

Standard Foods Corporation

**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 balance sheets of Standard Foods Corporation as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Standard Foods Corporation as of December 31, 2014 and 2013, and its financial performance and its 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.

The accompanying schedules of major accounting items of Standard Foods Corporation as of and for the year ended December 31, 2014 are presented for the purpose of additional analysis. Such schedules have been subjected to the auditing procedures described in the second paragraph. In our opinion, such schedules are consistent, in all material respects, with the financial statements required to in the first paragraph.

March 24, 2015

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

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

STANDARD FOODS CORPORATION

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)	\$ 492,209	4	\$ 586,556	5
Available-for-sale financial assets - current (Note 7)	24,255	-	31,700	-
Debt investments with no active market - current (Note 9)	597,445	4	550,280	4
Notes receivable (Note 10)	1,312	-	1,491	-
Trade receivables from unrelated parties (Note 10)	1,714,300	12	1,720,623	14
Trade receivables from related parties (Note 30)	133,940	1	104,049	1
Other receivables (Note 10)	20,023	-	33,088	-
Other receivables from related parties (Note 30)	2,742	-	2,120	-
Current tax assets (Note 24)	31,500	-	-	-
Inventories (Note 10)	2,018,314	14	1,873,104	15
Prepayments (Note 12)	473,031	4	306,989	2
Other current assets (Note 17)	6,280	-	16,568	-
Total current assets	5,515,351	39	5,226,568	41
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Note 8)	76,154	-	97,263	1
Investments accounted for using equity method (Note 13)	6,993,262	49	5,846,479	45
Property, plant and equipment (Notes 14 and 31)	1,291,293	9	1,116,909	9
Investment properties (Note 15)	127,511	1	127,926	1
Other intangible assets (Note 16)	6,490	-	4,031	-
Deferred tax assets (Note 24)	239,785	2	256,463	2
Other non-current assets (Note 17)	62,051	-	139,228	1
Total non-current assets	8,796,546	61	7,588,299	59
TOTAL	\$ 14,311,897	100	\$ 12,814,867	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable (Note 18)	\$ 3,170	-	\$ 938	-
Trade payables (Note 18)	967,848	7	886,540	7
Other payables (Note 19)	881,661	6	866,539	6
Current tax liabilities (Note 24)	183,377	1	107,503	1
Provisions - current (Note 20)	8,593	-	10,050	-
Finance lease payables - current	531	-	758	-
Other current liabilities (Note 19)	8,207	-	10,374	-
Total current liabilities	2,053,387	14	1,882,702	14
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 24)	134,299	1	83,496	1
Finance lease payables - non-current	126	-	657	-
Accrued pension liabilities (Note 21)	167,643	1	141,289	1
Other non-current liabilities (Note 19)	960	-	900	-
Total non-current liabilities	303,028	2	226,342	2
Total liabilities	2,356,415	16	2,109,044	16
EQUITY (Note 22)				
Common stock	7,206,338	50	6,611,319	52
Capital surplus	51,331	-	43,620	-
Retained earnings				
Legal reserve	1,691,898	12	1,505,940	12
Unappropriated earnings	2,540,559	18	2,326,179	18
Total retained earnings	4,232,457	30	3,832,119	30
Other equity	486,538	4	239,947	2
Treasury shares	(21,182)	-	(21,182)	-
Total equity	11,955,482	84	10,705,823	84
TOTAL	\$ 14,311,897	100	\$ 12,814,867	100

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

STANDARD FOODS CORPORATION

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	\$ 11,488,057	100	\$ 11,153,037	100
OPERATING COSTS (Notes 21 and 23)				
Cost of goods sold	<u>7,940,255</u>	<u>69</u>	<u>7,536,931</u>	<u>68</u>
GROSS PROFIT	<u>3,547,802</u>	<u>31</u>	<u>3,616,106</u>	<u>32</u>
OPERATING EXPENSES (Notes 21 and 23)				
Selling and marketing expenses	1,171,156	10	1,256,471	11
General and administrative expenses	258,718	3	254,699	2
Research and development expenses	<u>92,994</u>	<u>1</u>	<u>84,214</u>	<u>1</u>
Total operating expenses	<u>1,522,868</u>	<u>14</u>	<u>1,595,384</u>	<u>14</u>
OPERATING INCOME	<u>2,024,934</u>	<u>17</u>	<u>2,020,722</u>	<u>18</u>
NON-OPERATING INCOME AND EXPENSES (Note 23)				
Other income (Note 30)	29,095	-	30,279	-
Other gains and losses	24,540	-	84,391	1
Finance costs	(171)	-	(929)	-
Share of the profit or loss of subsidiaries and associates (Note 13)	<u>374,448</u>	<u>4</u>	<u>72,925</u>	<u>1</u>
Total non-operating income and expenses	<u>427,912</u>	<u>4</u>	<u>186,666</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	2,452,846	21	2,207,388	20
INCOME TAX EXPENSE (Note 24)	<u>(376,995)</u>	<u>(3)</u>	<u>(347,806)</u>	<u>(3)</u>
NET PROFIT FOR THE YEAR	<u>2,075,851</u>	<u>18</u>	<u>1,859,582</u>	<u>17</u>
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	305,236	3	236,193	2
Unrealized gain on available-for-sale financial assets	(1,334)	-	2,315	-
Actuarial loss arising from defined benefit plans	(25,442)	-	(24,967)	-

(Continued)

STANDARD FOODS CORPORATION

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 income of subsidiaries	\$ (7,859)	-	\$ (21,683)	-
Income tax relating to the components of other comprehensive income	<u>(46,693)</u>	<u>(1)</u>	<u>(32,453)</u>	<u>(1)</u>
Other comprehensive income for the year, net of income tax	<u>223,908</u>	<u>2</u>	<u>159,405</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,299,759</u>	<u>20</u>	<u>\$ 2,018,987</u>	<u>18</u>
EARNINGS PER SHARE (Note 25)				
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 financial statements.

(Concluded)

STANDARD FOODS CORPORATION

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

	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings		Exchange Differences on Translating Foreign Operations	Other Equity		Treasury Stock	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
Appropriation of 2012 earnings										
Legal reserve	-	-	223,806	(223,806)	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	(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
Net profit for the year ended December 31, 2013	-	-	-	1,859,582	1,859,582	-	-	-	-	1,859,582
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
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
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
Appropriation of 2013 earnings										
Legal reserve	-	-	185,958	(185,958)	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	(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
Acquisition of interest in subsidiaries	-	1	-	-	-	-	-	-	-	1
Net profit for the year ended December 31, 2014	-	-	-	2,075,851	2,075,851	-	-	-	-	2,075,851
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
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
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

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

STANDARD FOODS CORPORATION

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	\$ 2,452,846	\$ 2,207,388
Adjustments for:		
Depreciation expenses	133,808	119,461
Amortization expenses	22,554	24,628
Impairment loss recognized on trade receivables	109	282
Net gain on fair value change of financial assets designated as at fair value through profit or loss	-	(67,964)
Finance costs	171	929
Interest income	(24,780)	(19,938)
Dividend income	(2,155)	(7,101)
Share of profit of subsidiaries and associates	(374,448)	(72,925)
(Gain) loss on disposal of property, plant and equipment	963	(426)
Gain on disposal of investments	(333)	(2,193)
Impairment loss recognized on financial assets measured at cost	17,473	15,190
Others	-	(2,158)
Changes in operating assets and liabilities		
Financial assets held for trading	-	163,489
Notes receivable	179	983
Trade receivables	6,214	96,795
Trade receivables - related parties	(29,891)	(12,958)
Other receivables	14,344	877
Other receivables - related parties	(622)	(1,315)
Inventories	(145,210)	(198,463)
Prepayments	(166,042)	(74,781)
Other current assets	10,288	(4,751)
Notes payable	2,232	(454)
Trade payables	81,308	40,210
Trade payables - related parties	-	(647)
Other payables	15,122	43,099
Provisions	(1,457)	(755)
Other current liabilities	(2,167)	6,779
Accrued pension liabilities	912	441
Cash generated from operations	2,011,418	2,253,722
Interest received	23,501	14,968
Interest paid	(171)	(929)
Income tax paid	(311,833)	(451,973)
Net cash generated from operating activities	<u>1,722,915</u>	<u>1,815,788</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	-	(2,180,454)
Proceeds on sale of available-for-sale financial assets	6,444	2,469,958
Purchase of debt investments with no active market	(902,050)	(1,272,979)
Proceeds from sale of debt investments with no active market	854,885	1,016,947

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STANDARD FOODS CORPORATION

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

	2014	2013
Proceeds from capital reduction of financial assets measured at cost	\$ 3,636	\$ 7,609
Net cash inflow on disposal of subsidiaries at equity method	-	578
Payments for property, plant and equipment	(247,949)	(151,149)
Proceeds from disposal of property, plant and equipment	5,611	1,782
Payment for intangible assets	(11,342)	(740)
Increase in other financial assets	(3,966)	-
Decrease in other financial assets	-	332
Increase in other non-current assets	-	(121,119)
Decrease in other non-current assets	1,070	-
Dividend received from subsidiaries	180,198	172,962
Other dividend received	<u>2,155</u>	<u>7,101</u>
Net cash used in investing activities	<u>(111,308)</u>	<u>(49,172)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in finance lease payables	(758)	(768)
Increase in other financial liabilities	60	-
Dividends paid to owners of the Company	(1,057,811)	(1,149,794)
Acquisition of interest in subsidiaries	<u>(647,445)</u>	<u>(830,643)</u>
Net cash used in financing activities	<u>(1,705,954)</u>	<u>(1,981,205)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(94,347)</u>	<u>(214,589)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>586,556</u>	<u>801,145</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 492,209</u>	<u>\$ 586,556</u>

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

(Concluded)

STANDARD FOODS CORPORATION

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

- a. The amendments to the Guidelines 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 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 27 (Revised 2011) “Separate Financial Statements”	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
	(Concluded)

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 Company’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 Company 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 and 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 and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of subsidiary accounted for using the equity method. 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 Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the 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 27 “Equity Method in Separate Financial Statements”	January 1, 2016
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 Company'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 Company'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 Company 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 Company 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 financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’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 parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).

b. Basis of presentation

The parent company only 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.

When preparing its financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and related equity items, as appropriate, in the financial statements.

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 Company 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. Foreign currencies

In preparing the parent company only financial statements, 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 the financial statements, the assets and liabilities of the Company's foreign operations (including the subsidiaries or 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.

On the disposal of a foreign operation which results in the Company's loss of control or significant influence over the entity, all 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.

e. 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.

f. Investments accounted for using equity method

Investments in subsidiaries and associates are accounted for using equity method.

1) Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized on goodwill shall not be reversed in a subsequent period.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and sidestream transactions between subsidiaries are recognized in the financial statements only to the extent of interests in the subsidiary that are not related to the Company.

2) Investment in associates

An associate is an entity over which the Company 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 Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in equity of associates attributable to the Company.

When the Company 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 Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company'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 Company'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 Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company'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 Company'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 Company 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 Company 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 Company 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 Company.

g. 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.

h. 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.

i. 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 Company 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.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When it is not possible to estimate the recoverable amount of an individual asset, the Company 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.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company 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 Company'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 Company'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 Company 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 Company 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 Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company'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 Company'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.

l. 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.

m. 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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company 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 Company; 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 Company 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 Company 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.

n. 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 Company as lessor

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

2) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company 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 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.

o. 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.

p. 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.

q. 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 Company 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 Company'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 Company 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

	December 31	
	2014	2013
Cash on hand	\$ 1,421	\$ 1,446
Checking accounts and demand deposits	24,200	188,638
Cash equivalent		
Time deposits with original maturities less than three months	-	147,960
Repurchase agreements collateralized by bonds	<u>466,588</u>	<u>248,512</u>
	<u>\$ 492,209</u>	<u>\$ 586,556</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:

	December 31	
	2014	2013
Bank deposits	0.01%-0.60%	0.17%-3.60%
Repurchase agreement collateralized by bonds	0.62%-0.70%	0.62%-0.63%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2014	2013
<u>Current</u>		
Listed shares	\$ 17,059	\$ 18,699
Mutual funds	<u>7,196</u>	<u>13,001</u>
	<u>\$ 24,255</u>	<u>\$ 31,700</u>

8. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2014	2013
<u>Non-current</u>		
Unlisted shares	\$ 40,523	\$ 44,627
Mutual funds	<u>35,631</u>	<u>52,636</u>
	<u>\$ 76,154</u>	<u>\$ 97,263</u>
Classified according to measurement categories		
Available-for-sale	<u>\$ 76,154</u>	<u>\$ 97,263</u>

Management believed that the fair value of the above unlisted shares and mutual funds held by the Company 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 Company recognized impairment loss of financial assets were as follow:

	December 31	
	2014	2013
Mutual funds	<u>\$ 17,473</u>	<u>\$ 15,190</u>

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2014	2013
<u>Current</u>		
Time deposits with original maturity of more than 3 months	<u>\$ 597,445</u>	<u>\$ 550,280</u>

The market interest rates of the time deposits with original maturity of more than 3 months were 1.31%-3.38% and 0.80%-3.20%per annum as of December 31, 2014 and 2013, respectively.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2014	2013
<u>Notes receivable</u>		
Operating	<u>\$ 1,312</u>	<u>\$ 1,491</u>
<u>Trade receivables</u>		
Trade receivables	\$ 1,716,464	\$ 1,722,678
Less: Allowance for impairment loss	<u>(2,164)</u>	<u>(2,055)</u>
	<u>\$ 1,714,300</u>	<u>\$ 1,720,623</u>
<u>Other receivables</u>		
Accrued interest	\$ 7,729	\$ 6,450
Payment on behalf of others	3,119	11,465
Others	<u>9,175</u>	<u>15,173</u>
	<u>\$ 20,023</u>	<u>\$ 33,088</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.

The Company had no receivables that were past due but not impaired as of December 31, 2014 and 2013.

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	\$ 4	\$ 1,773
Add: Impairment losses recognized on receivables	-	702	702
Less: Impairment losses reversed	<u>(420)</u>	<u>-</u>	<u>(420)</u>
Balance at December 31, 2013	1,349	706	2,055
Add: Impairment losses recognized on receivables	815	-	815
Less: Impairment losses reversed	<u>-</u>	<u>(706)</u>	<u>(706)</u>
Balance at December 31, 2014	<u>\$ 2,164</u>	<u>\$ -</u>	<u>\$ 2,164</u>

11. INVENTORIES

	December 31	
	2014	2013
Merchandise	\$ 621,366	\$ 663,909
Finished goods	747,841	579,702
Work in progress	164,333	140,125
Raw materials	446,760	447,370
Packing materials	<u>38,014</u>	<u>41,998</u>
	<u>\$ 2,018,314</u>	<u>\$ 1,873,104</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2014 included \$12,373 thousand loss on write-downs of inventories, \$18,012 thousand loss on abandonment of inventories and \$1,929 thousand of unallocated overheads. The cost of goods sold for the year ended December 31, 2013 included \$11,648 thousand loss on write-downs of inventories, \$12,323 thousand loss on abandonment of inventories and \$847 thousand of unallocated overheads.

12. PREPAYMENTS

	December 31	
	2014	2013
Prepayments for supplies	\$ 394,698	\$ 231,359
Prepayments for equipment parts	16,057	14,038
Prepayments for fuel oil	8,898	7,483
Prepayments for insurance	6,441	5,834
Prepayments for advertisements	14,200	6,383
Others	<u>32,737</u>	<u>41,892</u>
	<u>\$ 473,031</u>	<u>\$ 306,989</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Subsidiaries

	December 31	
	2014	2013
<u>Unlisted companies</u>		
Accession Limited	\$ 3,548,539	\$ 3,261,273
Standard Investment (Cayman) Limited (“Cayman Standard”)	2,089,069	1,264,173
Standard Dairy Products Taiwan Limited (“Standard Dairy Products”)	552,190	536,074
Charng Hui Ltd. (“Charng Hui”)	563,910	561,359
Domex Technology Corporation (“Domex Technology”)	160,636	148,105
Standard Beverage Company Limited (“Standard Beverage”)	<u>78,918</u>	<u>75,495</u>
	<u>\$ 6,993,262</u>	<u>\$ 5,846,479</u>

At the end of the reporting periods, the Company’s ownership interests and voting rights in subsidiaries were as follows:

	December 31	
Name of Subsidiary	2014	2013
Accession Limited	100.0%	100.0%
Cayman Standard	100.0%	100.0%
Standard Dairy Products	100.0%	100.0%
Charng Hui	100.0%	100.0%
Domex Technology	52.0%	52.0%
Standard Beverage	100.0%	97.1%

The Company indirectly held investments in subsidiaries are provided in Note 35.

Investments in Associates

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

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Leased Assets	Other Equipment	Property in Construction	Total
<u>Cost</u>							
Balance at January 1, 2013	\$ 396,356	\$ 684,759	\$ 1,545,588	\$ 1,664	\$ 156,881	\$ 33,150	\$ 2,818,398
Additions	-	-	71,347	-	23,740	56,062	151,149
Disposals	-	(139)	(11,510)	-	(3,809)	-	(15,458)
Transferred from prepayment for equipment	-	-	33,885	-	565	-	34,450
Reclassified	-	42,566	-	-	-	(42,566)	-
Balance at December 31, 2013	<u>\$ 396,356</u>	<u>\$ 727,186</u>	<u>\$ 1,639,310</u>	<u>\$ 1,664</u>	<u>\$ 177,377</u>	<u>\$ 46,646</u>	<u>\$ 2,988,539</u>

(Continued)

	Freehold Land	Buildings	Equipment	Leased Assets	Other Equipment	Property in Construction	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2013	\$ -	\$ 406,376	\$ 1,237,587	\$ 837	\$ 121,887	\$ -	\$ 1,766,687
Disposals	-	(139)	(10,154)	-	(3,809)	-	(14,102)
Depreciation expense	-	27,847	72,798	277	18,123	-	119,045
Balance at December 31, 2013	<u>\$ -</u>	<u>\$ 434,084</u>	<u>\$ 1,300,231</u>	<u>\$ 1,114</u>	<u>\$ 136,201</u>	<u>\$ -</u>	<u>\$ 1,871,630</u>
Carrying amount at December 31, 2013	<u>\$ 396,356</u>	<u>\$ 293,102</u>	<u>\$ 339,079</u>	<u>\$ 550</u>	<u>\$ 41,176</u>	<u>\$ 46,646</u>	<u>\$ 1,116,909</u>
<u>Cost</u>							
Balance at January 1, 2014	\$ 396,356	\$ 727,186	\$ 1,639,310	\$ 1,664	\$ 177,377	\$ 46,646	\$ 2,988,539
Additions	-	-	160,305	-	13,259	74,385	247,949
Disposals	-	(3,234)	(49,253)	-	(11,947)	-	(64,434)
Transferred from prepayments for equipment	-	-	65,212	-	1,190	-	66,402
Reclassified	-	38,876	-	(738)	738	(38,876)	-
Balance at December 31, 2014	<u>\$ 396,356</u>	<u>\$ 762,828</u>	<u>\$ 1,815,574</u>	<u>\$ 926</u>	<u>\$ 180,617</u>	<u>\$ 82,155</u>	<u>\$ 3,238,456</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2014	\$ -	\$ 434,084	\$ 1,300,231	\$ 1,114	\$ 136,201	\$ -	\$ 1,871,630
Disposals	-	(2,733)	(44,471)	-	(10,656)	-	(57,860)
Depreciation expense	-	31,506	86,616	267	15,004	-	133,393
Reclassified	-	-	-	(645)	645	-	-
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 462,857</u>	<u>\$ 1,342,376</u>	<u>\$ 736</u>	<u>\$ 141,194</u>	<u>\$ -</u>	<u>\$ 1,947,163</u>
Carrying amount at December 31, 2014	<u>\$ 396,356</u>	<u>\$ 299,971</u>	<u>\$ 473,198</u>	<u>\$ 190</u>	<u>\$ 39,423</u>	<u>\$ 82,155</u>	<u>\$ 1,291,293</u>

(Concluded)

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	40 years
Electrical and mechanical equipment	8-15 years
Engineering	7-39 years
Others	3-14 years
Equipment	
Main equipment	2-20 years
Engineering	7-20 years
Others	3-15 years
Leased assets	5 years
Other equipment	2-15 years

Refer to Note 31 for the carrying amount of property, plant and equipment pledged by the Company to secure general banking facilities granted to the Company.

15. INVESTMENT PROPERTIES

	Completed Investment Property
<u>Cost</u>	
Balance at January 1 and December 31, 2013	\$ <u>141,150</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2013	\$ 12,808
Depreciation expense	<u>416</u>
Balance at December 31, 2013	\$ <u>13,224</u>
Carrying amount at December 31, 2013	\$ <u>127,926</u>

<u>Cost</u>	
Balance at January 1 and December 31, 2014	\$ <u>141,150</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2014	\$ 13,224
Depreciation expense	<u>415</u>
Balance at December 31, 2014	\$ <u>13,639</u>
Carrying amount at December 31, 2014	\$ <u>127,511</u>

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

Main buildings	40 years
Electrical and mechanical equipment	24-25 years
Engineering	28 years

The fair value of the investment properties was \$399,647 thousand and \$284,065 thousand as of December 31, 2014 and 2013. The management of the Company arrived at the fair value amounts by reference to market evidence of transaction prices for similar properties.

16. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2013	\$ 163,695
Additions	<u>740</u>
Balance at December 31, 2013	\$ <u>164,435</u>

(Continued)

**Computer
Software**

Accumulated amortization and impairment

Balance at January 1, 2013	\$ 146,089
Amortization expense	<u>14,315</u>
Balance at December 31, 2013	<u>\$ 160,404</u>
Carrying amount at December 31, 2013	<u>\$ 4,031</u>

Cost

Balance at January 1, 2014	\$ 164,435
Additions	<u>11,342</u>
Balance at December 31, 2014	<u>\$ 175,777</u>

Accumulated amortization and impairment

Balance at January 1, 2014	\$ 160,404
Amortization expense	<u>8,883</u>
Balance at December 31, 2014	<u>\$ 169,287</u>
Carrying amount at December 31, 2014	<u>\$ 6,490</u> (Concluded)

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

Computer software	2-3 years
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17. OTHER ASSETS

	December 31	
	2014	2013
<u>Current</u>		
Advances to officers	<u>\$ 6,280</u>	<u>\$ 16,568</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 32,366	\$ 109,956
Refundable deposits	15,656	11,690
Others	<u>14,029</u>	<u>17,582</u>
	<u>\$ 62,051</u>	<u>\$ 139,228</u>

18. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2014	2013
<u>Notes payable</u>		
Notes payable - operating	\$ <u>3,170</u>	\$ <u>938</u>
<u>Trade payables</u>		
Trade payables	\$ <u>967,848</u>	\$ <u>886,540</u>

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

19. OTHER LIABILITIES

	December 31	
	2014	2013
<u>Current</u>		
Other payables		
Payable for purchase of equipment	\$ 45,665	\$ 70,511
Payable for commission and rebate	397,808	398,186
Payable for advertisement	91,769	99,088
Payable for royalties	25,175	24,638
Salaries or bonus	120,039	116,925
Payable for freight	6,841	6,987
Payable for employee bonus	26,156	23,431
Payable for remuneration to directors and supervisors	18,683	16,736
Payable for insurance	11,945	11,215
Payable for green recycle fee	6,962	6,085
Others	<u>130,618</u>	<u>92,937</u>
	<u>\$ 881,661</u>	<u>\$ 866,539</u>
Other liabilities		
Advance receipts from customers	\$ 6,694	\$ 9,183
Others	<u>1,513</u>	<u>1,191</u>
	<u>\$ 8,207</u>	<u>\$ 10,374</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits	\$ <u>960</u>	\$ <u>900</u>

20. PROVISIONS

	December 31	
	2014	2013
<u>Current</u>		
Customer returns	<u>\$ 8,593</u>	<u>\$ 10,050</u>
		Customer Returns
Balance at January 1, 2013		\$ 10,805
Addition		92,330
Usage		<u>(93,085)</u>
Balance at December 31, 2013		10,050
Addition		86,612
Usage		<u>(88,069)</u>
Balance at December 31, 2014		<u>\$ 8,593</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.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company 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.

b. Defined benefit plans

The Company 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 makes monthly contributions to a pension fund 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 contributions 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	1.75%	1.75%
Expected return on plan assets	2.00%	2.00%
Expected rate of salary increase	3.00%	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	\$ 5,959	\$ 5,981
Interest cost	7,043	5,383
Expected return on plan assets	<u>(5,279)</u>	<u>(5,252)</u>
	<u>\$ 7,723</u>	<u>\$ 6,112</u>
	For the Years Ended December 31	
	2014	2013
An analysis by function		
Operating cost	\$ 4,331	\$ 2,629
Marketing expenses	880	742
Administration expenses	2,472	2,716
Research and development expenses	<u>40</u>	<u>25</u>
	<u>\$ 7,723</u>	<u>\$ 6,112</u>

Actuarial losses recognized in other comprehensive income or loss for the years ended December 31, 2014 and 2013 were \$25,442 thousand and \$24,967 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income or loss as of December 31, 2014 and 2013 was \$74,731 thousand and \$49,289 thousand, respectively.

The amounts included in the Company's balance sheets in respect of its obligations under its defined benefit plans were as follows:

	December 31	
	2014	2013
Present value of funded defined benefit obligation	\$ 431,685	\$ 402,473
Fair value of plan assets	<u>(264,042)</u>	<u>(261,184)</u>
Accrued pension liabilities	<u>\$ 167,643</u>	<u>\$ 141,289</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	\$ 402,473	\$ 391,505
Current service cost	5,959	5,981
Interest cost	7,043	5,383
		(Continued)

	For the Years Ended December 31	
	2014	2013
Actuarial losses	\$ 26,337	\$ 23,090
Benefits paid	<u>(10,127)</u>	<u>(23,486)</u>
Closing defined benefit obligation	<u>\$ 431,685</u>	<u>\$ 402,473</u> (Concluded)

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	\$ 261,184	\$ 275,624
Expected return on plan assets	5,279	5,252
Actuarial gains (losses)	895	(1,877)
Contributions from the employer	6,811	5,671
Benefits paid	<u>(10,127)</u>	<u>(23,486)</u>
Closing fair value of plan assets	<u>\$ 264,042</u>	<u>\$ 261,184</u>

For the years ended December 31, 2014 and 2013, the actual return on plan assets were \$6,174 thousand and \$3,375 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 Company 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	\$ 431,685	\$ 402,473	\$ 391,505	\$ 370,576
Fair value of plan assets	<u>\$ 264,042</u>	<u>\$ 261,184</u>	<u>\$ 275,624</u>	<u>\$ 277,044</u>
Deficit	<u>\$ 167,643</u>	<u>\$ 141,289</u>	<u>\$ 115,881</u>	<u>\$ 93,532</u>
Experience adjustments on plan liabilities	<u>\$ 13,325</u>	<u>\$ 47,188</u>	<u>\$ 21,338</u>	<u>\$ -</u>
Experience adjustments on plan assets	<u>\$ 895</u>	<u>\$ (1,877)</u>	<u>\$ (2,984)</u>	<u>\$ -</u>

The Company expects to make a contribution of \$7,149 thousand and \$5,557 thousand, respectively, to the defined benefit plans in 2014 and 2013.

22. EQUITY

a. Common stock

1) Ordinary shares

	December 31	
	2014	2013
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

	December 31	
	2014	2013
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
- 4) 30% to 100% of the sum of the remainder and prior years’ unappropriated earnings as dividends.

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

For the years ended December 31, 2014 and 2013, the bonus to employees was \$26,156 thousand and \$23,431 thousand, respectively, and the remuneration to directors and supervisors was \$18,683 thousand and \$16,736 thousand, respectively. The bonus to employees was 1.4% and the remuneration to directors and supervisors was 1% of the net income for the respective years, minus the legal reserve to be appropriated. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the financial statements are authorized for issue, the differences are recorded as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the fair value of the shares. For the calculation of the number of shares, the fair value of the shares refer to the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' meeting.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings bonus to employees and remuneration to directors and supervisors for 2013 and 2012 had been approved in the shareholders' meetings on June 18, 2014 and June 14, 2013, respectively. The appropriations, dividends per share, bonus to employees and remuneration to directors and supervisors were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Years Ended December 31		For the Years Ended December 31	
	2013	2012	2013	2012
Legal reserve	\$ 185,958	\$ 223,806		
Cash dividends	1,057,811	1,149,794	\$ 1.6	\$ 2.0
Stock dividends	595,019	862,346	0.9	1.5
			For the Years Ended December 31	
			2013	2012
Bonus to employees - cash		\$ 23,431		\$ 28,200
Remuneration of directors and supervisors		16,736		20,143

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standards in the Republic of China ("ROC GAAP").

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 Jun 18, 2014 and Jun14, 2013 and the amounts recognized in the parent company only 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	(1,001)	3,930
Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	(333)	(1,615)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of subsidiaries accounted for using the equity method	(6,293)	(16,283)
Income tax related to share of unrealized gain on revaluation of available-for-sale financial asset of subsidiaries accounted for using equity method	<u>872</u>	<u>3,090</u>
Balance at December 31	<u>\$ 4,032</u>	<u>\$ 10,787</u>

e. 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.

23. NET PROFIT

Net Profit

a. Other income

	For the Years Ended December 31	
	2014	2013
Operating lease rental income		
Investment properties	<u>\$ 2,160</u>	<u>\$ 3,240</u>
Interest income		
Bank deposits	21,801	17,737
Repurchase agreements collateralized by bonds	<u>2,979</u>	<u>2,201</u>
	<u>24,780</u>	<u>19,938</u>
Dividends	<u>2,155</u>	<u>7,101</u>
	<u>\$ 29,095</u>	<u>\$ 30,279</u>

b. Other gains and losses

	For the Years Ended December 31	
	2014	2013
Gain/(loss) on disposal of property, plant and equipment	\$ (963)	\$ 426
Gain on disposal available-for-sale financial assets	333	1,615
Gain on disposal of associates	-	578
Net foreign exchange gains	18,799	23,927
Impairment loss arising on financial assets measured at cost	(17,473)	(15,190)
Others	<u>23,844</u>	<u>73,035</u>
	<u>\$ 24,540</u>	<u>\$ 84,391</u>

c. Finance costs

	For the Years Ended December 31	
	2014	2013
Interest on bank loans	\$ 177	\$ 1,031
Interest on obligations under finance leases	<u>66</u>	<u>108</u>
Total interest expense on financial liabilities measured at amortized cost	243	1,139
Less: Amounts included in the cost of qualifying assets	<u>(72)</u>	<u>(210)</u>
	<u>\$ 171</u>	<u>\$ 929</u>

Information about capitalized interest was as follows:

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

d. Impairment loss on financial assets

	For the Years Ended December 31	
	2014	2013
Trade receivables	\$ 109	\$ 282
Financial assets measured at cost	<u>17,473</u>	<u>15,190</u>
	<u>\$ 17,582</u>	<u>\$ 15,472</u>

e. Depreciation and amortization

	For the Years Ended December 31	
	2014	2013
Property, plant and equipment	\$ 133,393	\$ 119,045
Investment properties	415	416
Intangible assets (included in operating costs/operating expense)	8,883	14,315
Others	<u>13,671</u>	<u>10,313</u>
	<u>\$ 156,362</u>	<u>\$ 144,089</u>
Depreciation expenses		
Operating costs	\$ 96,855	\$ 81,609
Operating expenses	36,538	37,436
Non-operating income and expense	<u>415</u>	<u>416</u>
	<u>\$ 133,808</u>	<u>\$ 119,461</u>
Amortization expenses		
Operating costs	\$ 7,966	\$ 9,291
Selling and marketing expenses	6,096	2,522
General and administrative expenses	8,218	12,815
Research and development expenses	<u>274</u>	<u>-</u>
	<u>\$ 22,554</u>	<u>\$ 24,628</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	\$ 277	\$ 416
Direct operating expenses of investment properties that did not generated rental income	<u>138</u>	<u>-</u>
	<u>\$ 415</u>	<u>\$ 416</u>

g. Employee benefits expense

	For the Years Ended December 31	
	2014	2013
Post-employment benefits (see Note 21)		
Defined contribution plans	\$ 24,416	\$ 23,092
Defined benefit plans	<u>7,723</u>	<u>6,112</u>
	32,139	29,204
Termination benefits	2,040	1,303
Other employee benefits	<u>836,225</u>	<u>783,448</u>
Total employee benefits expense	<u>\$ 870,404</u>	<u>\$ 813,955</u>

(Continued)

	For the Years Ended December 31	
	2014	2013
Summary by function		
Operating costs	\$ 429,663	\$ 390,509
Operating expenses	<u>440,741</u>	<u>423,446</u>
	<u>\$ 870,404</u>	<u>\$ 813,955</u>
		(Concluded)

h. Gain or loss on foreign currency exchange

	For the Years Ended December 31	
	2014	2013
Foreign exchange gains	\$ 147,581	\$ 56,507
Foreign exchange losses	<u>(128,782)</u>	<u>(32,580)</u>
Net gains	<u>\$ 18,799</u>	<u>\$ 23,927</u>

i. Impairment losses on non-financial assets

	For the Years Ended December 31	
	2014	2013
Inventories (included in operating costs)	<u>\$ 12,373</u>	<u>\$ 11,648</u>

24. 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	\$ 360,006	\$ 341,970
Income tax expense of unappropriated earnings	-	212
In respect of prior periods	<u>(3,799)</u>	<u>4,875</u>
	356,207	347,057
Deferred tax		
In respect of the current year	<u>20,788</u>	<u>749</u>
Income tax expense recognized in profit or loss	<u>\$ 376,995</u>	<u>\$ 347,806</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>\$ 2,452,846</u>	<u>\$ 2,207,388</u>
Income tax expense calculated at the statutory rate	\$ 416,984	\$ 375,256
Nondeductible expenses in determining taxable income	6,509	9,402
Tax-exempt income	(42,699)	(41,939)
Additional income tax on unappropriated earnings	-	212
Adjustments for prior years' tax	<u>(3,799)</u>	<u>4,875</u>
Income tax expense recognized in profit or loss	<u>\$ 376,995</u>	<u>\$ 347,806</u>

The applicable tax rate used above is the corporate tax rate of 17%.

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
Actuarial gains and losses on defined benefit plan	(4,325)	(4,244)
Share of other comprehensive income of subsidiaries and associates	<u>(872)</u>	<u>(3,090)</u>
	46,963	32,820
Arising on income and expenses reclassified from equity to profit or loss:		
On disposal of exchange difference of associates	<u>-</u>	<u>(367)</u>
Total income tax recognized in other comprehensive income	<u>\$ 46,693</u>	<u>\$ 32,453</u>

c. Current tax assets and liabilities

	December 31	
	2014	2013
Current tax assets		
Tax refund receivable	<u>\$ 31,500</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 183,377</u>	<u>\$ 107,503</u>

d. Deferred tax assets and liabilities

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	23,458	75	4,325	27,858
Deferred sales return and allowance	5,710	(323)	-	5,387
Allowance for inventory loss	5,054	(45)	-	5,009
Available-for-sale financial assets	44	-	872	916
Others	<u>6,561</u>	<u>4,087</u>	<u>-</u>	<u>10,648</u>
	<u>\$ 256,463</u>	<u>\$ (21,875)</u>	<u>\$ 5,197</u>	<u>\$ 239,785</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>2,873</u>	<u>(1,087)</u>	<u>-</u>	<u>1,786</u>
	<u>\$ 83,496</u>	<u>\$ (1,087)</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	19,150	64	4,244	23,458
Deferred sales return and allowance	5,911	(201)	-	5,710
Allowance for inventory loss	3,074	1,980	-	5,054
Available-for-sale financial assets	-	-	44	44
Others	<u>9,122</u>	<u>(2,561)</u>	<u>-</u>	<u>6,561</u>
	<u>\$ 250,051</u>	<u>\$ 2,124</u>	<u>\$ 4,288</u>	<u>\$ 256,463</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<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>-</u>	<u>2,873</u>	<u>-</u>	<u>2,873</u>
	<u>\$ 43,882</u>	<u>\$ 2,873</u>	<u>\$ 36,741</u>	<u>\$ 83,496</u> (Concluded)

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

f. 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%.

g. Income tax assessments

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

25. 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 employees	<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.

26. PARTIAL ACQUISITION OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

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

The above transactions was accounted for as equity transactions, since the Company did not cease to have control over the subsidiary. For details about the acquisition of Standard Beverage Company Limited, please refer to Note 30 to the consolidated financial statements for the year ended December 31, 2014.

27. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Operating leases relate to leases of office and parking lot with lease terms between 1 and 5 years. The Company does not have a bargain purchase option to acquire the leased office and parking lot at the expiration of the lease periods.

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

	December 31	
	2014	2013
Not later than 1 year	\$ 21,717	\$ 18,317
Later than 1 year and not later than 5 years	<u>21,811</u>	<u>5,239</u>
	<u>\$ 43,528</u>	<u>\$ 23,556</u>

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

	For the Years Ended December 31	
	2014	2013
Minimum lease payment	<u>\$ 27,632</u>	<u>\$ 26,055</u>

b. The Company as lessor

Operating leases relate to the investment property owned by the Company with lease terms for 2 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	\$ 3,240	\$ 1,350
Later than 1 year and not later than 5 years	<u>1,080</u>	<u>-</u>
	<u>\$ 4,320</u>	<u>\$ 1,350</u>

28. CAPITAL MANAGEMENT

The Company'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 Company 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.

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value measurements recognized in the Company's 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	\$ 17,059	\$ -	\$ -	\$ 17,059
Mutual funds	<u>7,196</u>	<u>-</u>	<u>-</u>	<u>7,196</u>
	<u>\$ 24,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,255</u>

December 31, 2013

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Listed shares				
Equity securities	\$ 18,699	\$ -	\$ -	\$ 18,699
Mutual funds	<u>13,001</u>	<u>-</u>	<u>-</u>	<u>13,001</u>
	<u>\$ 31,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,700</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 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

	December 31	
	2014	2013
<u>Financial assets</u>		
Loans and receivables (1)	\$ 2,977,627	\$ 3,009,897
Available-for-sale financial assets (2)	100,409	128,963
<u>Financial liabilities</u>		
Amortized cost (3)	1,018,300	960,304

- 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 notes payable, trade payables, finance lease payables, and other financial liabilities.

c. Financial risk management objectives and policies

The Company's major financial instruments include cash and cash equivalents, equity investments, mutual funds, debt investments with no active market, trade receivables, and trade payables. The Company'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 Company 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 Company'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 Company's foreign currency risk arises from its foreign currency monetary assets and liabilities. The Company watches out for the fluctuation of market exchange rates, and takes appropriate actions to manage the exchange rate risk.

The carrying amounts of the Company'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 34.

Sensitivity analysis

The Company was mainly exposed to the RMB and USD.

The following table details the Company'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 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		For the Years Ended	
	December 31		December 31	
	2014	2013	2014	2013
Profit or loss	\$ 7,436 (i)	\$ 13,541 (i)	\$ 169 (ii)	\$ 867 (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 and trade payables, which were not hedged at the end of the reporting period.

The Company's sensitivity about foreign currency decreased during the current year mainly due to the decrease in RMB and USD bank deposits, and decrease in RMB debt investments with no active market.

b) Interest rate risk

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

The carrying amounts of the Company'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	\$ 990,533	\$ 946,752
Financial liabilities	657	1,415
Cash flow interest rate risk		
Financial assets	73,500	-

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the asset 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 Company's pre-tax profit for the years ended December 31, 2014 and 2013 would decrease/increase by \$735 thousand and zero, respectively.

The Company's sensitivity to interest rates increased during the current year mainly due to the increase in variable rate deposits.

c) Other price risk

The Company was exposed to equity price risk due to its investments in listed equity securities and mutual funds. The Company 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, the pre-tax other comprehensive income for the years ended December 31, 2014 and 2013 would increase/decrease by \$243 thousand and \$317 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

The Company's sensitivity to prices decreased 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 Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company 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 Company 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 Company 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 Company's concentration of credit risk of 76% and 74% in total trade receivables as of December 31, 2014 and 2013, respectively, was related to the Company's four largest customers.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company had available unutilized bank loan facilities in the amounts of \$2,913,064 thousand and \$2,487,465 thousand as of December 31, 2014 and 2013, respectively.

The following table details the Company'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 Company 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	\$ 84,724	\$ 169,447	\$ 762,512	\$ 960
Finance lease liabilities	<u>60</u>	<u>100</u>	<u>390</u>	<u>128</u>
	<u>\$ 84,784</u>	<u>\$ 169,547</u>	<u>\$ 762,902</u>	<u>\$ 1,088</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	\$ 79,832	\$ 159,665	\$ 718,492	\$ 900
Finance lease liabilities	<u>73</u>	<u>146</u>	<u>604</u>	<u>685</u>
	<u>\$ 79,905</u>	<u>\$ 159,811</u>	<u>\$ 719,096</u>	<u>\$ 1,585</u>

30. TRANSACTIONS WITH RELATED PARTIES

The transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. Sales of goods

Line Items	Related Party Categories	For the Years Ended December 31	
		2014	2013
Sales	Subsidiaries	<u>\$ 1,171,351</u>	<u>\$ 1,092,091</u>

Sales to related parties were conducted on normal commercial terms.

b. Purchases of goods

Related Party Categories	For the Years Ended December 31	
	2014	2013
Subsidiaries	<u>\$ 762,316</u>	<u>\$ 721,552</u>

Purchases from related parties were conducted on normal commercial terms.

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

Line Items	Related Party Categories	December 31	
		2014	2013
Trade receivables	Subsidiaries	\$ 133,940	\$ 104,049
Other receivables	Subsidiaries	<u>2,742</u>	<u>2,120</u>
		<u>\$ 136,682</u>	<u>\$ 106,169</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2014 and 2013, no impairment loss was recognized on receivables from related parties.

d. Property, plant and equipment disposed of

Related Party Categories	Proceeds		Gain (Loss) on Disposal	
	2014	2013	2014	2013
Subsidiaries	<u>\$ 3,095</u>	<u>\$ 1,108</u>	<u>\$ (158)</u>	<u>\$ 16</u>

e. Other transactions with related parties

Line Items	Related Party Categories	December 31	
		2014	2013
Royalty revenues	Subsidiaries	<u>\$ 3,104</u>	<u>\$ 2,659</u>

f. 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.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2014	2013
Properties, plant and equipment	<u>\$ 242,227</u>	<u>\$ 256,594</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- 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\$570 thousand.
- c. Commitments for purchase of properties of approximately \$47,000 thousand.

33. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

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.

34. 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	\$ 501	31.65 (USD:NTD)	\$ 15,872
RMB	48,679	5.09 (RMB:NTD)	247,874
EUR	1	38.47 (EUR:NTD)	33
AUD	12	25.91 (AUD:NTD)	<u>303</u>
			<u>\$ 264,082</u>
Non-monetary items			
USD	1,227	31.65 (USD:NTD)	<u>\$ 38,834</u>
<u>Financial liabilities</u>			
Monetary items			
USD	323	31.65 (USD:NTD)	\$ 10,232
EUR	471	38.47 (EUR:NTD)	18,104
AUD	379	25.91 (AUD:NTD)	<u>9,812</u>
			<u>\$ 38,148</u>

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,030	29.81 (USD:NTD)	\$ 30,692
RMB	91,761	4.92 (RMB:NTD)	451,372
EUR	1	41.09 (EUR:NTD)	34
AUD	5,781	26.59 (AUD:NTD)	<u>153,686</u>
			<u>\$ 635,784</u>
Non-monetary items			
USD	1,895	29.81 (USD:NTD)	<u>\$ 56,486</u>
<u>Financial liabilities</u>			
Monetary items			
USD	60	29.81 (USD:NTD)	\$ 1,798
EUR	482	41.09 (EUR:NTD)	19,808
AUD	704	26.59 (AUD:NTD)	<u>18,713</u>
			<u>\$ 40,319</u>

35. 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. Names, locations, and related information of investees over which the Company exercises significant influence: Please see Table 8 attached;

k. 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 9 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 10 attached.

TABLE 1

STANDARD FOODS CORPORATION

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 1: “0” for the Company, subsidiaries are numbered from “1”.

Note 2: Reasons for financing are 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 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%)

TABLE 2

STANDARD FOODS CORPORATION

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	
		Standard Foods (China) Co., Ltd.	c.	2,423,150 (Note 3)	255,229	141,809	-	-	4.68	3,028,937 (Note 4)	-	-	Y	
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 1: “0” for the Company, subsidiaries are numbered from “1”.

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

- a. Trading partner.
- b. Majority owned subsidiary.
- c. The Company and subsidiary owns over 50% ownership of the investee company.
- d. A subsidiary jointly owned by the Company and company’s directly-owned subsidiary.
- e. Guaranteed by the Company according to construction contract.
- f. 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 statement 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 statement 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 statement 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 statement 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”.

TABLE 3

STANDARD FOODS CORPORATION

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.	The Company is a director.	Available-for-sale financial assets - current	1,189,622	\$ 12,491		\$ 12,491	
	Chunghwa Telecom Co., Ltd.		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		Financial assets carried at cost - non-current	2,344,110	18,549	9.8	17,148	
	Dah Chung Bills Finance Corp.		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.		Financial assets carried at cost - non-current	Note 1	1,129	0.5	505	
	Walden VC 2, L.P.		Financial assets carried at cost - non-current	Note 1	34,502	2.1	35,754	
	iGlobe Partners Fund, L.P.		Financial assets carried at cost - non-current	Note 1	-	1.4	7,589	
	<u>Stock</u> Techgains Pan-Pacific Corporation		Financial assets carried at cost - non-current	500,000	3,202	0.9	3,564	
	United Venture Capital Corporation		Financial assets carried at cost - non-current	36,422	-	2.3	-	
	Authenex, Inc.		Financial assets carried at cost - non-current	2,424,242	-	5.5	-	
	Global Strategic Investment Co., Ltd.		Financial assets carried at cost - non-current	850,500	4,784	1.9	2,547	
	Paradigm Venture Capital Corporation		Financial assets carried at cost - non-current	438,750	4,388	7.0	4,065	
	U-Teck Environment Corporation, Ltd.		Financial assets carried at cost - non-current	11,200	-	0.2	-	
	Octamer, Inc.		Financial assets carried at cost - non-current	907,815	-	8.8	-	
Standard Dairy Products Taiwan Limited	<u>Mutual funds</u> Capital Money Market		Available-for-sale financial assets - current	2,038,994	32,318		32,318	
	Jih Sun Money Market		Available-for-sale financial assets - current	538,094	7,824		7,824	
Charng Hui Ltd.	<u>Stock</u> Standard Foods Corporation	Parent of Charng Hui Ltd.	Available-for-sale financial assets - current	5,252,215	367,655	0.7	367,655	
	Formosa Plastics Corporation		Available-for-sale financial assets - current	91,440	6,611		6,611	
	China Steel Corporation		Available-for-sale financial assets - current	803,258	21,126		21,126	
	Polytronics Technology Corp.		Available-for-sale financial assets - current	1,596,000	107,092		107,092	
	Taiwan Semiconductor Manufacturing Co., Ltd.		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.

(Concluded)

TABLE 4

STANDARD FOODS CORPORATION

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	
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	
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	
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 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.

TABLE 5

STANDARD FOODS CORPORATION

**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	
			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	
			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	
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	
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	
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	

TABLE 6**STANDARD FOODS CORPORATION****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	9.93	\$ -	-	\$ 133,940 (Note)	\$ -	
			Other receivables		-	-	867 (Note)	-	
					<u>\$ -</u>	-	<u>\$ 134,807</u> (Note)	<u>\$ -</u>	
Accession Limited	Shanghai Standard Foods Co., Ltd.	Accession Limited's subsidiary	Other receivables		<u>\$ -</u>		<u>\$ -</u> (Note)	<u>\$ -</u>	
Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co.	Trade receivables	9.02	\$ -	-	\$ 1,176,611 (Note)	\$ -	
			Other receivables from sale of trademark rights		-	-	- (Note)	-	
					<u>\$ -</u>	-	<u>\$ 1,176,611</u> (Note)	<u>\$ -</u>	
Standard Foods (China) Co., Ltd.	Shanghai Standard Foods Co., Ltd.	Brother company of Standard Foods (China) Co., Ltd.	Trade receivables	5.11	<u>\$ -</u>	-	<u>\$ 110,783</u> (Note)	<u>\$ -</u>	

Note: Amounts received before March 24, 2015.

STANDARD FOODS CORPORATION**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.

TABLE 8

STANDARD FOODS CORPORATION

**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
	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
	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 (Note 1)	Subsidiary
	Charng Hui Ltd.	Taipei, Taiwan	Investment business	530,000	530,000	54,100,000	100.0	563,910	14,836	7,126	Subsidiary
	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
	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 (Note 2)	Subsidiary
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 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.

TABLE 9

STANDARD FOODS CORPORATION

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	\$ -	
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	-	
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	-	
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	-	
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	-	
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	-	

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:
- a. Direct investment in Mainland China.
 - b. Indirectly investment in Mainland China through companies registered in a third region (please specify the name of the company in third region).
 - c. Other methods.
- Note 2: The investment income (loss) recognized in current period:
- a. Please specify no investment income (loss) has been recognized due to the investment is still during development stage.
 - b. The investment income (loss) was determined based on the following basis:
 - 1) The financial report was audited and certified by an international accounting firm in cooperation with an ROC accounting firm.
 - 2) The financial statements audited by the CPA of the parent company in Taiwan.
 - 3) Others.

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

Note 4: As of December 31, 2014, accumulated amount 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 headquarters' 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.

(Concluded)

STANDARD FOODS CORPORATION

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. Sales

Trading Partners	Third Region	Terms and Conditions		Sales		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	\$ -	\$ -	-	-

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	-

STANDARD FOODS CORPORATION

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SCHEDULE 1**STANDARD FOODS CORPORATION****SCHEDULE OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2014****(In Thousands of New Taiwan Dollars)**

Item	Description	Interest Rate	Amount
Cash on hand			<u>\$ 1,421</u>
Cash in banks			
Checking account deposits			9,480
Demand deposits		0.17%	85
Foreign currency demand deposits	Including RMB504 thousand @5.09, US\$371 thousand @31.65, AUD12 thousand @25.91	0.01%-0.60%	14,635
			<u>24,200</u>
Cash equivalents			
Repurchase agreements collateralized by bonds	Expired by January 2015	0.62%-0.70%	466,588
			<u>\$ 492,209</u>

STANDARD FOODS CORPORATION

SCHEDULE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Item	Shares/ Units	Par Value (Dollar)	Total Amount	Cost	Accumulated Impairment	Unit Cost (Dollar)	Total Amount
Listed shares							
Far Eastern International Commercial Bank Co., Ltd.	1,189,622	\$10	\$ 11,896	\$ 17,114	\$ -	10.50	\$ 12,491
Chunghwa Telecom Co., Ltd.	48,600	10	486	<u>4,063</u> <u>21,177</u>	<u>-</u> <u>-</u>	94.00	<u>4,568</u> <u>17,059</u>
Open ended fund							
UPAMC Quality Growth	297,974			<u>5,000</u>	<u>-</u>	24.15	<u>7,196</u>
				<u>\$ 26,177</u>	<u>\$ -</u>		<u>\$ 24,255</u>

STANDARD FOODS CORPORATION

SCHEDULE OF DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Name	Description	Number	Par Value	Total Amount	Annual Interest	Book Value	Note
					Rate		
The Shanghai Commercial & Savings Bank time deposit	Expired by January 2015, maturity interest	1	\$ 5,000	\$ 5,000	1.31%	\$ 5,000	Fixed
The Shanghai Commercial & Savings Bank time deposit	Expired by January 2015, maturity interest	8	5,059	40,472	1.31%	40,472	Fixed
The Shanghai Commercial & Savings Bank time deposit	Expired by January 2015, maturity interest	1	45,000	45,000	1.31%	45,000	Fixed
Chang Hwa Bank time deposit	Expired by January 2015, maturity interest	6	2,500	15,000	1.36%	15,000	Fixed
Chang Hwa Bank time deposit	Expired by February 2015, maturity interest	1	2,500	2,500	1.36%	2,500	Fixed
Far Eastern International Bank time deposit	Expired by March 2015, maturity interest	5	4,900	24,500	1.37%	24,500	Fixed
Far Eastern International Bank time deposit	Expired by April 2015, maturity interest	5	4,900	24,500	1.37%	24,500	Fixed
Far Eastern International Bank time deposit	Expired by May 2015, maturity interest	9	4,900	44,100	1.37%	44,100	Fixed
Far Eastern International Bank time deposit	Expired by Jun 2015, maturity interest	10	4,900	49,000	1.37%	49,000	Fixed
Far Eastern International Bank time deposit	Expired by July 2015, maturity interest	4	4,900	19,600	1.37%	19,600	Fixed
Far Eastern International Bank time deposit	Expired by September 2015, maturity interest	1	4,900	4,900	1.37%	4,900	Fixed
Far Eastern International Bank time deposit	Expired by October 2015, maturity interest	5	4,900	24,500	1.35%	24,500	Floating
Far Eastern International Bank time deposit	Expired by November 2015, maturity interest	4	4,900	19,600	1.35%	19,600	Floating
Far Eastern International Bank time deposit	Expired by December 2015, maturity interest	6	4,900	29,400	1.35%	29,400	Floating
Taishin International Bank time deposit	Expired by January 2015, maturity interest	1	4,500	4,500	1.36%	4,500	Fixed
Taishin International Bank time r deposit	Expired by November 2015, maturity interest	1	4,500	4,500	1.36%	4,500	Fixed
First Commercial Bank foreign currency time deposit	Expired by October 2015, maturity interest	1	RMB1,881 thousand @5.092	9,576	3.00%	9,576	Fixed
First Commercial Bank foreign currency time deposit	Expired by February 2015, maturity interest	1	RMB10,027 thousand @5.092	51,056	3.38%	51,056	Fixed
Chang Hwa Bank foreign currency time deposit	Expired by January 2015, maturity interest	1	RMB10,000 thousand @5.092	50,920	3.30%	50,920	Fixed
Chang Hwa Bank foreign currency time deposit	Expired by February 2015, maturity interest	1	RMB20,299 thousand @5.092	103,361	3.20%	103,361	Fixed
Chinatrust Commercial Bank foreign currency time deposit	Expired by March 2015, maturity interest	1	RMB5,000 thousand @5.092	<u>25,460</u>	3.30%	<u>25,460</u>	Fixed
				<u>\$ 597,445</u>		<u>\$ 597,445</u>	

STANDARD FOODS CORPORATION**SCHEDULE OF TRADE RECEIVABLES****DECEMBER 31, 2014****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Unrelated parties	
Company A	\$ 571,881
Company B	302,325
Company C	192,626
Company D	244,612
Others (Note)	<u>405,020</u>
	1,716,464
Less: Allowance for uncollectible accounts	<u>(2,164)</u>
	<u><u>\$ 1,714,300</u></u>
Related party	
Standard Dairy Products Taiwan Limited	<u>\$ 133,940</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STANDARD FOODS CORPORATION**SCHEDULE OF INVENTORIES****DECEMBER 31, 2014****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Merchandise	\$ 621,366	\$ 871,110
Finished goods	747,841	1,263,113
Work in progress	164,333	286,904
Raw materials	446,760	701,275
Packaging materials	<u>38,014</u>	<u>56,051</u>
	<u>\$ 2,018,314</u>	<u>\$ 3,178,453</u>

STANDARD FOODS CORPORATION

**SCHEDULE OF CHANGES IN FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)**

Investees	Balance, January 1, 2014		Addition		Deduction		Balance, December 31, 2014		Collateral	Accumulated Impairment	Note
	Shares/Unit	Amount	Shares/Unit	Amount	Shares/Unit	Amount	Shares/Unit	Amount			
Walden VC II L.P.	-	\$ 51,507	-	\$ -	-	\$ 17,005	-	\$ 34,502	Nil	\$ 82,801	Notes 1 and 4
Authenex, Inc.	2,424,242	-	-	-	-	-	2,424,242	-	Nil	67,580	-
Global Strategic Investment Co., Ltd.	1,050,000	6,779	-	-	199,500	1,995	850,500	4,784	Nil	3,721	Note 2
VantagePoint Communications Partners, L.P.	-	1,129	-	-	-	-	-	1,129	Nil	23,516	Note 1
iGlobe Partners Fund, L.P.	-	-	-	-	-	-	-	-	Nil	6,483	Note 1
GeneFerm Biotechnology Co., Ltd.	2,344,110	18,549	-	-	-	-	2,344,110	18,549	Nil	3,889	-
United Venture Capital Corporation	36,422	-	-	-	-	-	36,422	-	Nil	-	-
Paradigm Venture Capital Corporation	585,000	5,850	-	-	146,250	1,462	438,750	4,388	Nil	-	Note 5
Dah Chung Bills Finance Corporation	1,194,249	9,600	-	-	-	-	1,194,249	9,600	Nil	-	-
Techgains Pan-Pacific Corporation	500,000	3,849	-	-	-	647	500,000	3,202	Nil	9,185	Note 3
U-Teck Environment Corporation, Ltd.	11,200	-	-	-	-	-	11,200	-	Nil	1,362	-
Octamer, Inc.	907,815	-	-	-	-	-	907,815	-	Nil	20,143	-
		<u>\$ 97,263</u>		<u>\$ -</u>		<u>\$ 21,109</u>		<u>\$ 76,154</u>			

Note 1: The funds do not have unit.

Note 2: The number of shares and the amounts decreased this year due to the investee that reduced capital and refunded money.

Note 3: The amounts decreased this year due to investment costs refunded.

Note 4: The amounts decreased this year due to impairment losses recognized.

Note 5: The number of shares decreased this year due to the investee that reduced capital by 46,800 shares to cover loss and reduced capital by 99,450 shares to refund money; the amount decreased this year due to recognized investment loss of \$468 thousand and investees reduced capital and refunded \$994 thousand.

STANDARD FOODS CORPORATION

**SCHEDULE OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)**

Investees	Balance, January 1, 2014		Addition		Decrease		Balance, December 31, 2014			Net Assets Value (Note 8)		Collateral	Note
	Shares/Unit	Amount	Shares/Unit	Amount	Shares/Unit	Amount	Shares/Unit	%	Amount	Unit Price	Total Price		
Accession Limited	123,600,000	\$ 3,261,273	-	\$ 292,566	-	\$ 5,300	123,600,000	100.00	\$ 3,548,539	28.8	\$ 3,562,995	Nil	Note 1
Standard Dairy Products Taiwan Limited	30,000,000	536,074	-	183,425	-	167,309	30,000,000	100.00	552,190	18.8	564,198	Nil	Note 2
Charng Hui Ltd.	54,100,000	561,359	-	14,836	-	12,285	54,100,000	100.00	563,910	17.2	931,565	Nil	Note 3
DOMEX Technology Corporation	10,374,399	148,105	-	15,688	-	3,157	10,374,399	52.00	160,636	15.4	160,047	Nil	Note 4
Standard Beverage Company Limited	7,675,325	75,495	231,675	3,429	-	6	7,907,000	100.00	78,918	10.0	79,367	Nil	Note 5
Standard Investment (Cayman) Limited	45,045,000	<u>1,264,173</u>	21,351,296	<u>824,896</u>	-	<u>-</u>	66,396,296	100.00	<u>2,089,069</u>	31.5	<u>2,089,111</u>	Nil	Note 6
		<u>\$ 5,846,479</u>		<u>\$ 1,334,840</u>		<u>\$ 188,057</u>			<u>\$ 6,993,262</u>		<u>\$ 7,387,283</u>		

Note 1: The amounts increased this year due to recognized translation adjustment of \$195,115 thousand under equity method, and recognized investment income of \$97,451 thousand under equity method; the amounts decreased this year due to recognized other comprehensive income of \$5,300 thousand under equity method.

Note 2: The amounts increased this year due to recognized investment income of \$183,425 thousand under equity method; the amounts decreased this year due to received cash dividends of \$165,798 thousand issued by the investee and recognized other comprehensive income of \$1,511 thousand for under equity method.

Note 3: The amounts increased this year due to the Company's cash dividends received by the investee to adjust capital surplus in the amount of \$7,710 thousand and recognized investment income of \$7,126 thousand under equity method; the amounts decreased this year due to received cash dividends of \$11,288 thousand issued by the investee and recognized other comprehensive income of \$997 thousand under equity method.

Note 4: The amounts increased this year due to recognized investment income of \$15,688 thousand under equity method; the amounts decreased this year due to received cash dividends of \$3,112 thousand issued by the investee and recognized other comprehensive income of \$45 thousand for under equity method.

Note 5: The number of shares increased this year due to increased investment; the amounts increased this year due to increased investment in the amount of \$2,319 thousand, adjusted capital surplus by \$1 thousand, and recognized investment income of \$1,109 thousand under equity method; the amounts decreased this year due to recognized other comprehensive income of \$6 thousand under equity method.

Note 6: The number of shares increased this year due to increased investment; the amounts increased this year due to increased investment in the amount of \$645,127 thousand, recognized translation adjustment of \$110,121 thousand under equity method, and recognized investment income of \$69,648 thousand under equity method.

Note 7: Net assets value was calculated based on the financial statements of investees.

STANDARD FOODS CORPORATION**SCHEDULE OF TRADE PAYABLES****DECEMBER 31, 2014****(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Unrelated parties	
Company A	\$ 112,699
Company B	58,128
Company C	53,426
Others (Note)	<u>743,595</u>
	<u>\$ 967,848</u>

Note: The amount of individual creditors included in others does not exceed 5% of the account balance.

STANDARD FOODS CORPORATION**SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)**

Item	Shipments (Tons)	Amount
Nutritious foods	77,260	\$ 10,844,571
Cooking products	23,381	2,055,127
Other categories	15,016	<u>432,338</u>
Total revenue		13,332,036
Less: Sales returns		(87,189)
Sales allowances		<u>(1,756,790)</u>
Net sales revenue		<u>\$ 11,488,057</u>

STANDARD FOODS CORPORATION
SCHEDULE OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of goods sold-finished goods	
Raw materials, beginning of year	\$ 489,368
Add: Raw materials purchased	4,840,540
Less: Loss on physical inventory of raw materials	(2,615)
Sales of raw materials	(80,441)
Other use	(10,590)
Raw materials scrapped	(11,512)
Raw materials, end of year	<u>(484,774)</u>
Raw materials consumed	4,739,976
Direct labor	222,128
Manufacturing expenses	<u>785,737</u>
Manufacturing costs	5,747,841
Work in progress, beginning of year	140,125
Add: Gain on physical inventory of work in progress	91
Less: Transferred to other accounts	(24,392)
Work in progress scrapped	(1,508)
Work in progress, end of year	<u>(164,333)</u>
Cost of finished goods	5,697,824
Finished goods, beginning of year	579,702
Add: Gain on physical inventory of finished goods	1
Less: Transferred to other accounts	(65,988)
Finished goods scrapped	(2,542)
Finished goods, end of year	<u>(747,841)</u>
Cost of goods sold - finished goods	<u>5,461,156</u>
Cost of goods sold - merchandise	
Merchandise, beginning of year	663,909
Add: Merchandise purchased	2,336,101
Less: Loss on physical inventory of merchandise	(8)
Merchandise scrapped	(2,450)
Merchandise, end of year	<u>(621,366)</u>
Cost of goods sold - merchandise	<u>2,376,186</u>
Cost of sales of raw materials	<u>80,441</u>
Unallocated fixed manufacturing expenses	<u>1,929</u>
Loss on physical inventory	<u>2,531</u>
Inventory scrap losses	<u>18,012</u>
	<u><u>\$ 7,940,255</u></u>

STANDARD FOODS CORPORATION**SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)**

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Amount
Advertising expenses	\$ 664,842	\$ -	\$ -	\$ 664,842
Salaries and pensions	198,899	168,535	23,132	390,566
Shipping expenses	100,918	-	-	100,918
Taxes	23,007	419	17	23,443
Professional service fees	673	29,267	-	29,940
Rental	11,071	10,449	61	21,581
Insurance premiums	21,124	11,011	2,188	34,323
Amortization	6,096	8,218	274	14,588
Depreciation	12,951	6,034	17,553	36,538
Traveling expenses	21,467	3,551	1,323	26,341
Repair and maintenance expenses	13,078	1,439	1,108	15,625
Computer expenses	391	17,744	137	18,272
Postal fees	5,929	1,898	510	8,337
Social expenses	1,510	1,662	56	3,228
Communication expense	1,664	5,798	179	7,641
Employee benefits	9,563	3,360	787	13,710
Utilities	6,996	1,971	1,060	10,027
Donations	2,270	17,359	-	19,629
Others	33,374	28,931	41,468	103,773
Sector cost-sharing (Note)	<u>35,333</u>	<u>(58,928)</u>	<u>3,141</u>	<u>(20,454)</u>
	<u>\$ 1,171,156</u>	<u>\$ 258,718</u>	<u>\$ 92,994</u>	<u>\$ 1,522,868</u>

Note: Transferred to the manufacturing expenses.

STANDARD FOODS CORPORATION

**SCHEDULE OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)**

Item	2014				2013			
	Classified as Cost of Revenue	Classified as Operating Expenses	Classified as Other Operating Income and Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Classified as Other Operating Income and Expense	Total
Labor cost								
Salary and bonus	\$ 349,693	\$ 368,606	\$ -	\$ 718,299	\$ 317,760	\$ 352,893	\$ -	\$ 670,653
Labor and health insurance	31,924	28,750	-	60,674	28,608	27,566	-	56,174
Pension	15,179	16,960	-	32,139	12,376	16,828	-	29,204
Others	<u>32,867</u>	<u>26,425</u>	<u>-</u>	<u>59,292</u>	<u>31,765</u>	<u>26,159</u>	<u>-</u>	<u>57,924</u>
	<u>\$ 429,663</u>	<u>\$ 440,741</u>	<u>\$ -</u>	<u>\$ 870,404</u>	<u>\$ 390,509</u>	<u>\$ 423,446</u>	<u>\$ -</u>	<u>\$ 813,955</u>
Depreciation	<u>\$ 96,855</u>	<u>\$ 36,538</u>	<u>\$ 415</u>	<u>\$ 133,808</u>	<u>\$ 81,609</u>	<u>\$ 37,436</u>	<u>\$ 416</u>	<u>\$ 119,461</u>
Amortization	<u>\$ 7,966</u>	<u>\$ 14,588</u>	<u>\$ -</u>	<u>\$ 22,554</u>	<u>\$ 9,291</u>	<u>\$ 15,337</u>	<u>\$ -</u>	<u>\$ 24,628</u>

As of December 31, 2014 and 2013, the Company had 847 and 829 employees, respectively.