

**Standard Foods Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2014 and 2013 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 (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Standard Foods Corporation as of and for the years ended December 31, 2014 and 2013 on which we have issued an unqualified report.

March 24, 2015

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

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

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

| ASSETS | 2014 | | 2013 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 1,991,558 | 11 | \$ 1,359,032 | 8 |
| Available-for-sale financial assets - current (Note 8) | 496,999 | 3 | 757,337 | 5 |
| Debt investments with no active market - current (Note 10) | 1,026,935 | 6 | 707,548 | 4 |
| Notes receivable (Note 11) | 41,730 | - | 29,248 | - |
| Trade receivables (Note 11) | 4,286,758 | 23 | 3,757,062 | 24 |
| Other receivables (Note 11) | 156,956 | 1 | 171,707 | 1 |
| Current tax assets (Note 27) | 31,665 | - | 21 | - |
| Inventories (Note 12) | 3,847,264 | 21 | 3,489,168 | 22 |
| Biological assets - current | 16 | - | 1,967 | - |
| Prepayments (Note 13) | 1,612,855 | 9 | 1,206,108 | 8 |
| Other current assets (Notes 19 and 35) | 8,841 | - | 164,858 | 1 |
| Total current assets | <u>13,501,577</u> | <u>74</u> | <u>11,644,056</u> | <u>73</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets measured at cost - non-current (Note 9) | 124,396 | 1 | 145,091 | 1 |
| Property, plant and equipment (Notes 15 and 35) | 3,691,574 | 20 | 3,085,188 | 19 |
| Investment properties (Notes 16 and 35) | 259,651 | 2 | 262,516 | 2 |
| Goodwill | 558 | - | 558 | - |
| Other intangible assets (Note 17) | 6,946 | - | 4,730 | - |
| Biological assets - non-current | 36 | - | 4 | - |
| Deferred tax assets (Note 27) | 249,018 | 1 | 263,652 | 2 |
| Long-term prepayment for lease (Note 18) | 203,160 | 1 | 196,128 | 1 |
| Other non-current assets (Note 19) | 104,433 | 1 | 300,501 | 2 |
| Total non-current assets | <u>4,639,772</u> | <u>26</u> | <u>4,258,368</u> | <u>27</u> |
| TOTAL | <u>\$ 18,141,349</u> | <u>100</u> | <u>\$ 15,902,424</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 20) | \$ 1,336,892 | 7 | \$ 1,241,691 | 8 |
| Short-term bills payable (Note 20) | 99,959 | 1 | 69,969 | - |
| Notes payable (Note 21) | 210,823 | 1 | 1,652 | - |
| Trade payables (Note 21) | 1,679,757 | 9 | 1,266,651 | 8 |
| Other payables (Note 22) | 1,911,768 | 11 | 1,831,650 | 12 |
| Current tax liabilities (Note 27) | 256,131 | 1 | 128,044 | 1 |
| Provisions - current (Note 23) | 19,404 | - | 24,359 | - |
| Finance lease payables - current | 531 | - | 758 | - |
| Other current liabilities (Note 22) | 144,455 | 1 | 207,221 | 1 |
| Total current liabilities | <u>5,659,720</u> | <u>31</u> | <u>4,771,995</u> | <u>30</u> |
| NON-CURRENT LIABILITIES | | | | |
| Deferred tax liabilities (Note 27) | 134,299 | 1 | 83,634 | 1 |
| Finance lease payables - non-current | 126 | - | 657 | - |
| Accrued pension liabilities (Note 24) | 197,119 | 1 | 167,046 | 1 |
| Other non-current liabilities (Note 22) | 46,898 | - | 34,848 | - |
| Total non-current liabilities | <u>378,442</u> | <u>2</u> | <u>286,185</u> | <u>2</u> |
| Total liabilities | <u>6,038,162</u> | <u>33</u> | <u>5,058,180</u> | <u>32</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 25) | | | | |
| Common stock | <u>7,206,338</u> | <u>40</u> | <u>6,611,319</u> | <u>42</u> |
| Capital surplus | <u>51,331</u> | <u>-</u> | <u>43,620</u> | <u>-</u> |
| Retained earnings | | | | |
| Legal reserve | 1,691,898 | 9 | 1,505,940 | 9 |
| Unappropriated earnings | 2,540,559 | 14 | 2,326,179 | 15 |
| Total retained earnings | <u>4,232,457</u> | <u>23</u> | <u>3,832,119</u> | <u>24</u> |
| Other equity | <u>486,538</u> | <u>3</u> | <u>239,947</u> | <u>1</u> |
| Treasury share | <u>(21,182)</u> | <u>-</u> | <u>(21,182)</u> | <u>-</u> |
| Total equity attributable to owners of the Company | 11,955,482 | 66 | 10,705,823 | 67 |
| NON-CONTROLLING INTERESTS (Note 25) | <u>147,705</u> | <u>1</u> | <u>138,421</u> | <u>1</u> |
| Total equity | <u>12,103,187</u> | <u>67</u> | <u>10,844,244</u> | <u>68</u> |
| TOTAL | <u>\$ 18,141,349</u> | <u>100</u> | <u>\$ 15,902,424</u> | <u>100</u> |

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

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2014 | | 2013 | |
|---|-------------------|-----------|-------------------|-----------|
| | Amount | % | Amount | % |
| OPERATING REVENUES | | | | |
| Sales | \$ 21,800,013 | 100 | \$ 20,379,206 | 100 |
| OPERATING COSTS | | | | |
| Cost of goods sold | <u>15,577,607</u> | <u>72</u> | <u>14,723,320</u> | <u>72</u> |
| GROSS PROFIT | <u>6,222,406</u> | <u>28</u> | <u>5,655,886</u> | <u>28</u> |
| OPERATING EXPENSES (Note 26) | | | | |
| Selling and marketing expenses | 3,159,721 | 15 | 3,106,699 | 15 |
| General and administrative expenses | 504,032 | 2 | 459,059 | 2 |
| Research and development expenses | <u>101,495</u> | <u>-</u> | <u>92,822</u> | <u>1</u> |
| Total operating expenses | <u>3,765,248</u> | <u>17</u> | <u>3,658,580</u> | <u>18</u> |
| OPERATING INCOME | <u>2,457,158</u> | <u>11</u> | <u>1,997,306</u> | <u>10</u> |
| NON-OPERATING INCOME AND EXPENSES (Note 26) | | | | |
| Other income | 86,398 | 1 | 82,122 | - |
| Other gains and losses | 50,460 | - | 186,499 | 1 |
| Finance costs | <u>(23,991)</u> | <u>-</u> | <u>(17,650)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>112,867</u> | <u>1</u> | <u>250,971</u> | <u>1</u> |
| PROFIT BEFORE INCOME TAX | 2,570,025 | 12 | 2,248,277 | 11 |
| INCOME TAX EXPENSE (Note 27) | <u>479,665</u> | <u>2</u> | <u>385,422</u> | <u>2</u> |
| NET PROFIT FOR THE YEAR | <u>2,090,360</u> | <u>10</u> | <u>1,862,855</u> | <u>9</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Exchange differences on translating foreign operations | 305,236 | 1 | 236,193 | 1 |
| Unrealized gain or loss on available-for-sale financial assets | (7,620) | - | (14,007) | - |
| Actuarial loss arising from defined benefit plans | (27,378) | - | (28,638) | - |

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STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

| | 2014 | | 2013 | |
|---|---------------------|-----------|---------------------|-----------|
| | Amount | % | Amount | % |
| Share of the other comprehensive loss of associates | \$ - | - | \$ (2,158) | - |
| Income tax relating to the components of other comprehensive income (Note 27) | <u>(46,364)</u> | <u>-</u> | <u>(31,829)</u> | <u>-</u> |
| Other comprehensive income (loss) for the year, net of income tax | <u>223,874</u> | <u>1</u> | <u>159,561</u> | <u>1</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 2,314,234</u> | <u>11</u> | <u>\$ 2,022,416</u> | <u>10</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owner of the Company | \$ 2,075,851 | 10 | \$ 1,859,582 | 9 |
| Non-controlling interests | <u>14,509</u> | <u>-</u> | <u>3,273</u> | <u>-</u> |
| | <u>\$ 2,090,360</u> | <u>10</u> | <u>\$ 1,862,855</u> | <u>9</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owner of the Company | \$ 2,299,759 | 11 | \$ 2,018,987 | 10 |
| Non-controlling interests | <u>14,475</u> | <u>-</u> | <u>3,429</u> | <u>-</u> |
| | <u>\$ 2,314,234</u> | <u>11</u> | <u>\$ 2,022,416</u> | <u>10</u> |
| EARNINGS PER SHARE (Note 28) | | | | |
| Basic | <u>\$2.90</u> | | <u>\$2.60</u> | |
| Diluted | <u>\$2.90</u> | | <u>\$2.60</u> | |

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

(Concluded)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

| | Equity Attributable to Owners of the Company | | | | | | | | | | | |
|---|--|-----------------|---------------|-------------------------|--------------|--|---|------------|----------------|---------------|---------------------------|---------------|
| | Common Stock | Capital Surplus | Legal Reserve | Retained Earnings | | Exchange Differences on Translating Foreign Operations | Other Equity | | Treasury Stock | Total | Non-controlling Interests | Total Equity |
| | | | | Unappropriated Earnings | Total | | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Total | | | | |
| BALANCE AT JANUARY 1, 2013 | \$ 5,748,973 | \$ 35,240 | \$ 1,282,134 | \$ 2,726,508 | \$ 4,008,642 | \$ 34,912 | \$ 21,665 | \$ 56,577 | \$ (21,182) | \$ 9,828,250 | \$ 138,821 | \$ 9,967,071 |
| Appropriation of 2012 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | 223,806 | (223,806) | - | - | - | - | - | - | - | - |
| Cash dividends to shareholders | - | - | - | (1,149,794) | (1,149,794) | - | - | - | - | (1,149,794) | - | (1,149,794) |
| Stock dividends to shareholders | 862,346 | - | - | (862,346) | (862,346) | - | - | - | - | - | - | - |
| Adjustment of capital surplus for the Company's cash dividends received by a subsidiary | - | 8,380 | - | - | - | - | - | - | - | 8,380 | - | 8,380 |
| Cash dividends to non-controlling interests by subsidiaries | - | - | - | - | - | - | - | - | - | - | (3,829) | (3,829) |
| Net profit for the year ended December 31, 2013 | - | - | - | 1,859,582 | 1,859,582 | - | - | - | - | 1,859,582 | 3,273 | 1,862,855 |
| Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax | - | - | - | (23,965) | (23,965) | 194,248 | (10,878) | 183,370 | - | 159,405 | 156 | 159,561 |
| Total comprehensive income (loss) for the year ended December 31, 2013 | - | - | - | 1,835,617 | 1,835,617 | 194,248 | (10,878) | 183,370 | - | 2,018,987 | 3,429 | 2,022,416 |
| BALANCE AT DECEMBER 31, 2013 | 6,611,319 | 43,620 | 1,505,940 | 2,326,179 | 3,832,119 | 229,160 | 10,787 | 239,947 | (21,182) | 10,705,823 | 138,421 | 10,844,244 |
| Appropriation of 2013 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | 185,958 | (185,958) | - | - | - | - | - | - | - | - |
| Cash dividends to shareholders | - | - | - | (1,057,811) | (1,057,811) | - | - | - | - | (1,057,811) | - | (1,057,811) |
| Stock dividends to shareholders | 595,019 | - | - | (595,019) | (595,019) | - | - | - | - | - | - | - |
| Adjustment of capital surplus for the Company's cash dividends received by a subsidiary | - | 7,710 | - | - | - | - | - | - | - | 7,710 | - | 7,710 |
| Acquisition of interest in subsidiaries | - | 1 | - | - | - | - | - | - | - | 1 | (2,319) | (2,318) |
| Cash dividends to non-controlling interests by subsidiaries | - | - | - | - | - | - | - | - | - | - | (2,872) | (2,872) |
| Net profit for the year ended December 31, 2014 | - | - | - | 2,075,851 | 2,075,851 | - | - | - | - | 2,075,851 | 14,509 | 2,090,360 |
| Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax | - | - | - | (22,683) | (22,683) | 253,346 | (6,755) | 246,591 | - | 223,908 | (34) | 223,874 |
| Total comprehensive income (loss) for the year ended December 31, 2014 | - | - | - | 2,053,168 | 2,053,168 | 253,346 | (6,755) | 246,591 | - | 2,299,759 | 14,475 | 2,314,234 |
| BALANCE AT DECEMBER 31, 2014 | \$ 7,206,338 | \$ 51,331 | \$ 1,691,898 | \$ 2,540,559 | \$ 4,232,457 | \$ 482,506 | \$ 4,032 | \$ 486,538 | \$ (21,182) | \$ 11,955,482 | \$ 147,705 | \$ 12,103,187 |

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

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

| | 2014 | 2013 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 2,570,025 | \$ 2,248,277 |
| Adjustments for: | | |
| Depreciation expenses | 302,248 | 220,758 |
| Amortization expenses | 87,522 | 38,458 |
| Impairment loss recognized (reversal of impairment loss) on trade receivables | (249) | 1,173 |
| Net gain on fair value change of financial assets designated as at fair value through profit or loss | (27,636) | (78,798) |
| Finance costs | 23,991 | 17,650 |
| Interest income | (42,274) | (36,110) |
| Dividend income | (18,242) | (19,240) |
| Loss on disposal of property, plant and equipment | 2,141 | 477 |
| Gain on disposal of associates | (8,212) | (18,958) |
| Impairment loss recognized on financial assets measured at cost | 22,961 | 23,319 |
| Loss on change in fair value less cost to sell biological assets | 954 | 1,553 |
| Others | - | (2,158) |
| Changes in operating assets and liabilities | | |
| Financial assets held for trading | 27,636 | 174,323 |
| Notes receivable | (11,222) | (2,392) |
| Trade receivables | (425,059) | (346,776) |
| Other receivables | 17,667 | (98,050) |
| Inventories | (269,516) | (566,388) |
| Biological assets | 982 | (3,479) |
| Prepayments | (371,088) | (4,319) |
| Other current assets | 9,361 | (5,408) |
| Notes payable | 199,142 | (4,660) |
| Trade payables | 386,511 | 121,471 |
| Other payables | 54,374 | 295,974 |
| Provisions | (4,991) | 4,523 |
| Other current liabilities | (70,794) | 94,723 |
| Accrued pension liabilities | 2,695 | 2,095 |
| Cash generated from operations | 2,458,927 | 2,058,038 |
| Interest received | 40,561 | 30,861 |
| Interest paid | (21,134) | (18,022) |
| Income tax paid | (366,246) | (502,132) |
| Net cash generated from operating activities | <u>2,112,108</u> | <u>1,568,745</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of available-for-sale financial assets | (1,192,120) | (3,736,628) |
| Proceeds on sale of available-for-sale financial assets | 1,460,339 | 3,670,791 |
| Purchase of debt investments with no active market | (1,267,195) | (1,484,052) |
| Proceeds from sale of debt investments with no active market | 963,938 | 1,497,479 |
| Purchase of financial assets carried at cost | (10,000) | - |

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STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Proceeds from sale of financial assets carried at cost | \$ - | \$ 1,179 |
| Proceeds from capital reduction of financial assets carried at cost | 8,464 | 12,553 |
| Net cash inflow on disposal of associates at equity method | - | 578 |
| Payments for property, plant and equipment | (654,506) | (1,046,238) |
| Proceeds from disposal of property, plant and equipment | 20,344 | 3,255 |
| Payments for intangible assets | (11,494) | (1,717) |
| Increase in other financial assets | (5,828) | (19,444) |
| Decrease in other financial assets | 149,998 | 144,786 |
| Increase in other non-current assets | (48,826) | (250,811) |
| Increase in long-term lease prepayment | - | (81,548) |
| Other dividend received | <u>18,242</u> | <u>19,290</u> |
| Net cash used in investing activities | <u>(568,644)</u> | <u>(1,270,527)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term borrowings | 30,009 | 540,612 |
| Increase in short-term bills payable | 29,990 | 69,969 |
| Decrease in finance lease payables | (758) | (768) |
| Increase in other financial liabilities | 10,440 | 20,240 |
| Decrease in other financial liabilities | (529) | (208) |
| Dividends paid to owners of the Company | (1,050,101) | (1,141,414) |
| Acquisition of interest in subsidiaries | (2,318) | - |
| Dividends paid to non-controlling interests | <u>(2,872)</u> | <u>(3,829)</u> |
| Net cash used in financing activities | <u>(986,139)</u> | <u>(515,398)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | | |
| | <u>75,201</u> | <u>45,934</u> |
| NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS | 632,526 | (171,246) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>1,359,032</u> | <u>1,530,278</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 1,991,558</u> | <u>\$ 1,359,032</u> |

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

(Concluded)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. GENERAL INFORMATION

Standard Foods Corporation (the “Company”) was incorporated on June 6, 1986. The Company mainly manufactures and sells nutritious foods, edible oil, dairy products and beverage.

The Company’s shares have been listed on the Taiwan Stock Exchange (“TSE”) since April 1994.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 24, 2015.

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

- a. The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC not yet effective

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

| New, Amended and Revised Standards and Interpretations (the “New IFRSs”) | Effective Date Announced by IASB (Note) |
|---|--|
| Improvements to IFRSs (2009) - amendment to IAS 39 | January 1, 2009 and January 1, 2010, as appropriate |
| Amendment to IAS 39 “Embedded Derivatives” | Effective for annual periods ended on or after June 30, 2009 |
| Improvements to IFRSs (2010) | July 1, 2010 and January 1, 2011, as appropriate |
| Annual Improvements to IFRSs 2009-2011 Cycle | January 1, 2013 |
| Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters” | July 1, 2010 |
| Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters” | July 1, 2011 |
| Amendment to IFRS 1 “Government Loans” | January 1, 2013 |
| Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities” | January 1, 2013 |

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| New, Amended and Revised Standards and Interpretations (the “New IFRSs”) | Effective Date Announced by IASB (Note) |
|---|--|
| Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets” | July 1, 2011 |
| IFRS 10 “Consolidated Financial Statements” | January 1, 2013 |
| IFRS 11 “Joint Arrangements” | January 1, 2013 |
| IFRS 12 “Disclosure of Interests in Other Entities” | January 1, 2013 |
| Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance” | January 1, 2013 |
| Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities” | January 1, 2014 |
| IFRS 13 “Fair Value Measurement” | January 1, 2013 |
| Amendment to IAS 1 “Presentation of Other Comprehensive Income” | July 1, 2012 |
| Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets” | January 1, 2012 |
| IAS 19 (Revised 2011) “Employee Benefits” | January 1, 2013 |
| IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures” | January 1, 2013 |
| Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities” | January 1, 2014 |
| IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine” | January 1, 2013 |

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

Except for the following, whenever applied, the initial application of the above 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group’s accounting policies:

1) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

2) IFRS 13 “Fair Value Measurement”

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

The fair value measurements under IFRS 13 will be applied prospectively from 2015.

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

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

The Group will retrospectively apply the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets. However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

4) Revision to IAS 19 “Employee Benefits”

The interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

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

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| Annual Improvements to IFRSs 2010-2012 Cycle | July 1, 2014 (Note 2) |
| Annual Improvements to IFRSs 2011-2013 Cycle | July 1, 2014 |
| Annual Improvements to IFRSs 2012-2014 Cycle | January 1, 2016 (Note 4) |
| IFRS 9 “Financial Instruments” | January 1, 2018 |
| Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures” | January 1, 2018 |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | January 1, 2016 (Note 3) |
| Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception” | January 1, 2016 |
| Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations” | January 1, 2016 |
| IFRS 14 “Regulatory Deferral Accounts” | January 1, 2016 |
| IFRS 15 “Revenue from Contracts with Customers” | January 1, 2017 |
| Amendment to IAS 1 “Disclosure Initiative” | January 1, 2016 |
| Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization” | January 1, 2016 |
| Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants” | January 1, 2016 |
| Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions” | July 1, 2014 |
| Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets” | January 1, 2014 |
| Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting” | January 1, 2014 |
| IFRIC 21 “Levies” | January 1, 2014 |

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

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

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

Impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required

for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

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

2) IFRS 15 “Revenue from Contracts with Customers”

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

- 1) Principles for preparing consolidated financial statements

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

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

2) Subsidiary included in consolidated financial statements

| Investor | Investee | Main Business | % of Ownership | | Remark |
|---------------------------|--|--|----------------|-------|--|
| | | | December 31 | | |
| | | | 2014 | 2013 | |
| The Company | Standard Dairy Products Taiwan Limited ("Standard Dairy Products") | Manufacture and sale of dairy products and beverage | 100.0 | 100.0 | - |
| The Company | Charng Hui Ltd. ("Charng Hui") | Investing | 100.0 | 100.0 | - |
| The Company | Domex Technology Corporation ("Domex Technology") | Manufacture and sale of computer peripherals and computer appliances | 52.0 | 52.0 | - |
| The Company | Standard Beverage Company Limited ("Standard Beverage") | Manufacture and sale of beverage | 100.0 | 97.1 | The Company purchased 2.9% equity interest in Standard Beverage in April 2014, to increase the proportion of the Company's shares from 97.1% to 100.0% |
| The Company | Accession Limited | Investing | 100.0 | 100.0 | - |
| The Company | Standard Investment (Cayman) Limited (Cayman Standard) | Investing | 100.0 | 100.0 | In May and July 2013, and July and December 2014, the Company invested US\$35 thousand, US\$15,000 thousand, RMB92,012 thousand, and RMB 39,200 thousand 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 | 100.0 | In May and July 2013, and July and December 2014, Cayman Standard invested US\$15 thousand, US\$15,000 thousand, RMB92,012 thousand, and RMB39,200 thousand 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 | 100.0 | In September and October 2013, and July and December 2014, Hong Kong Standard invested US\$8,117 thousand, RMB42,284 thousand, RMB92,012 thousand, and RMB39,200 thousand 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 | 100.0 | In January, April, September and October 2013, and July and December 2014, China Standard Investment invested US\$12,000 thousand, US\$8,000 thousand, US\$8,133 thousand, RMB23,763 thousand, RMB 62,000 thousand and RMB30,282 thousand in China Standard Foods. |
| China Standard Investment | Shanghai Le Jun International Trade Co., Ltd. ("Shanghai Le Jun") | Sale of nutritional food and engage in import and export business | 100.0 | - | In October 2014, China Standard Investment invested RMB500 thousand in Shanghai Le Jun. |
| China Standard Investment | Shanghai Le Ben Tuo Health Technology Co., Ltd. ("Shanghai Le Ben Tuo") | Sale of nutritional food and engage in import and export business | 100.0 | - | In December 2014, Cina Standard Investment invested RMB10,000 thousand in Shanghai Le Ben Tuo. |

e. Foreign currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including the subsidiaries and associates operating in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

On the disposal of a foreign operation which results in the Company's loss of control or significant influence over the entity, all of the exchange differences accumulated in equity attributable to the owners of the Company in respect of that operation are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company's loss of control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

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

g. Investment in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in equity of associates attributable to the Group.

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

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

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

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

h. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

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

i. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

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

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

j. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

Gain or loss on disposal of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss when the asset is derecognized.

l. Impairment of tangible and intangible assets other than goodwill

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

m. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method except for financial liabilities at fair value through profit or loss.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments including futures to manage its exposure to price volatility risk of raw materials.

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

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

n. Provisions

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

o. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

2) Dividend and interest income

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

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

p. Leasing

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

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

Minimum lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

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

q. Borrowing costs

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

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

r. Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

s. Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

t. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Actual future cash flows could be significantly less than the expected amount; thus, a material impairment loss may arise.

b. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience in selling products of a similar nature. Changes in market conditions can have a material impact on the estimation of net realizable value.

c. Recognition and measurement of defined benefit plans

Accrued pension liabilities and the resulting pension expense under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

d. Income taxes

The realizability of deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | 2014 | 2013 |
| Cash on hand | \$ 14,850 | \$ 11,759 |
| Checking accounts and demand deposits | 1,319,382 | 861,768 |
| Cash equivalent | | |
| Time deposits with original maturities less than three months | 131,820 | 236,993 |
| Repurchase agreements collateralized by bonds | <u>525,506</u> | <u>248,512</u> |
| | <u>\$ 1,991,558</u> | <u>\$ 1,359,032</u> |

The market rate intervals of cash in bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

| | <u>December 31</u> | |
|--|--------------------|-------------|
| | 2014 | 2013 |
| Bank deposits | 0.01%-0.94% | 0.17%-3.60% |
| Repurchase agreement collateralized by bonds | 0.60%-0.70% | 0.62%-0.63% |

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group entered into futures contracts during 2014 and 2013 to manage exposures to price volatility risk of raw materials. The contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

As of December 31, 2014, the Group did not have outstanding futures contract.

As of December 31, 2013, information of outstanding futures contracts held by the Group was as follows:

| Financial Instrument | Type | Quantities (Metric Tons) | <u>December 31, 2013</u> | | |
|-------------------------------|-------------|---|--|---|--|
| | | | Contract Amount (In Thousands of RMB) | Market Price (In Thousands of RMB) | Net Gain (Loss) (In Thousands of RMB) |
| Soybean oil futures contracts | Sell | 1,000 | <u>\$ 3,258</u> | <u>\$ 3,362</u> | <u>\$ (104)</u> |

As of December 31, 2014 and 2013, the margin deposits paid by the Group amounted to \$1,975 thousand and \$6,054 thousand, which had been included in other non-current assets.

The Group entered into structured time deposits during the years ended December 31, 2014 and 2013 mainly to earn from favorable effects of fluctuations of interest rates.

As of December 31, 2014 and 2013, the Group did not have outstanding structured time deposit.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | <u>December 31</u> | |
|----------------|--------------------|-------------------|
| | 2014 | 2013 |
| <u>Current</u> | | |
| Listed shares | \$ 167,281 | \$ 80,866 |
| Mutual funds | <u>329,718</u> | <u>676,471</u> |
| | <u>\$ 496,999</u> | <u>\$ 757,337</u> |

9. FINANCIAL ASSETS MEASURED AT COST

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | 2014 | 2013 |
| <u>Non-current</u> | | |
| Unlisted shares | \$ 77,109 | \$ 71,213 |
| Mutual funds | <u>47,287</u> | <u>73,878</u> |
| | <u>\$ 124,396</u> | <u>\$ 145,091</u> |
| Classified according to measurement categories | | |
| Available-for-sale | <u>\$ 124,396</u> | <u>\$ 145,091</u> |

Management believed that the fair value of the above unlisted shares and mutual funds held by the Group cannot be reliably measured due to the very wide range of reasonable fair value estimates; therefore, the financial assets were measured at cost less impairment at the end of reporting period.

The Group recognized impairment loss to financial assets carried at cost as follow:

| | <u>December 31</u> | |
|--------------|--------------------|------------------|
| | 2014 | 2013 |
| Mutual funds | <u>\$ 22,961</u> | <u>\$ 23,319</u> |

The Group disposed of certain financial assets measured at cost with carrying amount of \$1,415 thousand and recognized disposal loss of \$236 thousand for the year ended December 31, 2013.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

| | <u>December 31</u> | |
|--|---------------------|-------------------|
| | 2014 | 2013 |
| <u>Current</u> | | |
| Time deposits with original maturity of more than 3 months | <u>\$ 1,026,935</u> | <u>\$ 707,548</u> |

The market interest rates of the time deposits with original maturity of more than 3 months were 1.13%-3.45% and 0.80%-3.35% per annum as of December 31, 2014 and 2013, respectively.

11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|-------------------------------------|---------------------|---------------------|
| | <u>2014</u> | <u>2013</u> |
| <u>Notes receivable</u> | | |
| Notes receivable - operating | \$ 41,730 | \$ 29,248 |
| <u>Trade receivables</u> | | |
| Trade receivables | \$ 4,290,266 | \$ 3,760,765 |
| Less: Allowance for impairment loss | <u>(3,508)</u> | <u>(3,703)</u> |
| | <u>\$ 4,286,758</u> | <u>\$ 3,757,062</u> |
| <u>Other receivables</u> | | |
| Accrued interests | \$ 11,797 | \$ 12,400 |
| Payment on behalf of others | 3,119 | 11,465 |
| Others | <u>142,040</u> | <u>147,842</u> |
| | <u>\$ 156,956</u> | <u>\$ 171,707</u> |

The average credit period of receivables from sales of goods was 30-60 days. Allowance for impairment loss was recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable.

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

| | <u>December 31</u> | |
|---------------|--------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| 1-30 days | \$ 169,760 | \$ 84,861 |
| 31-90 days | 193,971 | 102,417 |
| 91-180 days | 15,427 | 2,637 |
| Over 180 days | <u>3,069</u> | <u>3,764</u> |
| | <u>\$ 382,227</u> | <u>\$ 193,679</u> |

The aging analysis above is based on the number of days overdue as a benchmark.

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

| | Individually Assessed for Impairment | Collectively Assessed for Impairment | Total |
|--|---|---|-----------------|
| Balance at January 1, 2013 | \$ 1,769 | \$ 711 | \$ 2,480 |
| Add: Impairment losses recognized on receivables | - | 1,593 | 1,593 |
| Less: Impairment losses reversed | (420) | - | (420) |
| Foreign exchange translation gains and losses | <u>-</u> | <u>50</u> | <u>50</u> |
| Balance at December 31, 2013 | 1,349 | 2,354 | 3,703 |
| Add: Impairment losses recognized on receivables | 815 | 62 | 877 |
| Less: Impairment losses reversed | - | (1,126) | (1,126) |
| Foreign exchange translation gains and losses | <u>-</u> | <u>54</u> | <u>54</u> |
| Balance at December 31, 2014 | <u>\$ 2,164</u> | <u>\$ 1,344</u> | <u>\$ 3,508</u> |

12. INVENTORIES

| | December 31 | |
|-------------------|---------------------|---------------------|
| | 2014 | 2013 |
| Merchandise | \$ 621,383 | \$ 665,254 |
| Finished goods | 1,623,558 | 1,353,864 |
| Work in progress | 334,744 | 220,120 |
| Raw materials | 1,192,113 | 1,175,494 |
| Packing materials | <u>75,466</u> | <u>74,436</u> |
| | <u>\$ 3,847,264</u> | <u>\$ 3,489,168</u> |

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2014 included \$49,406 thousand loss on write-downs of inventories, \$46,729 thousand loss on abandonment of inventories and \$5,169 thousand of unallocated overheads. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2013 included \$13,819 thousand loss on write-downs of inventories, \$28,044 thousand loss on abandonment of inventories and \$6,169 thousand of unallocated overheads.

13. PREPAYMENTS

| | December 31 | |
|--------------------------------|---------------------|---------------------|
| | 2014 | 2013 |
| Prepayments for supplies | \$ 1,182,956 | \$ 898,142 |
| Prepayments for rent | 6,587 | 3,880 |
| Prepayments for insurance | 7,894 | 7,276 |
| Excess business tax paid | 80,327 | 78,976 |
| Prepayments for advertisements | 67,698 | 53,382 |
| Others | <u>267,393</u> | <u>164,452</u> |
| | <u>\$ 1,612,855</u> | <u>\$ 1,206,108</u> |

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

In January 2013, the Group sold all of its interest in RRT to a third party for proceeds of \$578 thousand and recognized gain on disposal \$578 thousand.

15. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | Buildings | Equipment | Leased Assets | Other Equipment | Property in Construction | Total |
|---|-------------------|---------------------|---------------------|-----------------|-------------------|--------------------------|---------------------|
| <u>Cost</u> | | | | | | | |
| Balance at January 1, 2013 | \$ 702,405 | \$ 1,333,866 | \$ 2,642,354 | \$ 1,664 | \$ 349,881 | \$ 126,570 | \$ 5,156,740 |
| Additions | - | - | 357,437 | - | 53,965 | 634,836 | 1,046,238 |
| Disposals | - | (139) | (77,206) | - | (9,668) | - | (87,013) |
| Transferred from prepayment for equipment | - | - | 34,298 | - | 2,643 | - | 36,941 |
| Reclassified | - | 717,800 | - | - | - | (717,800) | - |
| Effect of foreign currency exchange differences | - | 20,621 | 38,406 | - | 4,718 | 12,261 | 76,006 |
| Balance at December 31, 2013 | <u>\$ 702,405</u> | <u>\$ 2,072,148</u> | <u>\$ 2,995,289</u> | <u>\$ 1,664</u> | <u>\$ 401,539</u> | <u>\$ 55,867</u> | <u>\$ 6,228,912</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | |
| Balance at January 1, 2013 | \$ - | \$ 689,937 | \$ 2,024,633 | \$ 837 | \$ 258,399 | \$ - | \$ 2,973,806 |
| Disposals | - | (138) | (74,156) | - | (8,987) | - | (83,281) |
| Depreciation expense | - | 57,143 | 122,484 | 278 | 38,123 | - | 218,028 |
| Effect of foreign currency exchange differences | - | 9,273 | 22,892 | - | 3,006 | - | 35,171 |
| Balance at December 31, 2013 | <u>\$ -</u> | <u>\$ 756,215</u> | <u>\$ 2,095,853</u> | <u>\$ 1,115</u> | <u>\$ 290,541</u> | <u>\$ -</u> | <u>\$ 3,143,724</u> |
| Carrying amount at December 31, 2013 | <u>\$ 702,405</u> | <u>\$ 1,315,933</u> | <u>\$ 899,436</u> | <u>\$ 549</u> | <u>\$ 110,998</u> | <u>\$ 55,867</u> | <u>\$ 3,085,188</u> |
| <u>Cost</u> | | | | | | | |
| Balance at January 1, 2014 | \$ 702,405 | \$ 2,072,148 | \$ 2,995,289 | \$ 1,664 | \$ 401,539 | \$ 55,867 | \$ 6,228,912 |
| Additions | - | - | 205,219 | - | 32,780 | 416,507 | 654,506 |
| Disposals | - | (3,273) | (98,899) | - | (22,459) | - | (124,631) |
| Transferred from prepayment for equipment | - | - | 180,581 | - | 1,371 | - | 181,952 |
| Reclassified | - | 66,567 | (6,907) | (738) | 3,428 | (62,350) | - |
| Effect of foreign currency exchange differences | - | 61,032 | 52,178 | - | 6,261 | 15,811 | 135,282 |
| Balance at December 31, 2014 | <u>\$ 702,405</u> | <u>\$ 2,196,474</u> | <u>\$ 3,327,461</u> | <u>\$ 926</u> | <u>\$ 422,920</u> | <u>\$ 425,835</u> | <u>\$ 7,076,021</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | |
| Balance at January 1, 2014 | \$ - | \$ 756,215 | \$ 2,095,853 | \$ 1,115 | \$ 290,541 | \$ - | \$ 3,143,724 |
| Disposals | - | (2,748) | (79,035) | - | (20,363) | - | (102,146) |
| Depreciation expense | - | 85,778 | 172,646 | 267 | 40,692 | - | 299,383 |
| Reclassified | - | 1,341 | (1,806) | (645) | 1,110 | - | - |
| Effect of foreign currency exchange differences | - | 12,669 | 26,908 | - | 3,909 | - | 43,486 |
| Balance at December 31, 2014 | <u>\$ -</u> | <u>\$ 853,255</u> | <u>\$ 2,214,566</u> | <u>\$ 737</u> | <u>\$ 315,889</u> | <u>\$ -</u> | <u>\$ 3,384,447</u> |
| Carrying amount at December 31, 2014 | <u>\$ 702,405</u> | <u>\$ 1,343,219</u> | <u>\$ 1,112,895</u> | <u>\$ 189</u> | <u>\$ 107,031</u> | <u>\$ 425,835</u> | <u>\$ 3,691,574</u> |

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

| | |
|-------------------------------------|-------------|
| Building | |
| Main buildings | 20-51 years |
| Electrical and mechanical equipment | 8-20 years |
| Engineering | 3-39 years |
| Others | 3-20 years |
| | (Continued) |

| | |
|-----------------|-------------|
| Equipment | |
| Main equipment | 2-20 years |
| Engineering | 3-20 years |
| Others | 3-15 years |
| Leased assets | 5 years |
| Other equipment | 2-15 years |
| | (Concluded) |

Refer to Note 35 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings granted to the Group.

16. INVESTMENT PROPERTIES

| | <u>Completed Investment Property</u> |
|--|--|
| <u>Cost</u> | |
| Balance at January 1 and December 31, 2013 | \$ <u>318,021</u> |
| <u>Accumulated depreciation and impairment</u> | |
| Balance at January 1, 2013 | \$ 52,775 |
| Depreciation expense | <u>2,730</u> |
| Balance at December 31, 2013 | \$ <u>55,505</u> |
| Carrying amount at December 31, 2013 | \$ <u>262,516</u> |
| <u>Cost</u> | |
| Balance at January 1 and December 31, 2014 | \$ <u>318,021</u> |
| <u>Accumulated depreciation and impairment</u> | |
| Balance at January 1, 2014 | \$ 55,505 |
| Depreciation expense | <u>2,865</u> |
| Balance at December 31, 2014 | \$ <u>58,370</u> |
| Carrying amount at December 31, 2014 | \$ <u>259,651</u> |

The investment properties held by the Group were depreciated using the straight-line method over the following estimated useful life:

| | |
|-------------------------------------|-------------|
| Main buildings | 35-51 years |
| Electrical and mechanical equipment | 24-25 years |
| Engineering | 28 years |
| Others | 24 years |

The fair value of the investment properties was \$680,267 thousand and \$541,501 thousand as of December 31, 2014 and 2013. The management of the Group arrived at the fair value amounts by reference to market evidence of transaction prices for similar properties.

All of the Group's investment properties are held under freehold interests. The carrying amounts of investment properties pledged by the Group to secure borrowings granted to the Group are disclosed in Note 35.

17. OTHER INTANGIBLE ASSETS

| | Computer Software | Technical Know-how | Total |
|---|------------------------------|-------------------------------|-------------------|
| <u>Cost</u> | | | |
| Balance at January 1, 2013 | \$ 185,174 | \$ 249 | \$ 185,423 |
| Additions | 1,717 | - | 1,717 |
| Effect of foreign currency exchange differences | <u>1,169</u> | <u>14</u> | <u>1,183</u> |
| Balance at December 31, 2013 | <u>\$ 188,060</u> | <u>\$ 263</u> | <u>\$ 188,323</u> |
| <u>Accumulated amortization and impairment</u> | | | |
| Balance at January 1, 2013 | \$ 167,568 | \$ 249 | \$ 167,817 |
| Amortization expense | 14,596 | - | 14,596 |
| Effect of foreign currency exchange differences | <u>1,166</u> | <u>14</u> | <u>1,180</u> |
| Balance at December 31, 2013 | <u>\$ 183,330</u> | <u>\$ 263</u> | <u>\$ 183,593</u> |
| Carrying amount at December 31, 2013 | <u>\$ 4,730</u> | <u>\$ -</u> | <u>\$ 4,730</u> |
| <u>Cost</u> | | | |
| Balance at January 1, 2014 | \$ 188,060 | \$ 263 | \$ 188,323 |
| Additions | 11,494 | - | 11,494 |
| Disposition | - | (267) | (267) |
| Effect of foreign currency exchange differences | <u>1,249</u> | <u>4</u> | <u>1,253</u> |
| Balance at December 31, 2014 | <u>\$ 200,803</u> | <u>\$ -</u> | <u>\$ 200,803</u> |
| <u>Accumulated amortization and impairment</u> | | | |
| Balance at January 1, 2014 | \$ 183,330 | \$ 263 | \$ 183,593 |
| Amortization expense | 9,287 | - | 9,287 |
| Disposition | - | (267) | (267) |
| Effect of foreign currency exchange differences | <u>1,240</u> | <u>4</u> | <u>1,244</u> |
| Balance at December 31, 2014 | <u>\$ 193,857</u> | <u>\$ -</u> | <u>\$ 193,857</u> |
| Carrying amount at December 31, 2014 | <u>\$ 6,946</u> | <u>\$ -</u> | <u>\$ 6,946</u> |

The above items of other intangible assets were depreciated on a straight-line basis over the following estimated life:

| | |
|--------------------|-----------|
| Computer software | 2-3 years |
| Technical know-how | 10 years |

18. PREPAYMENTS FOR LEASE

As of December 31, 2014 and 2013, prepayments for lease amounted to \$203,160 thousand and \$196,128 thousand, respectively. The lease is for rights to use land located in mainland China.

19. OTHER ASSETS

| | <u>December 31</u> | |
|---------------------------|--------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| <u>Current</u> | | |
| Time deposits | \$ 700 | \$ 147,355 |
| Advances to officers | 8,141 | 16,568 |
| Others | <u>-</u> | <u>935</u> |
| | <u>\$ 8,841</u> | <u>\$ 164,858</u> |
| <u>Non-current</u> | | |
| Prepayments for equipment | \$ 48,120 | \$ 234,742 |
| Refundable deposits | 32,140 | 27,917 |
| Others | <u>24,173</u> | <u>37,842</u> |
| | <u>\$ 104,433</u> | <u>\$ 300,501</u> |

20. BORROWINGS

a. Short-term borrowings

| | <u>December 31</u> | |
|-------------------------------------|---------------------|---------------------|
| | <u>2014</u> | <u>2013</u> |
| <u>Secured borrowings (Note 35)</u> | | |
| Bank loans | \$ 24,055 | \$ 131,991 |
| <u>Unsecured borrowings</u> | | |
| Bank loans | <u>1,312,837</u> | <u>1,109,700</u> |
| | <u>\$ 1,336,892</u> | <u>\$ 1,241,691</u> |

The range of weighted average effective interest rate on bank loans was 1.13%-5.04% and 1.20%-5.32% per annum as of December 31, 2014 and 2013, respectively.

b. Short-term bills payable

| | <u>December 31</u> | |
|--|--------------------|------------------|
| | <u>2014</u> | <u>2013</u> |
| Commercial paper | \$ 100,000 | \$ 70,000 |
| Less: Unamortized discount on commercial paper | <u>(41)</u> | <u>(31)</u> |
| | <u>\$ 99,959</u> | <u>\$ 69,969</u> |

Outstanding short-term bills payable were as follows:

December 31, 2014

| Financial Institutions | Nominal Amount | Discount Amount | Carrying Value | Interest Rate | Collateral | Carrying Value of Collateral |
|---|-----------------------|------------------------|-----------------------|----------------------|-------------------|-------------------------------------|
| <u>Commercial paper</u> | | | | | | |
| Mega Bills Finance Co., Ltd. | \$ 40,000 | \$ (14) | \$ 39,986 | 1.32% | - | \$ - |
| International Bills Finance Corporation | <u>60,000</u> | <u>(27)</u> | <u>59,973</u> | 1.43%-1.50% | - | <u>-</u> |
| | <u>\$ 100,000</u> | <u>\$ (41)</u> | <u>\$ 99,959</u> | | | <u>\$ -</u> |

December 31, 2013

| Financial Institutions | Nominal Amount | Discount Amount | Carrying Value | Interest Rate | Collateral | Carrying Value of Collateral |
|---|-----------------------|------------------------|-----------------------|----------------------|-------------------|-------------------------------------|
| <u>Commercial paper</u> | | | | | | |
| Mega Bills Finance Co., Ltd. | \$ 40,000 | \$ (18) | \$ 39,982 | 1.30% | - | \$ - |
| International Bills Finance Corporation | <u>30,000</u> | <u>(13)</u> | <u>29,987</u> | 1.32% | - | <u>-</u> |
| | <u>\$ 70,000</u> | <u>\$ (31)</u> | <u>\$ 69,969</u> | | | <u>\$ -</u> |

21. NOTES PAYABLE AND TRADE PAYABLES

| | <u>December 31</u> | |
|-------------------------------|---------------------|---------------------|
| | <u>2014</u> | <u>2013</u> |
| <u>Notes payable</u> | | |
| Notes payable - operating | \$ 210,746 | \$ 1,606 |
| Notes payable - non-operating | <u>77</u> | <u>46</u> |
| | <u>\$ 210,823</u> | <u>\$ 1,652</u> |
| <u>Trade payables</u> | | |
| Trade payables | <u>\$ 1,679,757</u> | <u>\$ 1,266,651</u> |

The average credit period of payables for purchases of goods was 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

22. OTHER LIABILITIES

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | 2014 | 2013 |
| <u>Current</u> | | |
| Other payables | | |
| Payable for purchase of equipment | \$ 52,422 | \$ 184,790 |
| Payable for commission and rebate | 747,706 | 658,042 |
| Payable for advertisement | 99,653 | 120,443 |
| Payable for royalties | 25,175 | 24,638 |
| Salaries or bonus | 228,271 | 200,930 |
| Payable for freight | 29,548 | 19,128 |
| Payable for employee bonus | 26,156 | 23,431 |
| Payable for remuneration to directors and supervisors | 18,683 | 16,736 |
| Others | <u>684,154</u> | <u>583,512</u> |
| | <u>\$ 1,911,768</u> | <u>\$ 1,831,650</u> |
| Other liabilities | | |
| Advance receipts from customers | \$ 131,196 | \$ 198,788 |
| Others | <u>13,259</u> | <u>8,433</u> |
| | <u>\$ 144,455</u> | <u>\$ 207,221</u> |
| <u>Non-current</u> | | |
| Other liabilities | | |
| Guarantee deposits | <u>\$ 46,898</u> | <u>\$ 34,848</u> |

23. PROVISIONS

| | <u>December 31</u> | |
|---|--------------------|-----------------------------|
| | 2014 | 2013 |
| <u>Current</u> | | |
| Customer returns | <u>\$ 19,404</u> | <u>\$ 24,359</u> |
| | | Customer Returns |
| Balance at January 1, 2013 | | \$ 19,835 |
| Addition | | 173,566 |
| Usage | | (169,190) |
| Effect of foreign currency exchange differences | | <u>148</u> |
| Balance at December 31, 2013 | | 24,359 |
| Addition | | 206,406 |
| Usage | | (211,398) |
| Effect of foreign currency exchange differences | | <u>37</u> |
| Balance at December 31, 2014 | | <u>\$ 19,404</u> |

The provision for customer returns was the estimated product returns that may occur in the year; the estimate was based on historical experience and other relevant factors. The provision was recognized as a reduction of operating revenue in the periods the related goods were sold.

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and domestic subsidiaries of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The foreign subsidiaries also make contribution in accordance with the local regulations, which is a defined contribution plan.

b. Defined benefit plans

The Company and domestic subsidiaries of the Group adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and domestic subsidiaries of the Group make monthly contributions to their respective pension funds administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The plan assets are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | December 31 | |
|----------------------------------|--------------------|-------------|
| | 2014 | 2013 |
| Discount rate | 1.62%-2.12% | 1.62%-2.00% |
| Expected return on plan assets | 2.00% | 2.00% |
| Expected rate of salary increase | 1.75%-3.00% | 1.75%-3.00% |

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

| | For the Years Ended December 31 | |
|----------------------|--|-------------|
| | 2014 | 2013 |
| Current service cost | \$ 11,239 | \$ 9,295 |
| Interest cost | 8,781 | 6,638 |

(Continued)

| | For the Years Ended December 31 | |
|---|--|------------------|
| | 2014 | 2013 |
| Expected return on plan assets | \$ (6,745) | \$ (6,572) |
| Losses arising from curtailment or settlement | <u>-</u> | <u>2,300</u> |
| | <u>\$ 13,275</u> | <u>\$ 11,661</u> |
| An analysis by function | | |
| Operating cost | \$ 8,249 | \$ 6,983 |
| Marketing expenses | 1,240 | 936 |
| Administration expenses | 3,545 | 3,652 |
| Research and development expenses | <u>241</u> | <u>90</u> |
| | <u>\$ 13,275</u> | <u>\$ 11,661</u> |

(Concluded)

Actuarial losses recognized in other comprehensive income or loss for the years ended December 31, 2014 and 2013 were \$27,378 thousand and \$28,638 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income or loss as of December 31, 2014 and 2013 was \$77,872 thousand and \$50,494 thousand, respectively.

The amount included in the consolidated balance sheets in respect of its obligation under its defined benefit plans were as follows:

| | December 31 | |
|--|--------------------|-------------------|
| | 2014 | 2013 |
| Present value of funded defined benefit obligation | \$ 529,572 | \$ 500,516 |
| Fair value of plan assets | <u>(332,453)</u> | <u>(333,470)</u> |
| Accrued pension liabilities | <u>\$ 197,119</u> | <u>\$ 167,046</u> |

Movements in the present value of the defined benefit obligations were as follows:

| | For the Years Ended December 31 | |
|---|--|-------------------|
| | 2014 | 2013 |
| Opening defined benefit obligation | \$ 500,516 | \$ 483,510 |
| Current service cost | 11,239 | 9,295 |
| Interest cost | 8,781 | 6,638 |
| Actuarial losses | 28,443 | 26,376 |
| Losses arising from curtailment or settlement | - | 2,300 |
| Benefits paid | <u>(19,407)</u> | <u>(27,603)</u> |
| Closing defined benefit obligation | <u>\$ 529,572</u> | <u>\$ 500,516</u> |

Movements in the fair value of the plan assets were as follows:

| | For the Years Ended December 31 | |
|-----------------------------------|--|-------------------|
| | 2014 | 2013 |
| Opening fair value of plan assets | \$ 333,470 | \$ 347,197 |
| Expected return on plan assets | 6,745 | 6,572 |
| Actuarial gains (losses) | 1,065 | (2,262) |
| Contributions from the employer | 10,580 | 9,566 |
| Benefits paid | <u>(19,407)</u> | <u>(27,603)</u> |
| Closing fair value of plan assets | <u>\$ 332,453</u> | <u>\$ 333,470</u> |

Actual return on plan assets at 2014 and 2013 were \$7,810 thousand and \$4,310 thousand respectively.

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor:

| | December 31 | |
|--------------------|--------------------|-------------|
| | 2014 | 2013 |
| Bank deposits | 19% | 23% |
| Equity instruments | 50% | 45% |
| Debt instruments | 28% | 31% |
| Others | <u>3%</u> | <u>1%</u> |
| | <u>100%</u> | <u>100%</u> |

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (January 1, 2012):

| | December 31, 2014 | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|------------------------------|------------------------------|------------------------------|----------------------------|
| Present value of defined benefit obligation | <u>\$ 529,572</u> | <u>\$ 500,516</u> | <u>\$ 483,510</u> | <u>\$ 469,623</u> |
| Fair value of plan assets | <u>\$ 332,453</u> | <u>\$ 333,470</u> | <u>\$ 347,197</u> | <u>\$ 353,797</u> |
| Deficit | <u>\$ 197,119</u> | <u>\$ 167,046</u> | <u>\$ 136,313</u> | <u>\$ 115,826</u> |
| Experience adjustments on plan liabilities | <u>\$ 14,576</u> | <u>\$ 59,797</u> | <u>\$ 12,376</u> | <u>\$ -</u> |
| Experience adjustments on plan assets | <u>\$ 1,065</u> | <u>\$ 2,618</u> | <u>\$ (8,502)</u> | <u>\$ -</u> |

The Company and domestic subsidiaries of the group expect to make a contribution of \$9,596 thousand and \$8,870 thousand, respectively, to the defined benefit plans in 2014 and 2013.

25. EQUITY

a. Common stock

1) Ordinary shares

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2014</u> | <u>2013</u> |
| Number of shares authorized (in thousands) | <u>740,000</u> | <u>680,000</u> |
| Shares authorized | <u>\$ 7,400,000</u> | <u>\$ 6,800,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>720,634</u> | <u>661,132</u> |
| Shares issued | <u>\$ 7,206,338</u> | <u>\$ 6,611,319</u> |

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

2) Global depositary receipts

As of December 31, 2014, a total of 34,965.8 Global Depositary Receipts (“GDRs”) (representing 174,829 shares of the Company’s common stock), each GDR representing five shares of the Company’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.

b. Capital surplus

| | <u>December 31</u> | |
|---|--------------------|------------------|
| | <u>2014</u> | <u>2013</u> |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital | | |
| Recognized from treasury share transactions | \$ 51,330 | \$ 43,620 |
| Recognized from the difference between consideration received or paid and the carrying amount of the subsidiaries’ net assets during actual disposal or acquisition | <u>1</u> | <u>-</u> |
| | <u>\$ 51,331</u> | <u>\$ 43,620</u> |

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

c. Retained earnings and dividend policy

According to the Company’s revised Articles of Incorporation, effective on June 14, 2013, the following shall be appropriated from the annual net income (less any deficit):

- 1) 10% thereof as legal reserve;
- 2) Special reserve provided or reversed in accordance with the regulations;
- 3) Bonus to employees at no less than 1% and remuneration to directors and supervisors at 1% of the remainder; and

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings in June 18, 2014 and June 14, 2013 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2013 and 2012, respectively.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

| | For the Years Ended | |
|--|----------------------------|-------------------|
| | December 31 | |
| | 2014 | 2013 |
| Balance at January 1 | \$ 229,160 | \$ 34,912 |
| Exchange differences arising on translating the financial statement of foreign operations | 305,236 | 236,193 |
| Income tax related to gains arising on translating the financial statement of foreign operations | (51,890) | (40,154) |
| Disposal of share of exchange difference of associates accounted for using equity method | - | (2,158) |
| Income tax related to disposal of share of exchange difference of associates accounted for using equity method | <u>-</u> | <u>367</u> |
| Balance at December 31 | <u>\$ 482,506</u> | <u>\$ 229,160</u> |

2) Unrealized gain (loss) on available-for-sale financial assets

| | For the Years Ended | |
|---|----------------------------|------------------|
| | December 31 | |
| | 2014 | 2013 |
| Balance at January 1 | \$ 10,787 | \$ 21,665 |
| Unrealized gain (loss) on revaluation of available-for-sale financial assets | 585 | 4,603 |
| Income tax related to unrealized gain (loss) on revaluation of available-for-sale financial assets | (150) | 1,297 |
| Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets | (8,212) | (18,571) |
| Income tax related to share of unrealized gain on revaluation of available-for-sale financial asset of subsidiaries accounted for using equity method | <u>1,022</u> | <u>1,793</u> |
| Balance at December 31 | <u>\$ 4,032</u> | <u>\$ 10,787</u> |

e. Non-controlling interest

| | For the Years Ended December 31 | |
|--|--|-------------------|
| | 2014 | 2013 |
| Balance at January 1 | \$ 138,421 | \$ 138,821 |
| Attributable to non-controlling interests | | |
| Share of profit for the year | 14,509 | 3,273 |
| Unrealized gains (loss) on available-for-sale financial assets | 7 | (39) |
| Actuarial gains (loss) on defined benefit plans | (49) | 236 |
| Income tax related to actuarial gains and losses | 8 | (41) |
| Acquired part of the equity of subsidiary | (2,319) | - |
| Dividends to non-controlling interest by subsidiaries | <u>(2,872)</u> | <u>(3,829)</u> |
| | <u>\$ 147,705</u> | <u>\$ 138,421</u> |

f. Treasury shares

| Purpose of Buy-back | Shares Held by Subsidiaries (In Thousands of Shares) |
|---------------------------------------|---|
| Number of shares at January 1, 2013 | 4,190 |
| Increase during the year | <u>629</u> |
| Number of shares at December 31, 2013 | 4,819 |
| Increase during the year | <u>433</u> |
| Number of shares at December 31, 2014 | <u>5,252</u> |

For the purpose of maintaining the Company's credit and shareholders' equity, the Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

| Name of Subsidiary | Number of Shares Held (In Thousands of Shares) | Carrying Amount | Market Price |
|---------------------------|---|----------------------------|---------------------|
| <u>December 31, 2014</u> | | | |
| Chang Hui | 5,252 | <u>\$ 21,182</u> | <u>\$ 367,655</u> |
| <u>December 31, 2013</u> | | | |
| Chang Hui | 4,819 | <u>\$ 21,182</u> | <u>\$ 448,167</u> |

The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

26. NET PROFIT

Net profit includes:

a. Other income

| | For the Years Ended December 31 | |
|---------------------------------------|--|------------------|
| | 2014 | 2013 |
| Operating lease rental income | | |
| Investment properties | \$ 25,882 | \$ 26,772 |
| Interest income | | |
| Bank deposits | 39,156 | 33,742 |
| Bonds sold under repurchase agreement | <u>3,118</u> | <u>2,368</u> |
| | <u>42,274</u> | <u>36,110</u> |
| Dividends | <u>18,242</u> | <u>19,240</u> |
| | <u>\$ 86,398</u> | <u>\$ 82,122</u> |

b. Other gains and losses

| | For the Years Ended December 31 | |
|--|--|-------------------|
| | 2014 | 2013 |
| Loss on disposal of property, plant and equipment | \$ (2,141) | \$ (477) |
| Gain on disposal of available-for-sale financial assets | 8,212 | 18,615 |
| Gain on disposal of associates | - | 578 |
| Loss on disposal of financial assets measured at cost | - | (235) |
| Net foreign exchange gains | 11,344 | 26,847 |
| Net gain arising on financial assets designated as at fair value through profit or loss | 27,636 | 78,798 |
| Impairment loss arising on financial assets measured at cost | (22,961) | (23,319) |
| Government grants | 2,771 | 82,126 |
| Others | <u>25,599</u> | <u>3,566</u> |
| | <u>\$ 50,460</u> | <u>\$ 186,499</u> |

c. Finance costs

| | For the Years Ended December 31 | |
|---|--|------------------|
| | 2014 | 2013 |
| Interest on bank loans | \$ 23,190 | \$ 17,375 |
| Interest on short-term bills payable | 807 | 377 |
| Interest on obligations under finance leases | <u>66</u> | <u>108</u> |
| Total interest expense on financial liabilities measured at amortized cost | 24,063 | 17,860 |
| Less: Amounts included in the cost of qualifying asset | <u>(72)</u> | <u>(210)</u> |
| | <u>\$ 23,991</u> | <u>\$ 17,650</u> |

Information about capitalized interest was as follows:

| | For the Years Ended December 31 | |
|----------------------|--|---------------|
| | 2014 | 2013 |
| Capitalized interest | \$ 72 | \$ 210 |
| Capitalized rate | 1.130%-1.134% | 1.093%-1.121% |

d. Impairment loss on financial assets (reversal of impairment losses)

| | For the Years Ended December 31 | |
|-----------------------------------|--|------------------|
| | 2014 | 2013 |
| Trade receivables | \$ (249) | \$ 1,173 |
| Financial assets measured at cost | <u>22,961</u> | <u>23,319</u> |
| | <u>\$ 22,712</u> | <u>\$ 24,492</u> |

e. Depreciation and amortization

| | For the Years Ended December 31 | |
|---|--|-------------------|
| | 2014 | 2013 |
| Property, plant and equipment | \$ 299,383 | \$ 218,028 |
| Investment property | 2,865 | 2,730 |
| Intangible assets (included in operating costs/operating expense) | 9,287 | 14,596 |
| Long-term prepayment | <u>78,235</u> | <u>23,862</u> |
| | <u>\$ 389,770</u> | <u>\$ 259,216</u> |
| Depreciation expenses | | |
| Operating costs | \$ 242,859 | \$ 168,120 |
| Operating expenses | 56,524 | 49,908 |
| Non-operating revenue and expense | <u>2,865</u> | <u>2,730</u> |
| | <u>\$ 302,248</u> | <u>\$ 220,758</u> |
| Amortization expenses | | |
| Operating costs | \$ 56,989 | \$ 18,161 |
| Operating expenses | <u>30,533</u> | <u>20,297</u> |
| | <u>\$ 87,522</u> | <u>\$ 38,458</u> |

f. Operating expenses directly related to investment properties

| | For the Years Ended December 31 | |
|--|--|-----------------|
| | 2014 | 2013 |
| Direct operating expenses of investment properties that generated rental income | \$ 4,671 | \$ 4,728 |
| Direct operating expenses of investment properties that did not generate rental income | <u>626</u> | <u>320</u> |
| | <u>\$ 5,297</u> | <u>\$ 5,048</u> |

g. Employee benefits expense

| | For the Years Ended December 31 | |
|--|--|---------------------|
| | 2014 | 2013 |
| Post-employment benefits (see Note 24) | | |
| Defined contribution plans | \$ 78,891 | \$ 65,139 |
| Defined benefit plans | <u>13,275</u> | <u>11,661</u> |
| | 92,166 | 76,800 |
| Termination benefits | 13,159 | 1,421 |
| Other employee benefits | <u>1,578,873</u> | <u>1,454,570</u> |
| Total employee benefits expense | <u>\$ 1,684,198</u> | <u>\$ 1,532,791</u> |
| Summary by function | | |
| Operating costs | \$ 726,833 | \$ 674,305 |
| Operating expenses | <u>957,365</u> | <u>858,486</u> |
| | <u>\$ 1,684,198</u> | <u>\$ 1,532,791</u> |

h. Gain or loss on foreign currency exchange

| | For the Years Ended December 31 | |
|-------------------------|--|------------------|
| | 2014 | 2013 |
| Foreign exchange gains | \$ 172,863 | \$ 107,085 |
| Foreign exchange losses | <u>(161,519)</u> | <u>(80,238)</u> |
| Net gains | <u>\$ 11,344</u> | <u>\$ 26,847</u> |

i. Impairment losses on non-financial assets

| | For the Years Ended December 31 | |
|---|--|------------------|
| | 2014 | 2013 |
| Inventories (included in operating costs) | <u>\$ 49,406</u> | <u>\$ 13,819</u> |

27. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Years Ended December 31 | |
|---|--|-------------------|
| | 2014 | 2013 |
| Current tax | | |
| In respect of the current year | \$ 455,079 | \$ 379,554 |
| Income tax expense of unappropriated earnings | 10 | 378 |
| In respect of prior periods | <u>5,641</u> | <u>5,737</u> |
| | 460,730 | 385,669 |
| Deferred tax | | |
| In respect of the current year | <u>18,935</u> | <u>(247)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 479,665</u> | <u>\$ 385,422</u> |

A reconciliation of accounting profit and income tax expenses is as follows:

| | For the Years Ended December 31 | |
|--|--|---------------------|
| | 2014 | 2013 |
| Profit before tax | <u>\$ 2,570,025</u> | <u>\$ 2,248,277</u> |
| Income tax expense calculated at the statutory rate | \$ 520,501 | \$ 373,486 |
| Nondeductible expenses in determining taxable income | 13,795 | 10,563 |
| Tax-exempt income | (58,401) | (11,161) |
| Unrealized temporary difference and loss carryforwards | (1,881) | 6,419 |
| Additional income tax on unappropriated earnings | 10 | 378 |
| Adjustments for prior years' tax | <u>5,641</u> | <u>5,737</u> |
| Income tax expense recognized in profit or loss | <u>\$ 479,665</u> | <u>\$ 385,422</u> |

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC, while the applicable tax rate used by subsidiaries in China is 25%.

As the status of 2015 appropriations of earnings is uncertain, the potential income tax consequences of 2014 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

| | For the Years Ended December 31 | |
|--|--|----------------|
| | 2014 | 2013 |
| <u>Deferred tax</u> | | |
| In respect of the current year: | | |
| Translation of foreign operations | \$ 51,890 | \$ 40,154 |
| Unrealized gains (loss) on available-for-sale financial assets | 150 | (1,297) |
| Actuarial gains and losses on defined benefit plan | <u>(4,654)</u> | <u>(4,868)</u> |
| | <u>47,386</u> | <u>33,989</u> |

(Continued)

| | For the Years Ended December 31 | |
|--|--|---------------------------------|
| | 2014 | 2013 |
| Arising on income and expenses reclassified from equity to profit or loss: | | |
| On disposal of available-for-sale financial assets | \$ (1,022) | \$ (1,793) |
| On disposal of exchange difference of subsidiaries | <u>-</u> | <u>(367)</u> |
| | <u>(1,022)</u> | <u>(2,160)</u> |
| Total income tax recognized in other comprehensive income | <u>\$ 46,364</u> | <u>\$ 31,829</u> (Concluded) |

c. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|-------------------|
| | 2014 | 2013 |
| Current tax assets | | |
| Tax refund receivable | <u>\$ 31,665</u> | <u>\$ 21</u> |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 256,131</u> | <u>\$ 128,044</u> |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2014

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|---|----------------------------|---|---|------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Loss on foreign investment | \$ 215,636 | \$ (25,669) | \$ - | \$ 189,967 |
| Defined benefit obligation | 26,444 | 181 | 4,654 | 31,279 |
| Deferred sales return and allowance | 8,031 | (264) | - | 7,767 |
| Allowance for inventory loss | 5,464 | (65) | - | 5,399 |
| Available-for-sale financial assets | 44 | - | 872 | 916 |
| Others | <u>8,033</u> | <u>5,657</u> | <u>-</u> | <u>13,690</u> |
| | <u>\$ 263,652</u> | <u>\$ (20,160)</u> | <u>\$ 5,526</u> | <u>\$ 249,018</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Reverse for land value increment tax | \$ 33,685 | \$ - | \$ - | \$ 33,685 |
| Exchange difference on foreign operations | 46,938 | - | 51,890 | 98,828 |
| Others | <u>3,011</u> | <u>(1,225)</u> | <u>-</u> | <u>1,786</u> |
| | <u>\$ 83,634</u> | <u>\$ (1,225)</u> | <u>\$ 51,890</u> | <u>\$ 134,299</u> |

For the year ended December 31, 2013

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|---|----------------------------|---|---|------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Loss on foreign investment | \$ 212,794 | \$ 2,842 | \$ - | \$ 215,636 |
| Defined benefit obligation | 22,668 | (1,092) | 4,868 | 26,444 |
| Deferred sales return and allowance | 7,445 | 586 | - | 8,031 |
| Allowance for inventory loss | 3,348 | 2,116 | - | 5,464 |
| Available-for-sale financial assets | - | - | 44 | 44 |
| Others | <u>10,335</u> | <u>(2,302)</u> | <u>-</u> | <u>8,033</u> |
| | <u>\$ 256,590</u> | <u>\$ 2,150</u> | <u>\$ 4,912</u> | <u>\$ 263,652</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Reverse for land value increment tax | \$ 33,685 | \$ - | \$ - | \$ 33,685 |
| Exchange difference on foreign operations | 7,151 | - | 39,787 | 46,938 |
| Available-for-sale financial assets | 3,046 | - | (3,046) | - |
| Others | <u>1,108</u> | <u>1,903</u> | <u>-</u> | <u>3,011</u> |
| | <u>\$ 44,990</u> | <u>\$ 1,903</u> | <u>\$ 36,741</u> | <u>\$ 83,634</u> |

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

| | <u>December 31</u> | |
|----------------------------------|--------------------|------------------|
| | 2014 | 2013 |
| Loss carryforwards | | |
| Expire in 2013 | \$ - | \$ 17,262 |
| Expire in 2014 | 15,145 | 17,323 |
| Expire in 2015 | 13,417 | 12,681 |
| Expire in 2016 | 1,884 | 28,429 |
| Expire in 2017 | 8,424 | 33,452 |
| Expire in 2018 | 3,102 | - |
| Expire in 2020 | 1,931 | 1,931 |
| Expire in 2021 | 1,117 | 1,117 |
| Expire in 2023 | <u>888</u> | <u>-</u> |
| | <u>\$ 45,908</u> | <u>\$112,195</u> |
| Deductible temporary differences | <u>\$445,607</u> | <u>\$375,466</u> |

f. Information about tax-exemption

As of December 31, 2014, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

| <u>Expansion</u> | <u>Tax-exemption Period</u> |
|--|---------------------------------|
| The Company 2009 capital increase expansion project | 2011-2015 |
| Standard dairy 2009 capital increase expansion project | 2012-2016 |

g. Integrated income tax

| | <u>December 31</u> | |
|---------------------------------|---------------------|---------------------|
| | <u>2014</u> | <u>2013</u> |
| Unappropriated earnings | | |
| Generated after January 1, 1998 | <u>\$ 2,540,559</u> | <u>\$ 2,326,179</u> |
| Imputation credit accounts | <u>\$ 287,751</u> | <u>\$ 355,688</u> |

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company are calculated based on the creditable ratio as of the date of dividend distribution. Because the Company 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 2014 can not be reasonably estimated. The creditable ratio for distribution of earnings of 2013 was 22.77%.

h. Income tax assessments

The tax returns of the Company through 2010 have been assessed by the tax authorities.

The tax returns of Domex Technology and Standard Beverage through 2013 have been assessed by the tax authorities.

The tax returns of Charng Hui through 2012 have been assessed by the tax authorities.

The tax returns of Standard Dairy Products through 2012 have been assessed by the tax authorities. Standard Dairy Products disagreed about the tax authorities' assessment of its 2011 tax returns, now, applying for administrative remedy. Nevertheless, it would not occur significant loss because of above mentioned.

28. EARNINGS PER SHARE

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 11, 2014. This adjustment caused the basic and diluted after-tax earnings per share for the year ended December 31, 2013 to decrease from \$2.83 to \$2.60 both.

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

Net Profit for the Year

| | For the Years Ended December 31 | |
|--|--|----------------------------|
| | 2014 | 2013 |
| Profit for the period attributable to owners of the Company | \$ 2,075,851 | \$ 1,859,582 |
| Effect of potentially dilutive ordinary shares: | | |
| Bonus issue to employee | <u> -</u> | <u> -</u> |
| Earnings used in the computation of diluted earnings per share | <u>\$ 2,075,851</u> | <u>\$ 1,859,582</u> |

Weighted average number of ordinary shares outstanding (in thousand shares):

| | For the Years Ended December 31 | |
|--|--|----------------------|
| | 2014 | 2013 |
| Weighted average number of ordinary shares in computation of basic earnings per share | 715,382 | 715,382 |
| Effect of potentially dilutive ordinary shares: | | |
| Bonus issue to employees | <u> 520</u> | <u> 448</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u> 715,902</u> | <u> 715,830</u> |

If the Company has the option to settle bonuses paid to employees in cash or shares, the Company assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

29. GOVERNMENT GRANTS

In November 2013, the Group received a government grant of \$81,211 thousand for marketing purpose. The amount was recognized as deferred revenue when received and transferred to other gains and losses when marketing expenses are incurred. The Group recognized \$81,211 thousand in other gains and losses in 2013.

30. PARTIAL ACQUISITION OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

On April 1, 2014, the Group acquired additional 2.9% equity interest in Standard Beverage Company Limited, increasing its continuing interest from 97.1% to 100.0%.

The above transaction was accounted for as equity transaction, since the Company did not cease to have control over these subsidiary.

| | Standard Beverage Company Limited |
|---|--|
| Cash consideration paid | \$ (2,318) |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests | <u>2,319</u> |
| Difference recognized from equity transaction | <u>\$ 1</u> |
| <u>Line items adjusted for equity transaction</u> | |
| Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | <u>\$ 1</u> |

31. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of land and building with lease terms between 1 and 20 years. The Company does not have a bargain purchase option to acquire the leased land and building at the expiration of the lease periods.

Domex Technology leases a parcel of land from the HsinChu Science Park Administration. The operating lease expires on August 2019 and can be renewed upon expiration.

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

| | <u>December 31</u> | |
|--|--------------------|------------------|
| | 2014 | 2013 |
| Not later than 1 year | \$ 45,619 | \$ 36,053 |
| Later than 1 year and not later than 5 years | 60,077 | 27,241 |
| Later than 5 years | <u>4,022</u> | <u>1,684</u> |
| | <u>\$ 109,718</u> | <u>\$ 64,978</u> |

The lease payment recognized in profit or loss for the current period was as follows:

| | <u>For the Years Ended December 31</u> | |
|-----------------------|--|------------------|
| | 2014 | 2013 |
| Minimum lease payment | <u>\$ 72,682</u> | <u>\$ 64,608</u> |

b. The Group as lessor

Operating leases relate to the investment property owned by the Company with lease terms for later than 1 year and not later than 3 years. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

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

| | December 31 | |
|--|--------------------|------------------|
| | 2014 | 2013 |
| Not later than 1 year | \$ 24,247 | \$ 14,956 |
| Later than 1 year and not later than 5 years | <u>19,963</u> | <u>-</u> |
| | <u>\$ 44,210</u> | <u>\$ 14,956</u> |

32. CAPITAL MANAGEMENT

The Group's capital management objective is to ensure financial resources are available and operating plans are in place for working capital, capital expenditures, research and development expenses, refund liabilities and dividend disbursement, etc. in the next twelve months. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

33. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2014

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|-------------------|----------------|----------------|-------------------|
| Available-for-sale financial assets | | | | |
| Listed shares | | | | |
| Equity securities | \$ 167,281 | \$ - | \$ - | \$ 167,281 |
| Mutual funds | <u>329,718</u> | <u>-</u> | <u>-</u> | <u>329,718</u> |
| | <u>\$ 496,999</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 496,999</u> |

December 31, 2013

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|-------------------|----------------|----------------|-------------------|
| Available-for-sale financial assets | | | | |
| Listed shares | | | | |
| Equity securities | \$ 80,866 | \$ - | \$ - | \$ 80,866 |
| Mutual funds | <u>676,471</u> | <u>-</u> | <u>-</u> | <u>676,471</u> |
| | <u>\$ 757,337</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 757,337</u> |

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2014 and 2013.

2) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.
- b) The fair values of derivative instruments were calculated using quoted prices.
- c) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Categories of financial instruments

| | <u>December 31</u> | |
|---|--------------------|--------------|
| | 2014 | 2013 |
| <u>Financial assets</u> | | |
| Loans and receivables (1) | \$ 7,536,777 | \$ 6,199,890 |
| Available-for-sale financial assets (2) | 621,395 | 902,428 |
| <u>Financial liabilities</u> | | |
| Amortized cost (3) | 3,431,453 | 2,802,007 |

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables, other receivables and other financial assets.
- 2) The balances included the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes payable, trade payables, finance lease payables and other financial liabilities.

c. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, equity investments, mutual funds, debt investments with no active market, trade receivables, trade payables, and loans. The Group's Financial Department provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below).

a) Foreign currency risk

The Group's foreign currency risk arises from its foreign currency monetary assets and liabilities. The Group watches out for the fluctuation of market exchange rate, and takes appropriate actions to manage the exchange rate risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities exposed to foreign currency risk at the end of the reporting period are set out in Note 38.

Sensitivity analysis

The Group was mainly exposed to the RMB and USD.

The following table details the Group's sensitivity to a 3% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. A change of 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 3% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars weakening 3% against the relevant currency. For a 3% strengthening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

| | RMB | | USD | |
|----------------|------------------------------------|---------------|------------------------------------|------------------|
| | For the Years Ended December 31 | | For the Years Ended December 31 | |
| | 2014 | 2013 | 2014 | 2013 |
| Profit or loss | \$ 7,436 (i) | \$ 13,547 (i) | \$ (27,451) (ii) | \$ (36,051) (ii) |

i. This was mainly attributable to the exposure of outstanding RMB bank deposits and debt investments with no active market, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure of outstanding USD bank deposits, trade receivables, bank loans, and trade payables, which were not hedged at the end of the reporting period.

The Group's sensitivity to RMB exchange rate decreased during the current year mainly due to the decrease in RMB bank deposits and debt investments with no active market; and the sensitivity to USD exchange rate decreased during the current year mainly due to the decrease in short-term borrowings denominated in USD.

b) Interest rate risk

The Group was exposed to interest rate risk because the Group held deposits at fixed rate, repurchase agreements collateralized by bonds and borrowed funds at both fixed and floating interest rates. The Group pays attention to the fluctuation of exchange rate in the market, and takes appropriate actions to manage the exchange rate risk.

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

| | December 31 | |
|-------------------------------|--------------------|--------------|
| | 2014 | 2013 |
| Fair value interest rate risk | | |
| Financial assets | \$ 1,508,561 | \$ 1,340,408 |
| Financial liabilities | 631,541 | 254,568 |
| Cash flow interest rate risk | | |
| Financial assets | 176,400 | - |
| Financial liabilities | 805,967 | 1,058,507 |

Sensitivity analysis

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

If interest rates had been 1% basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2014 and 2013 would decrease/increase by \$6,296 thousand and \$10,585 thousand, respectively.

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

c) Other price risk

The Group was exposed to equity price risk due to its investments in listed equity securities and mutual funds. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2014 and 2013 would increase/decrease by \$4,970 thousand and \$7,573 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

The Group's sensitivity to prices increased during the current year mainly due to the disposal in available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could be the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts.

The Group's concentration of credit risk of 34% and 36% in total trade receivables as of December 31, 2014 and 2013, respectively, was related to the Group's four largest customers.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. The Group had available unutilized bank loan facilities in the amounts of \$6,117,163 thousand and \$5,229,891 thousand as of December 31, 2014 and 2013, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2014

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|---|---|-------------------|-------------------------------|------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing | \$ 352,266 | \$ 289,223 | \$ 1,301,513 | \$ 46,898 |
| Finance lease liabilities | 60 | 100 | 390 | 128 |
| Variable interest rate liabilities | 329,527 | 164,337 | 318,577 | - |
| Fixed interest rate liabilities | <u>436,271</u> | <u>196,680</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,118,124</u> | <u>\$ 650,340</u> | <u>\$ 1,620,480</u> | <u>\$ 47,026</u> |

December 31, 2013

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|---|---|-------------------|-------------------------------|------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing | \$ 121,935 | \$ 242,027 | \$ 1,089,131 | \$ 34,848 |
| Finance lease liabilities | 73 | 146 | 604 | 658 |
| Variable interest rate liabilities | 165,263 | 149,213 | 751,758 | - |
| Fixed interest rate liabilities | <u>207,397</u> | <u>51,194</u> | <u>1,290</u> | <u>-</u> |
| | <u>\$ 489,668</u> | <u>\$ 442,580</u> | <u>\$ 1,842,783</u> | <u>\$ 35,506</u> |

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

34. TRANSACTIONS WITH RELATED PARTIES

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

Compensation of Key Management Personnel

| | For the Years Ended December 31 | |
|------------------------------|--|------------------|
| | 2014 | 2013 |
| Short-term employee benefits | \$ 22,984 | \$ 21,642 |
| Post-employment benefits | <u>783</u> | <u>717</u> |
| | <u>\$ 23,767</u> | <u>\$ 22,359</u> |

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

35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

| | December 31 | |
|--|--------------------|-------------------|
| | 2014 | 2013 |
| Time deposits (included in other current assets) | \$ 700 | \$ 147,355 |
| Properties, machinery and equipment, net | 321,803 | 337,556 |
| Investment properties, net | <u>78,822</u> | <u>81,736</u> |
| | <u>\$ 401,325</u> | <u>\$ 566,647</u> |

36. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2014 the Group had the following significant commitments and contingencies:

- a. The Company has entered into a license agreement with The Quaker Oats Company (“Quaker”) for a period ending July 11, 2024. The agreement provides that the Company 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 Company shall pay Quaker royalties at an agreed percentage of net sales (as defined).
- b. Unused letters of credit of approximately US\$620 thousand.
- c. Commitments for purchase of properties of approximately \$112,000 thousand.

37. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

- a. On March 3, 2015, Shanghai Standard Foods spun off to establish Shanghai Le Ben De Health Technology Co., Ltd. and invested intangible assets of RMB1,812 thousand and cash of US\$700 thousand for a 100% equity.
- b. On March 24, 2015, the board of directors of the Company determined the investment projects in mainland China. The Company will invest US\$30,200 thousand in Cayman Standard, and Cayman Standard will invest US\$30,200 thousand in Hong Kong Standard. Hong Kong Standard will invest to establish Shanghai Le Ho Industrial Co., Ltd. and Shanghai Le Mi Industrial Co., Ltd. for US\$18,600 thousand and US\$11,600 thousand, respectively.

38. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2014

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|-------------------------|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 634 | 31.65 (USD:NTD) | \$ 20,086 |
| USD | 10,226 | 6.22 (USD:RMB) | 323,641 |
| RMB | 48,680 | 5.09 (RMB:NTD) | 247,881 |
| EUR | 2 | 38.47 (EUR:NTD) | 86 |
| AUD | 12 | 25.91 (AUD:NTD) | <u>303</u> |
| | | | <u>\$ 591,997</u> |
| Non-monetary items | | | |
| USD | 1,227 | 31.65 (USD:NTD) | \$ 38,834 |
| USD | 3,903 | 6.22 (USD:RMB) | <u>123,534</u> |
| | | | <u>\$ 162,368</u> |

(Continued)

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|------------------------------|-------------------------------|----------------------|------------------------------------|
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | \$ 1,541 | 31.65 (USD:NTD) | \$ 48,756 |
| USD | 38,231 | 6.22 (USD:RMB) | 1,210,009 |
| EUR | 984 | 38.47 (EUR:NTD) | 37,805 |
| AUD | 758 | 25.91 (AUD:NTD) | 19,624 |
| SGD | 252 | 23.95 (SGD:NTD) | <u>6,034</u> |
| | | | <u>\$ 1,322,228</u> (Concluded) |

December 31, 2013

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|------------------------------|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 2,846 | 29.81 (USD:NTD) | \$ 84,804 |
| USD | 9,331 | 6.10 (USD:RMB) | 278,133 |
| RMB | 91,799 | 4.92 (RMB:NTD) | 451,557 |
| EUR | 2 | 41.09 (EUR:NTD) | 91 |
| AUD | 5,781 | 26.59 (AUD:NTD) | <u>153,686</u> |
| | | | <u>\$ 968,271</u> |
| Non-monetary items | | | |
| USD | 1,895 | 29.81 (USD:NTD) | \$ 56,486 |
| USD | 4,081 | 6.10 (USD:RMB) | <u>121,637</u> |
| | | | <u>\$ 178,123</u> |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 1,500 | 29.81 (USD:NTD) | \$ 44,730 |
| USD | 50,995 | 6.10 (USD:RMB) | 1,519,909 |
| EUR | 916 | 41.09 (EUR:NTD) | <u>37,619</u> |
| | | | <u>\$ 1,602,258</u> |

39. ADDITIONAL DISCLOSURES

- a. Financings provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held (excluding investments in subsidiaries): Please see Table 3 attached;

- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- i. Information about the derivative financial instruments transaction: Please see Table 7 attached;
- j. Others: Business relationship between parent and subsidiary companies: Please see Table 8 attached;
- k. Names, locations, and related information of investees over which the Company exercises significant influence: Please see Table 9 attached;
- l. Information on investment in Mainland China
- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 10 attached.
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 11 attached;

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as follows:

- Standard Foods segment - the Company
- Standard Dairy Products segment - Standard Dairy Products
- China Standard segment - Shanghai Standard, China Standard Investment and China Standard Foods
- Other segments - other than the above corporation

a. Operating segment information:

| | Standard Foods Segment | Standard Dairy Products Segment | China Standard Segment | Other Segments | Adjustments and Eliminations | Consolidated |
|---|---------------------------|---------------------------------------|---------------------------|-------------------|------------------------------------|----------------------|
| <u>For the year ended December 31, 2014</u> | | | | | | |
| Sales from external customers | \$ 10,316,706 | \$ 1,673,300 | \$ 9,345,194 | \$ 464,813 | \$ - | \$ 21,800,013 |
| Sales among intersegments | <u>1,171,351</u> | <u>755,400</u> | <u>-</u> | <u>6,916</u> | <u>(1,933,667)</u> | <u>-</u> |
| Total sales | <u>\$ 11,488,057</u> | <u>\$ 2,428,700</u> | <u>\$ 9,345,194</u> | <u>\$ 471,729</u> | <u>\$ (1,933,667)</u> | <u>\$ 21,801,033</u> |

(Continued)

| | Standard Foods Segment | Standard Dairy Products Segment | China Standard Segment | Other Segments | Adjustments and Eliminations | Consolidated |
|--|------------------------|---------------------------------|------------------------|----------------|------------------------------|---------------|
| Interest income | \$ 24,780 | \$ 510 | \$ 16,588 | \$ 396 | \$ - | \$ 42,274 |
| Financial cost | \$ 171 | \$ - | \$ 21,315 | \$ 2,505 | \$ - | \$ 23,991 |
| Depreciation expense | \$ 133,808 | \$ 28,569 | \$ 121,831 | \$ 18,040 | \$ - | \$ 302,248 |
| Amortization expense | \$ 22,554 | \$ 5,404 | \$ 59,564 | \$ - | \$ - | \$ 87,522 |
| Other important non-cash items impairment loss on assets | \$ 17,473 | \$ - | \$ - | \$ 5,488 | \$ - | \$ 22,961 |
| Operating segment income | \$ 2,078,398 | \$ 222,440 | \$ 160,650 | \$ 64,158 | \$ 44,379 | \$ 2,570,025 |
| Unallocated amount | | | | | | - |
| Income before income tax | | | | | | \$ 2,570,025 |
| For the year ended December 31, 2013 | | | | | | |
| Sales from external customers | \$ 10,060,946 | \$ 1,547,037 | \$ 8,516,138 | \$ 255,085 | \$ - | \$ 20,379,206 |
| Sales among intersegments | 1,092,091 | 713,237 | - | 8,314 | (1,813,642) | - |
| Total sales | \$ 11,153,037 | \$ 2,260,274 | \$ 8,516,138 | \$ 263,399 | \$ (1,813,642) | \$ 20,379,206 |
| Interest income | \$ 19,938 | \$ 438 | \$ 11,853 | \$ 3,881 | \$ - | \$ 36,110 |
| Financial cost | \$ 929 | \$ 31 | \$ 15,398 | \$ 1,292 | \$ - | \$ 17,650 |
| Depreciation expense | \$ 119,461 | \$ 27,478 | \$ 57,372 | \$ 16,447 | \$ - | \$ 220,758 |
| Amortization expense | \$ 24,628 | \$ 5,198 | \$ 2,133 | \$ 6,499 | \$ - | \$ 38,458 |
| Other important non-cash items impairment loss on assets | \$ 15,190 | \$ - | \$ - | \$ 8,129 | \$ - | \$ 23,319 |
| Operating segment income (loss) | \$ 2,134,464 | \$ 222,265 | \$ (118,333) | \$ 14,383 | \$ (4,502) | \$ 2,248,277 |
| Unallocated amount | | | | | | - |
| Income before income tax | | | | | | \$ 2,248,277 |

(Concluded)

b. Revenue from major products

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

| | For the Years Ended December 31 | |
|------------------|------------------------------------|----------------------|
| | 2014 | 2013 |
| Nutritious foods | \$ 9,782,985 | \$ 9,777,205 |
| Cooking products | 10,923,878 | 9,928,273 |
| Others | 1,093,150 | 673,728 |
| | <u>\$ 21,800,013</u> | <u>\$ 20,379,206</u> |

c. Geographical information:

The Group operates in two principal geographical areas - Taiwan and mainland China.

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

| | Revenue from External Customers For the Years Ended December 31 | | Non-current Assets December 31 | |
|----------------|--|----------------------|-----------------------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Taiwan | \$ 12,454,819 | \$ 11,863,068 | \$ 2,179,572 | \$ 2,104,349 |
| Mainland China | 9,345,194 | 8,516,138 | 2,054,088 | 1,716,801 |
| | <u>\$ 21,800,013</u> | <u>\$ 20,379,206</u> | <u>\$ 4,233,660</u> | <u>\$ 3,821,150</u> |

Non-current assets exclude financial instruments, goodwill, and deferred 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, 2014 and 2013 are summarized as follows:

| | For the Years Ended December 31 | | | |
|------------|--|------------------------------------|---------------------|------------------------------------|
| | 2014 | | 2013 | |
| | Amount | % of Consolidated Net Sales | Amount | % of Consolidated Net Sales |
| Customer A | <u>\$ 3,453,169</u> | 15.8 | <u>\$ 3,239,932</u> | 15.9 |

STANDARD FOODS CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Interest Rate | Nature of Financing (Note 2) | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Note 3) | Aggregate Financing Limits (Note 3) | Note |
|-----------------|-------------------|-----------------------------------|--------------------------------|--------------------|-----------------------------------|----------------|----------------------------|---------------|------------------------------------|------------------------------------|--|----------------------------------|------------|-------|---|---|--------|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | Accession Limited | Shanghai Standard Foods Co., Ltd. | Other receivables | Y | \$ 253,200 | \$ 253,200 | \$ 253,200 | - | b. | \$ - | Need for operation | \$ - | - | \$ - | \$ 3,526,575 | \$ 3,526,575 | Note 4 |

Note 1: "0" for the Company, subsidiaries are numbered from "1".

Note 2: Reasons for financing as follows:

- a. Need for operation.
- b. Need for short-term financing.

Note 3: The total amount shall not exceed 100% of net value of the Accession Limited, which was calculated to be \$3,526,575 thousand. (The net value per financial statements at September 30, 2014 was \$3,526,575 thousand x 100%)

Note 4: The amount was eliminated upon consolidation.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Endorsement/ Guarantee Provider | Guaranteed Party | | Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Amount of Endorsement/ Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements | Maximum Endorsement/ Guarantee Amount | Guarantee Provided by Parent Company (Note 7) | Guarantee Provided by Subsidiary (Note 7) | Guarantee Provided to Subsidiaries in Mainland China (Note 7) | Note |
|-----------------|---------------------------------------|---------------------------------------|---------------------------------------|---|--------------------------------------|----------------|--------------------------|---|---|--|--|--|---|--------|
| | | Name | Nature of Relationship (Note 2) | | | | | | | | | | | |
| 1 | Shanghai Standard Foods Co., Ltd. | Standard Investment (China) Co., Ltd. | c. | \$ 2,423,150 (Note 3) | \$ 326,785 | \$ 326,785 | \$ - | \$ - | 10.79 | \$ 3,028,937 (Note 4) | - | - | Y | Note 8 |
| | | Standard Foods (China) Co., Ltd. | c. | 2,423,150 (Note 3) | 255,229 | 141,809 | - | - | 4.68 | 3,028,937 (Note 4) | - | - | Y | Note 8 |
| 2 | Standard Investment (China) Co., Ltd. | Standard Foods (China) Co., Ltd. | b. | 1,345,130 (Note 5) | 258,620 | 258,620 | - | - | 15.38 | 1,681,412 (Note 6) | - | - | Y | Note 8 |

Note 1: "0" for the Company, subsidiaries are numbered from "1".

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:

- Trading partner.
- Majority owned subsidiary.
- The Company and subsidiary owns over 50% ownership of the investee company.
- A subsidiary jointly owned by the Company and Company's directly-owned subsidiary.
- Guaranteed by the Company according to construction contract.
- Investee company. The guarantees were provided based on the Company's proportionate share in an investee company.

Note 3: The total amount shall not exceed 80% of the net value in the financial statements of Shanghai Standard Foods Co., Ltd.; amount was calculated at \$2,432,150 thousand. (The net value per financial statements at September 30, 2014 was \$3,028,937 thousand x 80%).

Note 4: The total amount shall not exceed 100% of the net value in the financial statements of Shanghai Standard Foods Co., Ltd.; amount was calculated at \$3,028,937 thousand. (The net value per financial statements at September 30, 2014 was \$3,028,937 thousand x 100%).

Note 5: The total amount shall not exceed 80% of the net value in the financial statements of Standard Investment (China) Co., Ltd.; amount was calculated at \$1,345,130 thousand. (The net value per financial statements at September 30, 2014 was \$1,681,412 thousand x 80%).

Note 6: The total amount shall not exceed 100% of the net value in the financial statements of Standard Investment (China) Co., Ltd.; amount was calculated at \$1,681,412 thousand. (The net value per financial statements at September 30, 2014 was \$1,681,412 thousand x 100%).

Note 7: Guarantee provided by the listed parent company, Guarantee provided by the Subsidiary or guarantee provided to subsidiaries in Mainland China, coded "Y".

Note 8: The amount was eliminated upon consolidation.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2014 | | | | Note |
|---|---|---------------------------------------|---|--|-----------------|-------------------------|---------------------|--------|
| | | | | Shares | Carrying Amount | Percentage of Ownership | Fair Value (Note 2) | |
| Standard Foods Corporation | <u>Stock</u> Far Eastern International Commercial Bank Co., Ltd. Chunghwa Telecom Co., Ltd. | The Company is a director | Available-for-sale financial assets - current | 1,189,622 | \$ 12,491 | | \$ 12,491 | |
| | | | Available-for-sale financial assets - current | 48,600 | 4,568 | | 4,568 | |
| | <u>Mutual funds</u> UPAMC Quality Growth | | Available-for-sale financial assets - current | 297,974 | 7,196 | | 7,196 | |
| | | | <u>Stock</u> GeneFerm Biotechnology Dah Chung Bills Finance Corp. | Financial assets carried at cost - non-current | 2,344,110 | 18,549 | 9.8 | 17,148 |
| | Financial assets carried at cost - non-current | | | 1,194,249 | 9,600 | 0.3 | 17,706 | |
| | <u>Mutual funds</u> VantagePoint Communications Partners, L.P. Walden VC 2, L.P. iGlobe Partners Fund, L.P. | | Financial assets carried at cost - non-current | Note 1 | 1,129 | 0.5 | 505 | |
| | | | Financial assets carried at cost - non-current | Note 1 | 34,502 | 2.1 | 35,754 | |
| | | | Financial assets carried at cost - non-current | Note 1 | - | 1.4 | 7,589 | |
| | <u>Stock</u> Techgains Pan-Pacific Corporation United Venture Capital Corporation Authenex, Inc. Global Strategic Investment Co., Ltd. Paradigm Venture Capital Corporation U-Teck Environment Corporation, Ltd. Octamer, Inc. | | Financial assets carried at cost - non-current | 500,000 | 3,202 | 0.9 | 3,564 | |
| | | | Financial assets carried at cost - non-current | 36,422 | - | 2.3 | - | |
| | | | Financial assets carried at cost - non-current | 2,424,242 | - | 5.5 | - | |
| | | | Financial assets carried at cost - non-current | 850,500 | 4,784 | 1.9 | 2,547 | |
| | | | Financial assets carried at cost - non-current | 438,750 | 4,388 | 7.0 | 4,065 | |
| | | | Financial assets carried at cost - non-current | 11,200 | - | 0.2 | - | |
| | | | Financial assets carried at cost - non-current | 907,815 | - | 8.8 | - | |
| | Standard Dairy Products Taiwan Limited | | <u>Mutual funds</u> Capital Money Market Jih Sun Money Market | Available-for-sale financial assets - current | 2,038,994 | 32,318 | | 32,318 |
| Available-for-sale financial assets - current | | 538,094 | | 7,824 | | 7,824 | | |
| Charng Hui Ltd. | <u>Stock</u> Standard Foods Corporation Formosa Plastics Corporation China Steel Corporation Polytronics Technology Corp. Taiwan Semiconductor Manufacturing Co., Ltd. | Parent of Charng Hui Ltd. | Available-for-sale financial assets - current | 5,252,215 | 367,655 | 0.7 | 367,655 | Note 3 |
| | | | Available-for-sale financial assets - current | 91,440 | 6,611 | | 6,611 | |
| | | | Available-for-sale financial assets - current | 803,258 | 21,126 | | 21,126 | |
| | | | Available-for-sale financial assets - current | 1,596,000 | 107,092 | | 107,092 | |
| | | | Available-for-sale financial assets - current | 90,000 | 12,690 | | 12,690 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2014 | | | | Note |
|-----------------------------------|---|---------------------------------------|--|-------------------|-----------------|-------------------------|---------------------|------|
| | | | | Shares | Carrying Amount | Percentage of Ownership | Fair Value (Note 2) | |
| | <u>Mutual funds</u> | | | | | | | |
| | Cathay No.1 REIT | | Available-for-sale financial assets - current | 150,000 | \$ 2,703 | | \$ 2,703 | |
| | SinoPac Balance | | Available-for-sale financial assets - current | 196,356 | 6,886 | | 6,886 | |
| | Taishin 1699 Money Market | | Available-for-sale financial assets - current | 2,380,696 | 31,628 | | 31,628 | |
| | Franklin Templeton SinoAm Global Bd Acc | | Available-for-sale financial assets - current | 1,453,360 | 20,183 | | 20,183 | |
| | Capital Small-And-Medium Cap | | Available-for-sale financial assets - current | 153,110 | 5,331 | | 5,331 | |
| | Cathay Taiwan Money Market | | Available-for-sale financial assets - current | 771,068 | 9,452 | | 9,452 | |
| | Jih Sun Money Market | | Available-for-sale financial assets - current | 519,194 | 7,549 | | 7,549 | |
| | Upamc Great China | | Available-for-sale financial assets - current | 286,205 | 5,054 | | 5,054 | |
| | Fuh Hwa OMNI | | Available-for-sale financial assets - current | 299,222 | 5,470 | | 5,470 | |
| | Yuanta China High Yield Dim Sum Bond | | Available-for-sale financial assets - current | 455,815 | 5,057 | | 5,057 | |
| | Capital Multi-Asset Allocation | | Available-for-sale financial assets - current | 1,157,157 | 15,911 | | 15,911 | |
| | Fuh Hwa Digital Economy | | Available-for-sale financial assets - current | 339,501 | 10,806 | | 10,806 | |
| | Taishin Hi Div Yield Balanced | | Available-for-sale financial assets - current | 216,950 | 4,655 | | 4,655 | |
| | Fuh Hwa | | Available-for-sale financial assets - current | 361,795 | 4,906 | | 4,906 | |
| | Fuh Hwa Global Strategic Allocation FoF | | Available-for-sale financial assets - current | 1,000,000 | 10,210 | | 10,210 | |
| | <u>Stock</u> | | | | | | | |
| | Hong Da Leasing & Finance Co., Ltd. | | Financial assets carried at cost - non-current | 8,297,000 | - | | - | |
| | CNEX Co., Ltd. | | Financial assets carried at cost - non-current | 1,000,000 | 10,000 | 6.0 | 9,578 | |
| Standard Beverage Company Limited | <u>Mutual funds</u> | | | | | | | |
| | Fuh Hwa Money Market | | Available-for-sale financial assets - current | 50,724 | 721 | | 721 | |
| | Fuh Hwa Strategic High Income Fd of Fds | | Available-for-sale financial assets - current | 634,860 | 8,088 | | 8,088 | |
| | Franklin Templeton SinoAm Global Bd Acc | | Available-for-sale financial assets - current | 282,988 | 3,930 | | 3,930 | |
| | Franklin Temp SinoAm Agrsv Ret BdAcc | | Available-for-sale financial assets - current | 269,342 | 3,009 | | 3,009 | |
| DOMEX Technology Corporation | <u>Stock</u> | | | | | | | |
| | InnoComm Mobile Technology Corp. | | Financial assets carried at cost - non-current | 3,600,000 | 26,586 | 13.4 | - | |
| Accession Limited | <u>Mutual funds</u> | | | | | | | |
| | PIMCO GIS Diversified Inc. E USD | | Available-for-sale financial assets - current | 50,034 | 17,024 | | 17,024 | |
| | HSBC Global Investment Funds-Global Emergong Markets Bonds | | Available-for-sale financial assets - current | 29,255 | 30,845 | | 30,845 | |
| | Franklin Templeton SinoAm Global High Yield Bond Fund | | Available-for-sale financial assets - current | 142,588 | 30,507 | | 30,507 | |
| | Franklin Templeton Investment Funds-Franklin Income Fund Class A (Mdis) t | | Available-for-sale financial assets - current | 74,952 | 29,890 | | 29,890 | |
| | JPMorgan Funds - JPMorgan Asia Pacific Income Fund A (mth)-USD | | Available-for-sale financial assets - current | 4,150 | 15,268 | | 15,268 | |
| | AsiaVest Opportunities Fund IV | | Financial assets carried at cost - non-current | 200 | 11,656 | 0.7 | 7,799 | |

Note 1: No number of units of the Fund.

Note 2: The fair values for unlisted investees classified as “Financial assets measured at cost, non-current” were not available; market value was based on the net value.

Note 3: The amount was eliminated upon consolidation.

(Concluded)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Financial Instruments Evaluation (Loss) Gain | Other | Ending Balance | | Note |
|--|--|---|--------------|------------------------|-----------------------------|--------------|-----------------------------|------------|-----------------------------|---------|-----------------|-------------------------|--|---------------------|----------------|--------------|--------|
| | | | | | Shares/Units (In Thousands) | Amount | Shares/Units (In Thousands) | Amount | Shares/Units (In Thousands) | Amount | Carrying Amount | Gain (Loss) on Disposal | | | Shares | Amount | |
| Standard Foods Corporation | Standard Investment (Cayman) Limited | Investments accounted for using equity method | - | - | 45,045,000 | \$ 1,264,173 | 21,351,296 | \$ 645,127 | - | \$ - | \$ - | \$ - | \$ - | \$ 179,769 (Note 1) | 66,396,296 | \$ 2,089,069 | Note 6 |
| Standard Dairy Products Taiwan Limited | Mega Diamond Money Market | Available-for-sale financial assets | - | - | 2,043,469 | 25,000 | 23,337,573 | 286,000 | 25,381,042 | 311,149 | 311,000 | 149 | - | - | - | - | : |
| Standard Dairy Products Taiwan Limited | Jih Sun Money Market | Available-for-sale financial assets | - | - | 1,636,351 | 23,653 | 19,789,820 | 287,000 | 20,888,077 | 302,960 | 302,833 | 127 | 4 | - | 538,094 | 7,824 | |
| Standard Investment (Cayman) Limited | Standard Corporation (Hong Kong) Limited | Investments accounted for using equity method | - | - | 45,020,000 | 1,263,620 | 21,351,296 | 645,127 | - | - | - | - | - | 179,950 (Note 2) | 66,371,296 | 2,088,697 | Note 6 |
| Standard Corporation (Hong Kong) | Standard Investment (China) Co., Ltd. | Investments accounted for using equity method | - | - | Note 5 | 1,262,404 | Note 5 | 645,127 | - | - | - | - | - | 180,066 (Note 3) | Note 5 | 2,087,597 | Note 6 |
| Standard Investment (China) Co., Ltd. | Standard Foods (China) Co., Ltd. | Investments accounted for using equity method | - | - | Note 5 | 1,208,091 | Note 5 | 450,000 | - | - | - | - | - | 119,828 (Note 4) | Note 5 | 1,777,919 | Note 6 |

Note 1: Share of profit of subsidiary of \$69,648 thousand, and exchange differences on translation of foreign operations of \$110,121 thousand.

Note 2: Share of profit of subsidiary of \$69,853 thousand, and exchange differences on translation of foreign operations of \$110,097 thousand.

Note 3: Share of profit of subsidiary of \$70,033 thousand, and exchange differences on translation of foreign operations of \$110,033 thousand.

Note 4: Share of profit of subsidiary of \$21,341 thousand, and exchange differences on translation of foreign operations of \$98,487 thousand.

Note 5: A limited company, no issued shares.

Note 6: The amount was eliminated upon consolidation.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationships | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Payable or Receivable | | Note |
|--|--|--|---------------------|----------------|---------------|--|----------------------|---------------|--------------------------------------|---------------|------|
| | | | Purchases/ Sales | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| Standard Foods Corporation | Standard Dairy Products Taiwan Limited | The Company's subsidiary | Sales | \$ (1,171,047) | 10.91 | Net 55 days after receivables and payables monthly netting | - | - | \$ 133,940 | 7.23 | Note |
| | | | Purchases | 755,400 | 10.52 | Net 55 days after receivables and payables monthly netting | - | - | - | - | |
| Standard Dairy Products Taiwan Limited | Standard Foods Corporation | Parent company of Standard Dairy Products Taiwan Limited | Purchases | 1,171,047 | 64.26 | Net 55 days after receivables and payables monthly netting | - | - | (133,940) | 32.78 | Note |
| | | | Sales | (755,400) | 31.10 | Net 55 days after receivables and payables monthly netting | - | - | - | - | |
| Shanghai Standard Foods Co., Ltd. | Standard Investment (China) Co., Ltd. | Brother company of Shanghai Standard Foods Co., Ltd. | Sales | (5,899,618) | 64.41 | Net 60 days | - | - | 1,176,611 | 55.70 | Note |
| Standard Investment (China) Co., Ltd. | Shanghai Standard Foods Co., Ltd. | Brother company of Standard Investment (China) Co., Ltd. | Purchases | 5,899,618 | 99.45 | Net 60 days | - | - | (1,176,611) | 99.95 | Note |
| Shanghai Standard Foods Co., Ltd. | Standard Foods (China) Co., Ltd. | Brother company of Shanghai Standard Foods Co., Ltd. | Purchases | 562,438 | 9.53 | Net 60 days | - | - | (110,783) | 11.57 | Note |
| Standard Foods (China) Co., Ltd. | Shanghai Standard Foods Co., Ltd. | Brother company of Standard Foods (China) Co., Ltd. | Sales | (562,438) | 99.57 | Net 60 days | - | - | 110,783 | 100.00 | Note |

Note: The amount was eliminated upon consolidation.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationships | Ending Balance for Account Receivable - Related Parties | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Bad Debts | Note | |
|-----------------------------------|--|---|--|--------------------|---------|---------------|--|------------------------------|----------|--------|
| | | | | | Amount | Actions Taken | | | | |
| Standard Foods Corporation | Standard Dairy Products Taiwan Limited | The Company's subsidiary | Trade receivables | \$ 133,940 | 9.93 | \$ - | - | \$ 133,940 (Note 1) | \$ - | Note 2 |
| | | | Other receivables | 867 | | - | - | 867 (Note 1) | - | Note 2 |
| | | | | <u>\$ 134,807</u> | | <u>-</u> | <u>-</u> | <u>\$ 134,807</u> (Note 1) | <u>-</u> | Note 2 |
| Accession Limited | Shanghai Standard Foods Co., Ltd. | Accession Limited's subsidiary | Other receivables | <u>\$ 253,200</u> | | <u>-</u> | - | <u>-</u> (Note 1) | <u>-</u> | Note 2 |
| Shanghai Standard Foods Co., Ltd. | Standard Investment (China) Co., Ltd. | Brother company of Shanghai Standard Foods Co. | Trade receivables | \$1,176,611 | 9.02 | \$ - | - | \$ 1,176,611 (Note 1) | \$ - | Note 2 |
| | | | Other receivables from sale of trademark rights | 142,030 | | - | - | - (Note 1) | - | Note 2 |
| | | | | <u>\$1,318,641</u> | | <u>-</u> | <u>-</u> | <u>\$ 1,176,611</u> (Note 1) | <u>-</u> | Note 2 |
| Standard Foods (China) Co., Ltd. | Shanghai Standard Foods Co., Ltd. | Brother company of Standard Foods (China) Co., Ltd. | Trade receivables | <u>\$ 110,783</u> | 5.11 | <u>-</u> | - | <u>\$ 110,783</u> (Note 1) | <u>-</u> | Note 2 |

Note 1: Amounts received before March 24, 2015.

Note 2: The amount was eliminated upon consolidation.

STANDARD FOODS CORPORATION AND SUBSIDIARIES**DERIVATIVES TRADING INFORMATION****FOR THE YEAR ENDED DECEMBER 31, 2014****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

The Company was not engaged in derivatives trading during 2014.

Shanghai Standard Foods Co., Ltd. (“Shanghai Standard Foods”), Standard Investment (China) Co., Ltd. (“China Standard Investment”) and Standard Foods (China) Co., Ltd. (“China Standard Foods”) entered into structured time deposits during 2014 mainly to earn from favorable effects of fluctuations of interest rates.

Shanghai Standard Foods entered into futures contracts during 2014 to manage exposures to price volatility risk of raw materials. The contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

As of December 31, 2014, Shanghai Standard Foods, China Standard Investment and China Standard Foods did not have outstanding structured time deposit.

As of December 31, 2014, Shanghai Standard Foods did not have outstanding futures contract.

As of December 31, 2014, the amount of the margin deposits paid by Shanghai Standard Foods was RMB382 thousand, which had been included in other non-current assets.

The net gain from derivative transactions at Mercantile Exchange for Shanghai Standard Foods, China Standard Investment and China Standard Foods was RMB5,609 thousand during 2014.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transactions Details | | | |
|-----------------|---------------------------------------|--|--------------------------|---|--------------------|-------------------------------------|--|
| | | | | Financial Statement Accounts | Amount (Note 4) | Payment Terms | % to Total Sales or Assets (Note 3) |
| 0 | Standard Foods Corporation | Standard Dairy Products Taiwan Limited | a. | Trade receivables - related parties | \$ 133,940 | According to the general conditions | 0.7 |
| | | Standard Dairy Products Taiwan Limited | a. | Other receivables - related parties | 867 | According to the general conditions | - |
| | | Standard Dairy Products Taiwan Limited | a. | Sales | 1,171,047 | According to the general conditions | 5.4 |
| | | Standard Dairy Products Taiwan Limited | a. | Purchases | 755,400 | According to the general conditions | 3.5 |
| | | Standard Dairy Products Taiwan Limited | a. | Other revenue (royalty revenue) | 3,104 | According to the general conditions | - |
| | | Standard Beverage Company Limited | a. | Purchases | 6,916 | According to the general conditions | - |
| | | Standard Investment (China) Co., Ltd. | a. | Sales | 304 | According to the general conditions | - |
| | | Shanghai Standard Foods Co., Ltd. | a. | Other receivables - related parties | 1,875 | According to the general conditions | - |
| | | Shanghai Standard Foods Co., Ltd. | a. | Loss on disposal property, plant and equipment | 158 | According to the general conditions | - |
| 1 | Accession Limited | Shanghai Standard Foods Co., Ltd. | c. | Financial intermediation receivable - related parties | 253,200 | No calculation of interest | 1.4 |
| 2 | Shanghai Standard Foods Co., Ltd. | Standard Investment (China) Co., Ltd. | c. | Trade receivables - related parties | 1,176,611 | According to the general conditions | 6.5 |
| | | Standard Investment (China) Co., Ltd. | c. | Other receivables from sale of trademark rights | 142,030 | According to the general conditions | 0.8 |
| | | Standard Investment (China) Co., Ltd. | c. | Sales | 5,899,618 | According to the general conditions | 27.1 |
| | | Standard Investment (China) Co., Ltd. | c. | Purchases | 2,737 | According to the general conditions | - |
| | | Standard Investment (China) Co., Ltd. | c. | Royalty expense | 194,662 | According to the general conditions | 0.9 |
| | | Standard Foods (China) Co., Ltd. | c. | Trade receivables | 2,223 | According to the general conditions | - |
| | | Standard Foods (China) Co., Ltd. | c. | Trade payables | 110,783 | According to the general conditions | 0.6 |
| | | Standard Foods (China) Co., Ltd. | c. | Sales | 22,266 | According to the general conditions | 0.1 |
| | | Standard Foods (China) Co., Ltd. | c. | Purchases | 562,438 | According to the general conditions | 2.6 |
| 3 | Standard Investment (China) Co., Ltd. | Standard Foods (China) Co., Ltd. | c. | Trade receivables - related parties | 21 | According to the general conditions | - |
| | | Standard Foods (China) Co., Ltd. | c. | Sales | 165 | According to the general conditions | - |
| | | Standard Foods (China) Co., Ltd. | c. | Rent expense | 5,938 | According to the general conditions | - |

Note 1: The parent company and its subsidiaries do business with each other. Information shall be stated separately and numbered are as follows:

- a. Parent company is 0.
- b. Subsidiaries, sequentially numbered by Arabic numerals from 1.

Note 2: The related parties have the following three relationships:

- a. Parent company to its subsidiaries.
- b. Subsidiaries to its parent company.
- c. Subsidiaries to subsidiaries.

Note 3: Amounts of balance sheet accounts are calculated as percentage of consolidated total assets; amounts of income statement accounts are calculated as percentage of consolidated total revenues.

Note 4: The amount was eliminated upon consolidation.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2014 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|--------------------------------------|--|---------------------------------|--|----------------------------|-------------------|-------------------------|-------|-----------------|-----------------------------------|-------------------------|------------------------------|
| | | | | December 31, 2014 | December 31, 2013 | Shares | % | Carrying Amount | | | |
| Standard Foods Corporation | Accession Limited | Tortola, British Virgin Islands | Investment business | \$ 3,930,777 | \$ 3,930,777 | 123,600,000 | 100.0 | \$ 3,548,539 | \$ 111,907 | \$ 97,451 | Subsidiary (Note 3) |
| | Standard Investment (Cayman) Limited | Grand Cayman, Cayman Islands | Investment business | 1,990,385 | 1,345,258 | 66,396,296 | 100.0 | 2,089,069 | 69,690 | 69,648 | Subsidiary (Note 3) |
| | Standard Dairy Products Taiwan Limited | Taipei, Taiwan | Manufacture and sale of dairy products and beverages | 448,286 | 448,286 | 30,000,000 | 100.0 | 552,190 | 188,385 | 183,425 | Subsidiary (Note 3) |
| | Charng Hui Ltd. | Taipei, Taiwan | Investment business | 530,000 | 530,000 | 54,100,000 | 100.0 | 563,910 | 14,836 | 7,126 | Subsidiary (Note 3) |
| | DOMEX Technology Corporation | Hsinchu Taiwan | Manufacture and sale of computer peripherals and computer and information products | 324,133 | 324,133 | 10,374,399 | 52.0 | 160,636 | 30,163 | 15,688 | Subsidiary (Note 3) |
| | Standard Beverage Company Limited | Taipei, Taiwan | Manufacture and sale of beverages | 91,608 | 89,290 | 7,907,000 | 100.0 | 78,918 | 746 | 1,110 | Subsidiary (Note 3) |
| Standard Investment (Cayman) Limited | Standard Corporation (Hong Kong) Limited | Wan Chai, Hong Kong | Investment business | 1,989,635 | 1,344,508 | 66,371,296 | 100.0 | 2,088,697 | 69,853 | - | Indirect subsidiary (Note 3) |

Note 1: This amount was the share of profit of investee of \$188,385 thousand minus the unrealized gain on upstream transaction of \$4,960 thousand .

Note 2: This amount was the share of profit of investee of \$737 thousand plus the realized gain on upstream transaction of \$373 thousand.

Note 3: The amount was eliminated upon consolidation.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2014 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2014 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2014 | Accumulated Repatriation of Investment Income as of December 31, 2014 | Note |
|--|--|-----------------|----------------------|---|---------------------|--------|---|-----------------------------------|--|---------------------------------|---|---|---------|
| | | | | | Outward | Inward | | | | | | | |
| Shanghai Standard Foods Co., Ltd. | Manufacture and sale of edible oil products and nutritional food | \$ 3,980,795 | b. (Note 3) | \$ 3,980,795 (Note 4) | \$ - | \$ - | \$ 3,980,795 (Note 4) | \$ 98,540 | 100.0 | \$ 98,540 (Note 8) | \$ 3,033,270 | \$ - | Note 10 |
| Inner Mongolia Jiatai Agriculture Technology Co., Ltd. | Production of sunflower | 92,235 | c. (Note 5) | - (Note 5) | - | - | - (Note 5) | (2,337) | 100.0 | (2,337) (Note 8) | 7,095 | - | Note 10 |
| Standard Investment (China) Co., Ltd. | Investment and sales of edible oil products and nutritional food | 1,983,278 | b. (Note 6) | 1,338,151 (Note 6) | 645,127 | - | 1,983,278 (Note 6) | 70,033 | 100.0 | 70,033 (Note 8) | 2,087,597 | - | Note 10 |
| Standard Foods (China) Co., Ltd. | Manufacture and sale of edible oil products and nutritional food | 1,631,668 | c. (Note 7) | - (Note 7) | - | - | - (Note 7) | 21,341 | 100.0 | 21,341 (Note 8) | 1,777,919 | - | Note 10 |
| Shanghai Le Jiun International Trade Co., Ltd. | Sale of nutritional food and international trading | 2,471 | c. (Note 7) | - (Note 7) | - | - | - (Note 7) | 1 | 100.0 | 1 (Note 8) | 2,588 | - | Note 10 |
| Shanghai Le Ben Extension Health Technology Co. | Sale of nutritional food and international trading | 50,885 | c. (Note 7) | - (Note 7) | - | - | - (Note 7) | - | 100.0 | - (Note 8) | 51,724 | - | Note 10 |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2014 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$ 6,017,352 | \$ 6,479,975 | Unlimited amount of investment (Note 9) |

Note 1: The methods for engaging in investment in Mainland China include the following:

- Direct investment in Mainland China.
- Indirectly investment in Mainland China through companies registered in a third region (please specify the name of the company in third region).
- Other methods.

Note 2: The investment income (loss) recognized in current period:

- Please specify no investment income (loss) has been recognized due to the investment is still during development stage.
- The investment income (loss) was determined based on the following basis:
 - The financial report was audited and certified by an international accounting firm in cooperation with an ROC accounting firm.
 - The financial statements audited by the CPA of the parent company in Taiwan.
 - Others.

Note 3: Indirectly invested in a third region was Accession Limited.

Note 4: As of December 31, 2014, accumulated invested from Taiwan was \$4,034,074 thousand. The amount of investment \$53,279 thousand has been retained in Accession Limited.

(Continued)

Note 5: The company in Mainland China that was reinvested through company registered in Mainland China was Shanghai Standard Foods Co., Ltd.

Note 6: The company indirectly invested in a third region was Standard Corporation (Hong Kong) Limited.

Note 7: The company in Mainland China that was reinvested through company registered in Mainland China was Standard Investment (China) Co., Ltd.

Note 8: Recognition of investment income (loss) was based on Note 2. b. 2).

Note 9: The Company has been issued by Industrial Development Bureau MOEA of the operational head quarters' document which is still valid within the period, so according to the Investment Commission, MOEA, there is no upper limit on the amount of investment.

Note 10: The amount was eliminated upon consolidation.

(Concluded)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

1. Sale

| Trading Partners | Third Region | Terms and Conditions | | Sale | | Gross Profit | Unrealized (Gain) Loss | Note/Account Receivable as of December 31, 2014 | | Note |
|---------------------------------------|--------------|-------------------------------------|----------------------------------|--------|---|--------------|---------------------------|---|---|--------|
| | | Price | Payment Term | Amount | % | | | Amount | % | |
| Standard Investment (China) Co., Ltd. | - | According to the general conditions | 45 days after the bill of lading | \$ 304 | - | \$ 80 | \$ - | \$ - | - | Note 1 |

2. Property transactions

| Trading Partners | Third Region | Terms and Conditions | | Disposal of Property, Plant and Equipment | | Loss on Disposal | Note |
|-----------------------------------|--------------|-------------------------------------|----------------------------------|--|-----------------|------------------|--------|
| | | Price | Payment Term | Price | Carrying Amount | | |
| Shanghai Standard Foods Co., Ltd. | - | According to the general conditions | 45 days after the bill of lading | \$ 3,095 | \$ 3,253 | \$ 158 | Note 1 |

Note 1: The amount was eliminated upon consolidation.