (China) Ltd.	2012.01.21	No. 88, Shanghai E. Rd., Economy and Technology Development District (New District), Taicang Port	US\$8,000 thousand	Making and selling cooking oil and nutriments

(3) Shareholders of the Company who are also the shareholders of the wholly owned subsidiaries or the subsidiaries:
None.

(4) For the business operations of the related parties and the business among the related parties, the business operation and teamwork: Standard Foods Corporation and the subsidiaries are in the business of food production, trade, investment, and production of computer peripheral equipment and information products. The milk and flavored milk of Standard Foods Corporation are sold to Standard Dairy Products Taiwan Ltd. and then to the market. The beverages of Standard Beverage Ltd. are sold to Standard Foods Corporation and then to the market. The sunflower seeds of Inner Mongolia Jiatai Agriculture Technology Co. are sold to Shanghai Standard Foods Co. as the raw material for edible oil. Standard Investment (China) Ltd. is now mainly selling an energy product (Ydxing) made by Shanghai Standard Foods Co., it will become the sales & marketing head office in China. Standard Foods (China) Ltd. is still constructing the manufacturing plants which will produce eatable oils and nutritious foods.

(5) Director, Supervisor and President of the related party

Corporation	Title	Name or Representative	Shareholding	
			Share number (Invested capital)	% (Invested Capital %)
Standard Dairy Products Taiwan Ltd.	Director	Standard Foods Corporation Representative: Ter-Fung Tsao Glendy Chiang Larry Chung	30,000,000 share	100.00%
	Supervisor	Standard Foods Corporation Representative: Eric Wang	30,000,000 share	100.00%
	President	Chris Hong	—	—
Standard Beverage Ltd.	Director	Standard Foods Corporation Representative: Ter-Fung Tsao Glendy Chiang Larry Chung	7,675,325 share	97.07%
	Supervisor	Standard Foods Corporation Representative: Eric Wang	7,675,325 share	97.07%

Corporation	Title	Name or Representative	Shareholding	
			Share number (Invested capital)	% (Invested Capital %)
Charng Hui Ltd.	Director	Standard Foods Corporation Representative: Larry Chung Ter-Fung Tsao Sophia Huang	15,000,000 share	100.00%
	Supervisor	Standard Foods Corporation Representative: Eric Wang	15,000,000 share	100.00%
Domex Technology Corporation	Director	Standard Foods Corporation Representative: Ter-Fung Tsao Chun-Hsin Ku Larry Chung	10,374,399 share	52.01%
	Supervisor	Eric Wang	—	—
	President	Chun-Hsin Ku	—	—
Accession Limited	Director	Ter-Fung Tsao	Standard Foods Corporation shareholding: 123,600,000 shares	100.00%
Shanghai Standard Foods Co.	Chairman	Jason Hsuan	—	—
	Director	Ter-Fung Tsao	—	—
	Director	Glendy Chiang	—	—
	Director	Larry Chung	—	—
	Director	Arthur Tsao	—	—
	President	Arthur Tsao	US\$124,500 thousand founded through Accession Limited	100.00%
Inner Mongolia Ja Tai Agriculture Science and Technology Development Co.	Director	Ter-Fung Tsao	Shanghai Standard Foods Co. Invested capital: RMB 20,000 thousand	100.00%
Standard Investment (Cayman) Limited	Director	Ter-Fung Tsao	US\$ 30,010 thousand founded through Standard Foods Corporation	100.00%

Corporation	Title	Name or Representative	Shareholding		
			Share number (Invested capital)	% (Invested Capital %)	
Standard Corporation (Hong Kong) Ltd.	Director	Ter-Fung Tsao	—	—	
			US\$30,005 thousand founded by Standard Investment (Cayman) Limited	100.00%	
Standard Investment (China) Ltd.	Chairman	Jason Hsuan	—	—	
	Director	Ter-Fung Tsao	—	—	
	Director	Glendy Chiang	—	—	
	Director	Larry Chung	—	—	
	Director	Arthur Tsao	—	—	
	Director	Tom A. Chien	—	—	
			US\$30,000 thousand founded by Standard Corporation (Hong Kong) Ltd.	100.00%	
Standard Foods (China) Ltd.	Supervisor	Eric Wang	—	—	
	President	Arthur Tsao	—	—	
	Chairman	Jason Hsuan	—	—	
	Director	Ter-Fung Tsao	—	—	
	Director	Glendy Chiang	—	—	
	Director	Larry Chung	—	—	
	Director	Arthur Tsao	—	—	
	Director	Tom A. Chien	—	—	
				US\$8,000 thousand founded by Standard Investment (China) Ltd.	100.00%
	Supervisor	Eric Wang	—	—	
	President	Arthur Tsao	—	—	

(6) Business overview of each related party

Unit : NTD Thousand

Corporation	Stock capital	Total Assets	Total Liabilities	Net worth	Sales revenue	Operating Income (loss)	Net income (loss)	Earnings per share (\$) (after-tax)
Standard Dairy Products Taiwan Ltd.	300,000	928,221	387,502	540,719	2,321,104	215,136	187,569	6.25
Standard Beverage Ltd.	79,070	80,995	844	80,151	11,711	226	359	0.05
Charng Hui Ltd.	150,000	498,624	100	498,524	15,722	12,090	12,090	0.81
Domex Technology Corporation	199,471	369,064	82,525	286,539	252,493	(5,278)	10,711	0.54
Accession Limited	3,930,777	3,126,148	78	3,126,070	0	(391)	41,885	0.34
Shanghai Standard Foods Co.	3,980,795	4,262,764	1,616,781	2,645,983	6,916,331	17,219	32,517	(Note 1.)
Inner Mongolia Ja Tai Agriculture Science and Technology Development Co.	92,235	12,403	116	12,287	205	(4,115)	(3,601)	(Note 1.)
Standard Investment (Cayman) Limited	894,615	851,189	29	851,160	0	(29)	(24,543)	(1.27)
Standard Corporation (Hong Kong) Ltd.	894,464	851,072	29	851,043	0	(43)	(24,514)	(1.27)
Standard Investment (China) Ltd.	894,312	867,018	16,078	850,941	15,937	(31,057)	(24,471)	(Note 1.)
Standard Foods (China) Ltd.	236,160	243,181	8,173	235,007	0	(581)	2,207	(Note 1.)

Note: The Company held no stock share.

(II) Consolidated financial statements of the related parties: Same as the consolidated financial statements of the parent company and the subsidiary. Please refer to page 116~160 for the 2012 financial statements.

(III) Business report of the related parties: N/A.

II. Private subscription of marketable security in the most recent years and up to the printing of the annual report: N/A.

III. The stock shares of the Company held or disposed of by the subsidiary in the most recent years and up to the printing of the annual report:

Unit: NTD Thousand; Shares; %

Subsidiary	Total paid-in capital	Fund source	Shareholding ratio of the Company	Date of acquisition or disposition	Shares and amount acquired	Shares and amount disposed	Investment gain (loss)	Shareholdings & amount up to the printing date of the annual report	Under pledge	Endorsement amount made for the subsidiary	Amount loaned to the subsidiary
Chang Hui Ltd.	150,000	Self-sufficient capital	100%	2000	Bought 166,000 shares for NT\$4,938 thousand	-	-	4,190,040 shares for NT\$21,182 thousand	-	-	-
				2000	9,960 shares from stock dividend	-	-		-		
				2001	Bought 2,163,000 shares for NT\$16,244 thousand	-	-		-		
				2009	11,694 shares from stock dividend	-	-		-		
				2010	352,598 shares from stock dividend	-	-		-		
				2011	675,813 shares from stock dividend	-	-		-		
				2012	810,975 shares from stock dividend	-	-		-		

IV. Other disclosures:

(I) Provision for asset and liability impairments

1. Allowance for uncollectible accounts– account receivables

Purpose: To assess collection risks of account receivables and note receivables.

The collection ratio is estimated through analysis of the past experience of the samples taken from the aging schedule and to derive a reasonable impairment amount for the accounts.

Provision basis:

(1) Recording allowance for bad debt:

1.1. The Company may classify the accounts and notes receivable account by the number of transactions or by the credit limit of each customer in accordance with the internal accounts receivable management mechanism:

A. The Company classifies all the uncollected transactions at the closing date of the fiscal year into different groups and assesses the impairment amount for each uncollected transaction and group.

B. The Company divided the aforementioned groups further into four categories based on the risk features.

1.2. Three customer categories:

A. General accounts: The impairment amount is assessed through the recovery rates of each account age for individual account and channel group.

B. Special accounts: These are the invested subsidiaries under Standard Foods Group. No bad debt provision will be made out of receivables owed by these accounts.

C. Insolvent accounts: Assess the collectable amount according to the collaterals placed by the customers and set up a separate bad-debt provision ratio to make the provision.

1.3. Accounting Department adjusts “Bad Debt Allowance” according to the asset impairment amounts derived as above.

(2) Write-off of bad debt allowance:

2.1. Bad debt determination:

A. Receivables are deemed not collectable in part or in full due to insolvency, settlement, bankruptcy declaration or other reasons.

B. Outstanding principal or interests that are due for more than two years and the efforts of collection have failed.

2.2. Write-off:

- A. Upon the occurrence of loss from bad debt, the supporting documents are to be submitted to make the write-off, according to Article #94 of “Guidelines for Examination of Profit-Seeking Enterprise Income Tax”.
- B. When writing off bad debts, the allowance account shall be reduced accordingly in the year the bad debt is determined. If the actual bad debt is larger than the allowance balance, the discrepancy shall be recorded as bad debt loss for the year.

2. Allowance for inventory valuation losses

Cost of inventories is calculated by using the monthly weighted-average cost.

Inventories are measured at the lower of cost or net realizable value.

Merchandises, finished goods, work-in-process goods and packing materials for raw materials are measured in net realizable value.

(II) Key Performance Indicator (KPI): The Company’s KPI includes Finance KPI and Non-Finance KPI. In addition to examining the finance KPI of sales revenue, debt ratio, business cycle, return on equity, and earnings per share within the industry periodically, non-finance KPI are set to understand the Company’s competitive advantages and industry momentum.

(III) Licenses or certificates acquired by financial personnel:

- 1. CPA- Republic of China: 2 persons
- 2. Internal Auditor - Republic of China : 2 persons.
- 3. Certified internal auditor (CIA): 1 person

(IV) The impacts to shareholders’ equity or security price due to events defined in Securities Transaction Law Article #36.2.2 on in the current recent year and up to the printing of the annual report: None.

Standard Foods Corporation

Chairman: Ter-Fung Tsao

