

**Standard Foods Corporation and  
Subsidiaries**

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

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2015 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

STANDARD FOODS CORPORATION

By

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TER-FUNG TSAO  
Chairman

March 24, 2016

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Standard Foods Corporation

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

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

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

We have also audited the parent company only financial statements of Standard Foods Corporation as of and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified report.

*Deloitte & Touche*

March 24, 2016

### Notice to Readers

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

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

# STANDARD FOODS CORPORATION AND SUBSIDIARIES

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

ASSETS	2015		2014	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 2,916,818	14	\$ 1,991,558	11
Available-for-sale financial assets - current (Note 8)	290,400	1	496,999	3
Debt investments with no active market - current (Note 10)	1,289,026	6	1,026,935	6
Notes receivable (Note 11)	35,362	-	41,730	-
Trade receivables (Note 11)	4,394,945	21	4,286,758	23
Other receivables (Note 11)	297,714	2	156,956	1
Current tax assets (Note 27)	87,787	1	31,665	-
Inventories (Note 12)	3,635,946	18	3,847,264	21
Biological assets - current	-	-	16	-
Prepayments (Note 13)	2,426,478	12	1,612,855	9
Other current assets (Notes 19 and 36)	17,416	-	8,841	-
Total current assets	<u>15,391,892</u>	<u>75</u>	<u>13,501,577</u>	<u>74</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets measured at cost - non-current (Note 9)	112,929	1	124,396	1
Property, plant and equipment (Notes 15 and 36)	3,783,949	18	3,691,574	20
Investment properties (Notes 16 and 36)	256,785	1	259,651	2
Goodwill	26,100	-	558	-
Other intangible assets (Note 17)	140,322	1	6,946	-
Biological assets - non-current	-	-	36	-
Deferred tax assets (Note 27)	213,710	1	249,018	1
Long-term prepayments for lease (Note 18)	441,488	2	203,160	1
Other non-current assets (Note 19)	162,099	1	104,433	1
Total non-current assets	<u>5,137,382</u>	<u>25</u>	<u>4,639,772</u>	<u>26</u>
<b>TOTAL</b>	<u>\$ 20,529,274</u>	<u>100</u>	<u>\$ 18,141,349</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 20)	\$ 1,845,627	9	\$ 1,336,892	7
Short-term bills payable (Note 20)	39,937	-	99,959	1
Notes payable (Note 21)	439,597	2	210,823	1
Trade payables (Note 21)	1,395,722	7	1,679,757	9
Other payables (Note 22)	2,018,005	10	1,911,768	11
Current tax liabilities (Note 27)	278,855	1	256,131	1
Provisions - current (Note 23)	27,201	-	19,404	-
Finance lease payables - current	126	-	531	-
Other current liabilities (Note 22)	396,701	2	144,455	1
Total current liabilities	<u>6,441,771</u>	<u>31</u>	<u>5,659,720</u>	<u>31</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Note 27)	148,530	1	134,299	1
Finance lease payables - non-current	1,051	-	126	-
Net defined benefit liabilities (Note 24)	290,691	1	197,119	1
Other non-current liabilities (Note 22)	143,758	1	46,898	-
Total non-current liabilities	<u>584,030</u>	<u>3</u>	<u>378,442</u>	<u>2</u>
Total liabilities	<u>7,025,801</u>	<u>34</u>	<u>6,038,162</u>	<u>33</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 25)</b>				
Common stock	<u>7,926,972</u>	<u>39</u>	<u>7,206,338</u>	<u>40</u>
Capital surplus	<u>63,153</u>	<u>-</u>	<u>51,331</u>	<u>-</u>
Retained earnings				
Legal reserve	1,899,483	9	1,691,898	9
Unappropriated earnings	3,122,900	15	2,540,559	14
Total retained earnings	<u>5,022,383</u>	<u>24</u>	<u>4,232,457</u>	<u>23</u>
Other equity	<u>314,831</u>	<u>2</u>	<u>486,538</u>	<u>3</u>
Treasury share	<u>(21,182)</u>	<u>-</u>	<u>(21,182)</u>	<u>-</u>
Total equity attributable to owners of the Company	13,306,157	65	11,955,482	66
<b>NON-CONTROLLING INTERESTS (Note 25)</b>	<u>197,316</u>	<u>1</u>	<u>147,705</u>	<u>1</u>
Total equity	<u>13,503,473</u>	<u>66</u>	<u>12,103,187</u>	<u>67</u>
<b>TOTAL</b>	<u>\$ 20,529,274</u>	<u>100</u>	<u>\$ 18,141,349</u>	<u>100</u>

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

# STANDARD FOODS CORPORATION AND SUBSIDIARIES

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

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES				
Sales	\$ 25,514,586	100	\$ 21,800,013	100
OPERATING COSTS (Notes 12, 24 and 26)				
Cost of goods sold	<u>17,473,736</u>	<u>68</u>	<u>15,577,607</u>	<u>72</u>
GROSS PROFIT	<u>8,040,850</u>	<u>32</u>	<u>6,222,406</u>	<u>28</u>
OPERATING EXPENSES (Notes 24 and 26)				
Selling and marketing expenses	3,967,746	16	3,159,721	15
General and administrative expenses	683,644	3	504,032	2
Research and development expenses	<u>102,412</u>	<u>-</u>	<u>101,495</u>	<u>-</u>
Total operating expenses	<u>4,753,802</u>	<u>19</u>	<u>3,765,248</u>	<u>17</u>
OPERATING INCOME	<u>3,287,048</u>	<u>13</u>	<u>2,457,158</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES (Note 26)				
Other income	101,685	-	86,398	1
Other gains and losses	32,973	-	50,460	-
Finance costs	<u>(23,155)</u>	<u>-</u>	<u>(23,991)</u>	<u>-</u>
Total non-operating income and expenses	<u>111,503</u>	<u>-</u>	<u>112,867</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	3,398,551	13	2,570,025	12
INCOME TAX EXPENSE (Note 27)	<u>646,084</u>	<u>2</u>	<u>479,665</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,752,467</u>	<u>11</u>	<u>2,090,360</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 24)	(82,032)	-	(27,378)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 27)	<u>14,396</u>	<u>-</u>	<u>4,654</u>	<u>-</u>
Total items that will not be reclassified subsequently to profit or loss	<u>(67,636)</u>	<u>-</u>	<u>(22,724)</u>	<u>-</u>

(Continued)

# STANDARD FOODS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	\$ (137,477)	(1)	\$ 305,236	1
Unrealized gain (loss) on available-for-sale financial assets	(9,085)	-	(7,620)	-
Income tax relating to the items that may be reclassified subsequently to profit or loss (Note 27)	<u>22,586</u>	<u>-</u>	<u>(51,018)</u>	<u>-</u>
Total items that may be reclassified subsequently to profit or loss	<u>(123,976)</u>	<u>(1)</u>	<u>246,598</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(191,612)</u>	<u>(1)</u>	<u>223,874</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,560,855</u>	<u>10</u>	<u>\$ 2,314,234</u>	<u>11</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,730,613	11	\$ 2,075,851	10
Non-controlling interests	<u>21,854</u>	<u>-</u>	<u>14,509</u>	<u>-</u>
	<u>\$ 2,752,467</u>	<u>11</u>	<u>\$ 2,090,360</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,538,837	10	\$ 2,299,759	11
Non-controlling interests	<u>22,018</u>	<u>-</u>	<u>14,475</u>	<u>-</u>
	<u>\$ 2,560,855</u>	<u>10</u>	<u>\$ 2,314,234</u>	<u>11</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 3.47</u>		<u>\$ 2.64</u>	
Diluted	<u>\$ 3.47</u>		<u>\$ 2.64</u>	

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

(Concluded)

**STANDARD FOODS CORPORATION AND SUBSIDIARIES**

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

	Equity Attributable to Owners of the Company												
	Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity			Treasury Stock	Non-controlling Interests	Total Equity	
			Legal Reserve	Unappropriated Earnings	Total		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other	Total				
BALANCE AT JANUARY 1, 2014	\$ 6,611,319	\$ 43,620	\$ 1,505,940	\$ 2,326,179	\$ 3,832,119	\$ 229,160	\$ 10,787	\$ -	\$ 239,947	\$ (21,182)	\$ 10,705,823	\$ 138,421	\$ 10,844,244
Appropriation of 2013 earnings													
Legal reserve	-	-	185,958	(185,958)	-	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	(1,057,811)	(1,057,811)	-	-	-	-	-	(1,057,811)	-	(1,057,811)
Stock dividends to shareholders	595,019	-	-	(595,019)	(595,019)	-	-	-	-	-	-	-	-
Adjustment of capital surplus for the Company's cash dividends received by a subsidiary	-	7,710	-	-	-	-	-	-	-	-	7,710	-	7,710
Acquisition of interest in subsidiaries	-	1	-	-	-	-	-	-	-	-	1	(2,319)	(2,318)
Cash dividends to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,872)	(2,872)
Net profit for the year ended December 31, 2014	-	-	-	2,075,851	2,075,851	-	-	-	-	-	2,075,851	14,509	2,090,360
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	(22,683)	(22,683)	253,346	(6,755)	-	246,591	-	223,908	(34)	223,874
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	2,053,168	2,053,168	253,346	(6,755)	-	246,591	-	2,299,759	14,475	2,314,234
BALANCE AT DECEMBER 31, 2014	7,206,338	51,331	1,691,898	2,540,559	4,232,457	482,506	4,032	-	486,538	(21,182)	11,955,482	147,705	12,103,187
Appropriation of 2014 earnings													
Legal reserve	-	-	207,585	(207,585)	-	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	(1,153,014)	(1,153,014)	-	-	-	-	-	(1,153,014)	-	(1,153,014)
Stock dividends to shareholders	720,634	-	-	(720,634)	(720,634)	-	-	-	-	-	-	-	-
Adjustment of capital surplus for the Company's cash dividends received by a subsidiary	-	8,404	-	-	-	-	-	-	-	-	8,404	-	8,404
Changes in percentage of ownership interest in subsidiaries	-	3,418	-	-	-	-	-	(46,970)	(46,970)	-	(43,552)	-	(43,552)
Cash dividends to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(8,615)	(8,615)
Increase non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	36,208	36,208
Net profit for the year ended December 31, 2015	-	-	-	2,730,613	2,730,613	-	-	-	-	-	2,730,613	21,854	2,752,467
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	(67,039)	(67,039)	(114,736)	(10,001)	-	(124,737)	-	(191,776)	164	(191,612)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	2,663,574	2,663,574	(114,736)	(10,001)	-	(124,737)	-	2,538,837	22,018	2,560,855
BALANCE AT DECEMBER 31, 2015	\$ 7,926,972	\$ 63,153	\$ 1,899,483	\$ 3,122,900	\$ 5,022,383	\$ 367,770	\$ (5,969)	\$ (46,970)	\$ 314,831	\$ (21,182)	\$ 13,306,157	\$ 197,316	\$ 13,503,473

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

# STANDARD FOODS CORPORATION AND SUBSIDIARIES

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

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,398,551	\$ 2,570,025
Adjustments for:		
Depreciation expenses	353,838	302,248
Amortization expenses	49,259	87,522
Impairment loss recognized (reversal of impairment loss) on trade receivables	853	(249)
Net gain on fair value change of financial assets and financial liabilities at fair value through profit or loss	(21,601)	(27,636)
Finance costs	23,155	23,991
Interest income	(56,917)	(42,274)
Dividend income	(15,792)	(18,242)
Net loss on disposal of property, plant and equipment	7,717	2,141
Net gain on disposal of investments	(4,790)	(8,212)
Impairment loss recognized on financial assets measured at cost	5,764	22,961
Loss on changes in fair value less cost to sell biological assets	-	954
Changes in operating assets and liabilities		
Financial assets held for trading	21,601	27,636
Notes receivable	5,743	(11,222)
Trade receivables	(133,325)	(425,059)
Other receivables	(134,019)	17,667
Inventories	239,389	(269,516)
Biological assets	51	982
Prepayments	(837,566)	(371,088)
Other current assets	(6,866)	9,361
Notes payable	235,943	199,142
Trade payables	(285,541)	386,511
Other payables	128,784	54,374
Provisions	7,819	(4,991)
Other current liabilities	259,574	(70,794)
Accrued pension liabilities	1,430	2,695
Cash generated from operations	3,243,054	2,458,927
Interest received	49,596	40,561
Interest paid	(25,985)	(21,134)
Income tax paid	(593,660)	(366,246)
Net cash generated from operating activities	<u>2,673,005</u>	<u>2,112,108</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of available-for-sale financial assets	(1,850,801)	(1,192,120)
Proceeds on sale of available-for-sale financial assets	2,051,793	1,460,339
Purchase of debt investments with no active market	(1,441,751)	(1,267,195)
Proceeds from sale of debt investments with no active market	1,172,345	963,938
Purchase of financial assets carried at cost	-	(10,000)
Proceeds from capital reduction of financial assets carried at cost	5,537	8,464

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# STANDARD FOODS CORPORATION AND SUBSIDIARIES

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

	2015	2014
Net cash outflow on acquisition of a subsidiary	\$ (172,418)	\$ -
Payments for property, plant and equipment	(449,250)	(654,506)
Proceeds from disposal of property, plant and equipment	1,076	20,344
Payments for intangible assets	(33,195)	(11,494)
Increase in other financial assets	(56,068)	(5,828)
Decrease in other financial assets	37	149,998
Increase in other non-current assets	(50,934)	(48,826)
Increase in long-term prepayments for lease	(249,662)	-
Other dividend received	<u>15,792</u>	<u>18,242</u>
Net cash used in investing activities	<u>(1,057,499)</u>	<u>(568,644)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	532,425	30,009
Increase (decrease) in short-term bills payable	(60,022)	29,990
Decrease in finance lease payables	(531)	(758)
Increase in other financial liabilities	5,340	10,440
Decrease in other financial liabilities	(936)	(529)
Increase in other non-current liabilities	20,414	-
Dividends paid to owners of the Company	(1,144,610)	(1,050,101)
Partial acquisition of interest in subsidiaries	-	(2,318)
Dividends paid to non-controlling interests	<u>(8,615)</u>	<u>(2,872)</u>
Net cash used in financing activities	<u>(656,535)</u>	<u>(986,139)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(33,711)</u>	<u>75,201</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>925,260</b>	<b>632,526</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>1,991,558</b></u>	<u><b>1,359,032</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 2,916,818</b></u>	<u><b>\$ 1,991,558</b></u>

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

(Concluded)

# STANDARD FOODS CORPORATION AND SUBSIDIARIES

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

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 24, 2016.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

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

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

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

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries. In general, the disclosure requirements in IFRS 12 are more extensive than in past standards. Please refer to Note 14 for related disclosures.

- 2) IFRS 13 “Fair Value Measurement”

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

The fair value measurements under IFRS 13 are applied prospectively from January 1, 2015. Refer to Note 34 for related disclosures.

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

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

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

4) Revision to IAS 19 “Employee Benefits”

The interest cost and expected return on plan assets used in previous 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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019

(Continued)

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

(Concluded)

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

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

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

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

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

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

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

#### The impairment of financial assets

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

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

#### 2) IFRS 15 “Revenue from Contracts with Customers”

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

When applying IFRS 15, the Group 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 contract; and
- Recognize revenue when the Group satisfies a performance obligation.

When IFRS 15 is effective, the Group 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.

#### 3) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. In the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. In the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within operating activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

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

##### **b. Basis of presentation**

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

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

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

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

Current assets include:

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

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

Current liabilities include:

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 14, Tables 9 and 10 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

f. Foreign currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Group entities (including subsidiaries in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

On the disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is 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.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

g. 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.

h. Property, plant and equipment

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

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

Depreciation of property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. 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.

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

i. Investment properties

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

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

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

j. Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss earned on the financial asset is recognized in profit or loss. Fair value is determined in the manner described in Note 34.

ii. Available-for-sale financial assets

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

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

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

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

### iii. Loans and receivables

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

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

### b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

Repurchase of the 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

Except for financial liabilities at fair value through profit or loss, all other financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

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

n. Provisions

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

o. Revenue recognition

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

1) Sale of goods

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

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

2) Dividend and interest income

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

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

p. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

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

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

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

q. Borrowing costs

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

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

r. Government grants

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

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

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Rereasurement (comprising actuarial gains and losses, changes in asset ceiling and the return on plan assets (excluding interest)) is recognized in other comprehensive income in the period in which they occur. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit or when the Group recognizes any related restructuring costs.

t. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities 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, unused loss carry forward and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

### 3) Current and deferred tax for the year

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

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

### a. Estimated impairment of trade receivables

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

### b. Write-down of inventory

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

c. Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

d. Income taxes

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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Cash on hand	\$ 12,057	\$ 14,850
Checking accounts and demand deposits	1,693,965	1,319,382
Cash equivalent		
Time deposits with original maturities less than three months	1,210,796	131,820
Repurchase agreements collateralized by bonds	<u>-</u>	<u>525,506</u>
	<u>\$ 2,916,818</u>	<u>\$ 1,991,558</u>

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

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Bank deposits	0.08%-4.20%	0.01%-0.94%
Repurchase agreements collateralized by bonds	-	0.60%-0.70%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group entered into futures contracts during 2015 and 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, 2015 the Group did not have outstanding futures contract.

As of December 31, 2015 and 2014, the margin deposits paid by the Group amounted to \$2,544 thousand and \$1,975 thousand, which had been included in other non-current assets.

The Group entered into structured time deposits mainly to earn from favorable effects of fluctuations of interest rates.

As of December 31, 2015 and 2014, the Group did not have outstanding structured time deposit.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2015	2014
<u>Current</u>		
Listed shares	\$ 157,871	\$ 167,281
Mutual funds	<u>132,529</u>	<u>329,718</u>
	<u>\$ 290,400</u>	<u>\$ 496,999</u>

## 9. FINANCIAL ASSETS MEASURED AT COST

	<u>December 31</u>	
	2015	2014
<u>Non-current</u>		
Unlisted shares	\$ 73,600	\$ 77,109
Mutual funds	<u>39,329</u>	<u>47,287</u>
	<u>\$ 112,929</u>	<u>\$ 124,396</u>
Classified according to measurement categories		
Available-for-sale	<u>\$ 112,929</u>	<u>\$ 124,396</u>

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

The Group recognized impairment loss on financial assets as follows:

	<u>December 31</u>	
	2015	2014
Mutual funds	<u>\$ 5,764</u>	<u>\$ 22,961</u>

## 10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	<u>December 31</u>	
	2015	2014
<u>Current</u>		
Time deposits with original maturity of more than 3 months	<u>\$ 1,289,026</u>	<u>\$ 1,026,935</u>

The market interest rates of the time deposits with original maturity of more than 3 months were 0.48%-4.00% and 1.13%-3.45% per annum as of December 31, 2015 and 2014, respectively.

## 11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 35,362	\$ 41,730
<u>Trade receivables</u>		
Trade receivables	\$ 4,420,484	\$ 4,290,266
Less: Allowance for impairment loss	<u>(25,539)</u>	<u>(3,508)</u>
	<u>\$ 4,394,945</u>	<u>\$ 4,286,758</u>
<u>Other receivables</u>		
Accrued interests	\$ 18,991	\$ 11,797
Payment on behalf of others	183	3,119
Others	<u>278,540</u>	<u>142,040</u>
	<u>\$ 297,714</u>	<u>\$ 156,956</u>

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

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

The aging of receivables was as follows:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Not past due	\$ 4,501,484	\$ 4,103,214
1-30 days	104,181	170,840
31-90 days	96,628	194,993
91-180 days	35,512	16,154
Over 180 days	<u>15,755</u>	<u>3,751</u>
	<u>\$ 4,753,560</u>	<u>\$ 4,488,952</u>

The above aging schedule was based on the past due date.

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
1-30 days	\$ 93,672	\$ 169,760
31-90 days	91,058	193,971
91-180 days	17,190	15,427
Over 180 days	<u>10,410</u>	<u>3,069</u>
	<u>\$ 212,330</u>	<u>\$ 382,227</u>

The above aging schedule was based on the past due date.

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

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2014	\$ 1,349	\$ 2,354	\$ 3,703
Add: Impairment losses recognized on receivables	815	62	877
Less: Impairment losses reversed	-	(1,126)	(1,126)
Foreign exchange translation gains and losses	<u>-</u>	<u>54</u>	<u>54</u>
Balance at December 31, 2014	2,164	1,344	3,508
Add: Impairment losses recognized on receivables	-	51,330	51,330
Transferred from business combination	-	20,801	20,801
Less: Impairment losses reversed	(393)	(50,084)	(50,477)
Foreign exchange translation gains and losses	<u>-</u>	<u>377</u>	<u>377</u>
Balance at December 31, 2015	<u>\$ 1,771</u>	<u>\$ 23,768</u>	<u>\$ 25,539</u>

The notes receivable and other receivables as of December 31, 2015 and 2014 were neither past due nor impaired.

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Merchandise	\$ 677,538	\$ 621,383
Finished goods	1,650,359	1,623,558
Work in progress	236,541	334,744
Raw materials	993,965	1,192,113
Packing materials	<u>77,543</u>	<u>75,466</u>
	<u>\$ 3,635,946</u>	<u>\$ 3,847,264</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2015 included \$64,408 thousand loss on write-downs of inventories, \$47,583 thousand loss on abandonment of inventories and \$5,727 thousand of unallocated overheads. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2014 included \$49,406 thousand loss on write-downs of inventories, \$46,729 thousand loss on abandonment of inventories and \$5,169 thousand of unallocated overheads.

### 13. PREPAYMENTS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Prepayments for supplies	\$ 1,565,825	\$ 1,182,956
Prepayments for rent	5,054	6,587
Prepayments for insurance	8,569	7,894
Excess business tax paid	58,705	80,327
Prepayments for advertisements	277,447	67,698
Others	<u>510,878</u>	<u>267,393</u>
	<u>\$ 2,426,478</u>	<u>\$ 1,612,855</u>

### 14. SUBSIDIARIES

Subsidiaries included in consolidated financial statements.

Investor	Investee	Main Business	<b>Proportion of Ownership</b>		Remark
			<b>December 31</b>		
			<b>2015</b>	<b>2014</b>	
The Company	Standard Dairy Products Taiwan Limited ("Standard Dairy Products")	Manufacture and sale of dairy products and beverage	100.0	100.0	-
The Company	Charng Hui Ltd. ("Charng Hui")	Investing	100.0	100.0	-
The Company	Domex Technology Corporation ("Domex Technology")	Manufacture and sale of computer peripherals and computer appliances	52.0	52.0	-
The Company	Standard Beverage Company Limited ("Standard Beverage")	Manufacture and sale of beverage	100.0	100.0	The Company purchased 2.9% equity interest in Standard Beverage in April 2014 to increase the proportion of the Company's shares from 97.1% to 100.0%
The Company	Accession Limited	Investing	100.0	100.0	-
The Company	Standard Investment (Cayman) Limited (Cayman Standard)	Investing	100.0	100.0	In July and December 2014, and June, October and December 2015, the Company invested RMB92,012 thousand, RMB39,200 thousand, RMB5,500 thousand, US\$12,000 thousand and US\$10,000 thousand in Cayman Standard.
Accession Limited	Shanghai Standard Foods Co., Ltd. ("Shanghai Standard Foods")	Manufacture and sale of edible oil and nutritious foods	100.0	100.0	In July 2015, Shanghai Standard Foods divided asset US\$1,000 thousand to Shanghai Le Ben De. After divided, the proportion of Accession Limited's shares of Shanghai Standard Foods is still 100.00%.
Accession Limited	Shanghai Le Ben De Health Technology Co., Ltd. ("Shanghai Le Ben De")	Technical consultant on health technology, technical transfer and technical service	100.0	-	In July 2015, Shanghai Standard Foods divided asset US\$1,000 thousand to Shanghai Le Ben De. After divided, the proportion of Accession Limited's shares of Shanghai Le Ben De is still 100.00%.
Accession Limited	Dermalab S.A. (Dermalab)	Development and sale cosmetic products	80.0	-	In April 2015, Accession Limited purchased 80% shares of Dermalab, and Dermalab becomes the subsidiary of the Company.
Shanghai Standard Foods	Inner Mongolia Jiatai Agriculture Technology Co., Ltd. ("Inner Mongolia Jiatai Agriculture")	Cultivate sunflower seeds	100.0	100.0	-
Cayman Standard	Standard Corporation (Hong Kong) Limited ("Hong Kong Standard")	Investing	100.0	100.0	In July and December 2014, and June, October and December 2015, Cayman Standard invested RMB92,012 thousand, RMB39,200 thousand, RMB5,500 thousand, US\$12,000 thousand and US\$10,000 thousand in Hong Kong Standard.
Hong Kong Standard	Standard Investment (China) Co., Ltd. ("China Standard Investment")	Investing and sale of edible oil and nutritious foods	100.0	100.0	In July and December 2014, and June, October and December 2015, Hong Kong Standard invested RMB92,012 thousand, RMB39,200 thousand, RMB5,500 thousand, US\$12,000 thousand and US\$10,000 thousand in China Standard Investment.

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			December 31		
			2015	2014	
China Standard Investment	Standard Foods (China) Co., Ltd. ("China Standard Foods")	Manufacture and sale of edible oil and nutritious foods	100.0	100.0	In July and October 2014, China Standard Investment invested RMB62,000 thousand and RMB30,282 thousand in China Standard Foods.
China Standard Investment	Shanghai Dermalab Corporation ("Shanghai Dermalab")	Sale of nutritional food, cosmetic and engage in import and export business	100.0	100.0	In October 2014 and June 2015, China Standard Investment invested RMB500 thousand and RMB5,500 thousand in Shanghai Dermalab.
China Standard Investment	Shanghai Le Ben Tuo Health Technology Co., Ltd. ("Shanghai Le Ben Tuo")	Sale of nutritional food and engage in import and export business	100.0	100.0	In December 2014 and June 2015, China Standard Investment invested RMB10,000 thousand and RMB29,200 thousand in Shanghai Le Ben Tuo.
China Standard Investment	Standard Foods (Xiamen) Co., Ltd. ("Xiamen Standard")	Manufacture and sale of edible oil and nutritious foods	100.0	-	In October, November and December 2015, China Standard Investment invested US\$12,000 thousand, RMB10,000 thousand and RMB54,670 thousand in Xiamen Standard.
China Standard Investment	Shanghai LeHo Industrial Co., Ltd. ("Shanghai Le Ho")	Management of properties	100.0	-	As of December 31, 2015, the funds were not invested.
China Standard Investment	Shanghai Le Ming Industrial Co., Ltd. ("Shanghai Le Ming")	Management of properties	100.0	-	As of December 31, 2015, the funds were not invested.

(Concluded)

## 15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Leased Assets	Other Equipment	Property in Construction	Total
<u>Cost</u>							
Balance at January 1, 2014	\$ 702,405	\$ 2,072,148	\$ 2,995,289	\$ 1,664	\$ 401,539	\$ 55,867	\$ 6,228,912
Additions	-	-	205,219	-	32,780	416,507	654,506
Disposals	-	(3,273)	(98,899)	-	(22,459)	-	(124,631)
Transferred from prepayment for equipment	-	-	180,581	-	1,371	-	181,952
Reclassified	-	66,567	(6,907)	(738)	3,428	(62,350)	-
Effect of foreign currency exchange differences	-	61,032	52,178	-	6,261	15,811	135,282
Balance at December 31, 2014	<u>\$ 702,405</u>	<u>\$ 2,196,474</u>	<u>\$ 3,327,461</u>	<u>\$ 926</u>	<u>\$ 422,920</u>	<u>\$ 425,835</u>	<u>\$ 7,076,021</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2014	\$ -	\$ 756,215	\$ 2,095,853	\$ 1,115	\$ 290,541	\$ -	\$ 3,143,724
Disposals	-	(2,748)	(79,035)	-	(20,363)	-	(102,146)
Depreciation expense	-	85,778	172,646	267	40,692	-	299,383
Reclassified	-	1,341	(1,806)	(645)	1,110	-	-
Effect of foreign currency exchange differences	-	12,669	26,908	-	3,909	-	43,486
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 853,255</u>	<u>\$ 2,214,566</u>	<u>\$ 737</u>	<u>\$ 315,889</u>	<u>\$ -</u>	<u>\$ 3,384,447</u>
Carrying amount at December 31, 2014	<u>\$ 702,405</u>	<u>\$ 1,343,219</u>	<u>\$ 1,112,895</u>	<u>\$ 189</u>	<u>\$ 107,031</u>	<u>\$ 425,835</u>	<u>\$ 3,691,574</u>
<u>Cost</u>							
Balance at January 1, 2015	\$ 702,405	\$ 2,196,474	\$ 3,327,461	\$ 926	\$ 422,920	\$ 425,835	\$ 7,076,021
Additions	-	-	260,937	1,066	70,587	116,660	449,250
Disposals	-	(778)	(81,499)	-	(8,448)	-	(90,725)
Acquisitions through business combination	-	-	-	-	7,078	-	7,078
Transferred from prepayment for equipment	-	-	44,772	-	-	-	44,772
Reclassified	-	325,587	-	(926)	926	(325,587)	-
Effect of foreign currency exchange differences	-	(28,762)	(24,764)	(15)	(2,998)	(5,327)	(61,866)
Balance at December 31, 2015	<u>\$ 702,405</u>	<u>\$ 2,492,521</u>	<u>\$ 3,526,907</u>	<u>\$ 1,051</u>	<u>\$ 490,065</u>	<u>\$ 211,581</u>	<u>\$ 7,424,530</u>

(Continued)

	Freehold Land	Buildings	Equipment	Leased Assets	Other Equipment	Property in Construction	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2015	\$ -	\$ 853,255	\$ 2,214,567	\$ 737	\$ 315,889	\$ -	\$ 3,384,448
Disposals	-	(457)	(73,631)	-	(7,844)	-	(81,932)
Acquisitions through business combination	-	-	-	-	6,482	-	6,482
Depreciation expense	-	101,366	201,054	30	48,522	-	350,972
Reclassified	-	-	-	(767)	767	-	-
Effect of foreign currency exchange differences	-	(6,088)	(11,573)	-	(1,728)	-	(19,389)
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 948,076</u>	<u>\$ 2,330,417</u>	<u>\$ -</u>	<u>\$ 362,088</u>	<u>\$ -</u>	<u>\$ 3,640,581</u>
Carrying amount at December 31, 2015	<u>\$ 702,405</u>	<u>\$ 1,544,445</u>	<u>\$ 1,196,490</u>	<u>\$ 1,051</u>	<u>\$ 127,977</u>	<u>\$ 211,581</u>	<u>\$ 3,783,949</u>

(Concluded)

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

#### Building

Main buildings	20-51 years
Electrical and mechanical equipment	8-20 years
Engineering	3-39 years
Others	3-20 years

#### Equipment

Main equipment	2-20 years
Engineering	3-20 years
Others	3-15 years

#### Leased assets

5 years

#### Other equipment

2-15 years

Refer to Note 36 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings granted to the Group.

## 16. INVESTMENT PROPERTIES

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

(Continued)

	<b>Completed Investment Property</b>
<u>Cost</u>	
Balance at January 1 and December 31, 2015	<u>\$ 318,021</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2015	\$ 58,370
Depreciation expense	<u>2,866</u>
Balance at December 31, 2015	<u>\$ 61,236</u>
Carrying amount at December 31, 2015	<u>\$ 256,785</u> (Concluded)

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

<b>Building</b>	
Main buildings	35-51 years
Electrical and mechanical equipment	24-25 years
Engineering	28 years
Others	24 years

The fair value of the investment properties was \$630,117 thousand and \$680,267 thousand as of December 31, 2015 and 2014. The management of the Group arrived at the fair value amounts by reference to market evidence of transaction prices for similar properties.

All of the Group's investment properties are held under freehold interests. The carrying amounts of investment properties pledged by the Group to secure borrowings granted to the Group are disclosed in Note 36.

## 17. OTHER INTANGIBLE ASSETS

	<b>Trademark</b>	<b>Computer Software</b>	<b>Technical Know-how</b>	<b>Other</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2014	\$ -	\$ 188,060	\$ 263	\$ -	\$ 188,323
Additions	-	11,494	-	-	11,494
Disposition	-	-	(267)	-	(267)
Effect of foreign currency exchange differences	<u>-</u>	<u>1,249</u>	<u>4</u>	<u>-</u>	<u>1,253</u>
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 200,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,803</u> (Continued)

	<b>Trademark</b>	<b>Computer Software</b>	<b>Technical Know-how</b>	<b>Other</b>	<b>Total</b>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2014	\$ -	\$ 183,330	\$ 263	\$ -	\$ 183,593
Amortization expense	-	9,287	-	-	9,287
Disposition	-	-	(267)	-	(267)
Effect of foreign currency exchange differences	-	1,240	4	-	1,244
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 193,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,857</u>
Carrying amount at December 31, 2014	<u>\$ -</u>	<u>\$ 6,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,946</u>
<u>Cost</u>					
Balance at January 1, 2015	\$ -	\$ 200,803	\$ -	\$ -	\$ 200,803
Additions	-	16,753	-	16,442	33,195
Acquisitions through business combination	112,329	-	-	-	112,329
Effect of foreign currency exchange differences	2,169	(621)	-	(165)	1,383
Balance at December 31, 2015	<u>\$ 114,498</u>	<u>\$ 216,935</u>	<u>\$ -</u>	<u>\$ 16,277</u>	<u>\$ 347,710</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2015	\$ -	\$ 193,857	\$ -	\$ -	\$ 193,857
Amortization expense	4,355	9,486	-	274	14,115
Effect of foreign currency exchange differences	(57)	(524)	-	(3)	(584)
Balance at December 31, 2015	<u>\$ 4,298</u>	<u>\$ 202,819</u>	<u>\$ -</u>	<u>\$ 271</u>	<u>\$ 207,388</u>
Carrying amount at December 31, 2015	<u>\$ 110,200</u>	<u>\$ 14,116</u>	<u>\$ -</u>	<u>\$ 16,006</u>	<u>\$ 140,322</u> (Concluded)

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

Trademark	20 years
Computer software	2-3 years
Technical know-how	10 years
Other	10 years

## 18. LONG-TERM PREPAYMENTS FOR LEASE

The long-term prepayments for lease are land use rights located in Mainland China. As of December 31, 2015 and 2014, long-term prepayments for lease amounted to \$441,488 thousand and \$203,160 thousand, respectively.

## 19. OTHER ASSETS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Current</u>		
Time deposits	\$ 1,000	\$ 700
Advances to officers	14,468	8,141
Others	<u>1,948</u>	<u>-</u>
	<u>\$ 17,416</u>	<u>\$ 8,841</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 5,249	\$ 48,120
Refundable deposits	87,911	32,140
Others	<u>68,939</u>	<u>24,173</u>
	<u>\$ 162,099</u>	<u>\$ 104,433</u>

## 20. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Secured borrowings (Note 36)</u>		
Bank loans	\$ 80,000	\$ 24,055
<u>Unsecured borrowings</u>		
Bank loans	<u>1,765,627</u>	<u>1,312,837</u>
	<u>\$ 1,845,627</u>	<u>\$ 1,336,892</u>

The range of weighted average effective interest rates on bank loans was 1.07%-3.92% and 1.13%-5.04% per annum as of December 31, 2015 and 2014, respectively.

b. Short-term bills payable

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Commercial paper	\$ 40,000	\$ 100,000
Less: Unamortized discount on commercial paper	<u>(63)</u>	<u>(41)</u>
	<u>\$ 39,937</u>	<u>\$ 99,959</u>

Outstanding short-term bills payable were as follows:

December 31, 2015

<b>Financial Institutions</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Value</b>	<b>Interest Rate</b>	<b>Collateral</b>	<b>Carrying Value of Collateral</b>
<u>Commercial paper</u>						
Mega Bills Finance Co., Ltd.	<u>\$ 40,000</u>	<u>\$ (63)</u>	<u>\$ 39,937</u>	1.32%	-	<u>\$ -</u>

December 31, 2014

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

**21. NOTES PAYABLE AND TRADE PAYABLES**

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
<u>Notes payable</u>		
Notes payable - operating	\$ 439,535	\$ 210,746
Notes payable - non-operating	<u>62</u>	<u>77</u>
	<u>\$ 439,597</u>	<u>\$ 210,823</u>
<u>Trade payables</u>		
Trade payables	<u>\$ 1,395,722</u>	<u>\$ 1,679,757</u>

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

## 22. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Current</u>		
Other payables		
Payable for purchase of equipment	\$ 74,054	\$ 52,422
Payable for commission and rebate	764,307	747,706
Payable for advertisement	103,629	99,653
Payable for royalties	23,073	25,175
Salaries or bonus	219,747	228,271
Payable for freight	33,943	29,548
Payable for employee compensation or employee bonus	29,347	26,156
Payable for remuneration to directors and supervisors	19,466	18,683
Others	<u>750,439</u>	<u>684,154</u>
	<u>\$ 2,018,005</u>	<u>\$ 1,911,768</u>
Other liabilities		
Advance receipts from customers	\$ 391,079	\$ 131,196
Others	<u>5,622</u>	<u>13,259</u>
	<u>\$ 396,701</u>	<u>\$ 144,455</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits	\$ 50,325	\$ 46,898
Financial liabilities of put option of equity instruments of subsidiaries disposed of	47,144	-
Others	<u>46,289</u>	<u>-</u>
	<u>\$ 143,758</u>	<u>\$ 46,898</u>

Accession Limited and The MM-Group AG (“MM-Group”) signed an agreement about equity purchase of Dermalab on February 10, 2015. According to the agreement, MM-Group has the rights to ask Accession Limited to buy 20% of equity of Dermalab which are held by MM-Group since April 1, 2017. The purchase price is CHF1,500 thousand. Financial liabilities recognized by the Group according to this agreement amounted to \$47,144 thousand as of December 31, 2015.

## 23. PROVISIONS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Current</u>		
Customer returns	<u>\$ 27,201</u>	<u>\$ 19,404</u>

	<b>Customer Returns</b>
Balance at January 1, 2014	\$ 24,359
Addition	206,406
Usage	(211,398)
Effect of foreign currency exchange differences	<u>37</u>
Balance at December 31, 2014	19,404
Addition	208,288
Usage	(200,470)
Effect of foreign currency exchange differences	<u>(21)</u>
Balance at December 31, 2015	<u>\$ 27,201</u>

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

## 24. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

The defined benefit plan of the Company and domestic subsidiaries of the Group are operated by the ROC government in accordance with the Labor Standards Law. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and domestic subsidiaries of the Group make monthly contributions to their respective pension funds administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

Dermalab of the Group also adopted a defined benefit plan.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Present value of funded defined benefit obligation	\$ 668,377	\$ 529,572
Fair value of plan assets	<u>(377,686)</u>	<u>(332,453)</u>
Net defined benefit liability	<u>\$ 290,691</u>	<u>\$ 197,119</u>

Movements in net defined benefit liability (asset) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2014	<u>\$ 500,515</u>	<u>\$ (333,470)</u>	<u>\$ 167,045</u>
Service cost			
Current service cost	11,239	-	11,239
Net interest expense (income)	<u>8,781</u>	<u>(6,745)</u>	<u>2,036</u>
Recognized in profit or loss	<u>20,020</u>	<u>(6,745)</u>	<u>13,275</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,065)	(1,065)
Actuarial loss - changes in demographic assumptions	14,928	-	14,928
Actuarial gain - changes in financial assumptions	(1,004)	-	(1,004)
Actuarial loss - experience adjustments	<u>14,519</u>	<u>-</u>	<u>14,519</u>
Recognized in other comprehensive income	<u>28,443</u>	<u>(1,065)</u>	<u>27,378</u>
Contributions from the employer	<u>-</u>	<u>(10,579)</u>	<u>(10,579)</u>
Benefits paid	<u>(19,406)</u>	<u>19,406</u>	<u>-</u>
Balance at December 31, 2014	<u>529,572</u>	<u>(332,453)</u>	<u>197,119</u>
Service cost			
Current service cost	14,620	-	14,620
Past service cost	(302)	-	(302)
Others	7,088	-	7,088
Net interest expense (income)	<u>9,975</u>	<u>(6,435)</u>	<u>3,540</u>
Recognized in profit or loss	<u>31,381</u>	<u>(6,435)</u>	<u>24,946</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(5,007)	(5,007)
Actuarial loss - changes in demographic assumptions	28,416	-	28,416
Actuarial loss - changes in financial assumptions	23,055	-	23,055
Actuarial loss - experience adjustments	<u>35,568</u>	<u>-</u>	<u>35,568</u>
Recognized in other comprehensive income	<u>87,039</u>	<u>(5,007)</u>	<u>82,032</u>
Contributions from the employer	<u>-</u>	<u>(23,516)</u>	<u>(23,516)</u>
Contributions from plan participants	<u>1,425</u>	<u>(1,425)</u>	<u>-</u>
Benefits paid	<u>(31,970)</u>	<u>31,970</u>	<u>-</u>
Business combination	<u>49,956</u>	<u>(40,034)</u>	<u>9,922</u>
Exchange differences	<u>974</u>	<u>(786)</u>	<u>188</u>
Balance at December 31, 2015	<u>\$ 668,377</u>	<u>\$ (377,686)</u>	<u>\$ 290,691</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Operating costs	\$ 9,461	\$ 8,249
Selling and marketing expenses	3,446	1,240
General and administrative expenses	11,772	3,545
Research and development expenses	<u>267</u>	<u>241</u>
	<u>\$ 24,946</u>	<u>\$ 13,275</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Discount rates	0.800%-1.750%	1.625%-2.125%
Expected rates of salary increase	0.500%-3.000%	1.750%-3.000%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Discount rates		
0.250% increase	<u>\$ (17,557)</u>	<u>\$ (12,464)</u>
0.250% decrease	<u>\$ 18,309</u>	<u>\$ 12,916</u>
Expected rates of salary increase		
0.250% increase	<u>\$ 15,880</u>	<u>\$ 12,478</u>
0.250% decrease	<u>\$ (15,273)</u>	<u>\$ (12,104)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
The expected contributions to the plan for the next year	<u>\$ 18,107</u>	<u>\$ 9,596</u>
The average duration of the defined benefit obligation	5.5-16.0 years	6.3-10.8 years

## 25. EQUITY

### a. Common stock

#### 1) Ordinary shares

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Number of shares authorized (in thousands)	<u>800,000</u>	<u>740,000</u>
Shares authorized	<u>\$ 8,000,000</u>	<u>\$ 7,400,000</u>
Number of shares issued and fully paid (in thousands)	<u>792,697</u>	<u>720,634</u>
Shares issued	<u>\$ 7,926,972</u>	<u>\$ 7,206,338</u>

#### 2) Global depositary receipts

As of December 31, 2015, a total of 33,950.2 Global Depositary Receipts (“GDRs”) (representing 169,751 shares of the Company’s common stock), each GDR representing five shares of the Company’s common stock, were traded on the Euro MTF Market of the Luxembourg Stock Exchange. Holders of the GDRs may request at any time that the shares represented by the GDRs be transferred to them.

### b. Capital surplus

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Recognized from treasury share transactions	\$ 59,734	\$ 51,330
Recognized from the difference between consideration received or paid and the carrying amount of the subsidiaries’ net assets during actual disposal or acquisition	1	1
<u>May not be used for any purpose</u>		
Share options	<u>3,418</u>	<u>-</u>
	<u>\$ 63,153</u>	<u>\$ 51,331</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 Articles of Incorporation, 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%.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on March 24, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 15, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to 26(g) Employee benefits expense.

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 2014 and 2013 had been approved in the shareholders' meetings on June 26, 2015 and June 18, 2014, respectively. The appropriations, dividends per share, bonus to employees and remuneration to directors and supervisors were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
	<b>For the Years Ended</b>		<b>(NT\$)</b>	
	<b>December 31</b>		<b>For the Years Ended</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Legal reserve	\$ 207,585	\$ 185,958		
Cash dividends	1,153,014	1,057,811	\$ 1.6	\$ 1.6
Stock dividends	720,634	595,019	1.0	0.9

d. Other equity items

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

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 482,506	\$ 229,160
Exchange differences arising on translating the financial statement of foreign operations	(138,238)	305,236
Related income tax	<u>23,502</u>	<u>(51,890)</u>
Balance at December 31	<u>\$ 367,770</u>	<u>\$ 482,506</u>

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

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 4,032	\$ 10,787
Unrealized gain (loss) on revaluation of available-for-sale financial assets	(4,295)	585
Related income	(1,641)	(150)
Cumulative loss reclassified to profit or loss on sale of available-for-sale financial assets	(4,790)	(8,212)
Related income tax	<u>725</u>	<u>1,022</u>
Balance at December 31	<u>\$ (5,969)</u>	<u>\$ 4,032</u>

3) Other equity items

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance at January	\$ -	\$ -
Share of other equity of subsidiaries accounted for using the equity method	<u>(46,970)</u>	<u>-</u>
Balance at December 31	<u>\$ (46,970)</u>	<u>\$ -</u>

e. Non-controlling interests

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 147,705	\$ 138,421
Attributable to non-controlling interests:		
Share of profit for the year	21,854	14,509
Exchange difference arising on translation of foreign entities		
Related income tax	761	-

(Continued)

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Unrealized gains (loss) on available-for-sale financial assets	\$ -	\$ 7
Remeasurement on defined benefit plans	(740)	(49)
Related income tax	143	8
Non-controlling interest arising from acquisition of subsidiaries	36,208	-
Acquisition of non-controlling interests in subsidiaries		
Related income tax	-	(2,319)
Cash dividends distributed by subsidiaries to non-controlling equity	<u>(8,615)</u>	<u>(2,872)</u>
Balance at December 31	<u>\$ 197,316</u>	<u>\$ 147,705</u> (Concluded)

f. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Held by Subsidiaries (In Thousands of Shares)</b>
Number of shares at January 1, 2014	4,819
Increase during the year	<u>433</u>
Number of shares at December 31, 2014	5,252
Increase during the year	<u>525</u>
Number of shares at December 31, 2015	<u>5,777</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:

<b>Name of Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
<u>December 31, 2015</u>			
Chang Hui	5,777	<u>\$ 21,182</u>	<u>\$ 474,327</u>
<u>December 31, 2014</u>			
Chang Hui	5,252	<u>\$ 21,182</u>	<u>\$ 367,655</u>

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

## 26. NET PROFIT

Net profit includes:

a. Other income

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Operating lease rental income		
Investment properties	\$ 26,977	\$ 25,882
Other	<u>1,999</u>	<u>-</u>
Interest income	<u>28,976</u>	<u>25,882</u>
Bank deposits		
Bonds sold under repurchase agreement	54,492	39,156
	<u>2,425</u>	<u>3,118</u>
Dividends	<u>56,917</u>	<u>42,274</u>
	<u>15,792</u>	<u>18,242</u>
	<u>\$ 101,685</u>	<u>\$ 86,398</u>

b. Other gains and losses

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Net loss on disposal of property, plant and equipment	\$ (7,717)	\$ (2,141)
Net gain on disposal of available-for-sale financial assets	4,790	8,212
Net foreign exchange gains (loss)	(9,590)	11,344
Net gain arising on financial assets designated as at fair value through profit or loss	21,601	27,636
Impairment loss arising on financial assets measured at cost	(5,764)	(22,961)
Government grants	-	2,771
Others	<u>29,653</u>	<u>25,599</u>
	<u>\$ 32,973</u>	<u>\$ 50,460</u>

c. Finance costs

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Interest on bank loans	\$ 22,126	\$ 23,190
Interest on short-term bills payable	685	807
Interest on obligations under finance leases	27	66
Other interest expense	<u>470</u>	<u>-</u>
Total interest expense on financial liabilities measured at amortized cost	23,308	24,063
Less: Amounts included in the cost of qualifying asset	<u>(153)</u>	<u>(72)</u>
	<u>\$ 23,155</u>	<u>\$ 23,991</u>

Information about capitalized interest was as follows:

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Capitalized interest	\$ 153	\$ 72
Capitalized rate	1.120%-1.330%	1.130%-1.134%

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

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Trade receivables	\$ 853	\$ (249)
Financial assets measured at cost	<u>5,764</u>	<u>22,961</u>
	<u>\$ 6,617</u>	<u>\$ 22,712</u>

e. Depreciation and amortization

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Property, plant and equipment	\$ 350,972	\$ 299,383
Investment property	2,866	2,865
Intangible assets (included in operating costs/operating expense)	14,115	9,287
Other	<u>35,144</u>	<u>78,235</u>
	<u>\$ 403,097</u>	<u>\$ 389,770</u>
An analysis of depreciation		
Operating costs	\$ 288,630	\$ 242,859
Operating expenses	62,342	56,524
Non-operating revenue and expense	<u>2,866</u>	<u>2,865</u>
	<u>\$ 353,838</u>	<u>\$ 302,248</u>
An analysis of amortization		
Operating costs	\$ 23,468	\$ 56,989
Operating expenses	<u>25,791</u>	<u>30,533</u>
	<u>\$ 49,259</u>	<u>\$ 87,522</u>

f. Operating expenses directly related to investment properties

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Direct operating expenses of investment properties that generated rental income	\$ 4,832	\$ 4,671
Direct operating expenses of investment properties that did not generated rental income	<u>437</u>	<u>626</u>
	<u>\$ 5,269</u>	<u>\$ 5,297</u>

g. Employee benefits expense

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Post-employment benefits (see Note 24)		
Defined contribution plans	\$ 87,567	\$ 78,891
Defined benefit plans	<u>24,946</u>	<u>13,275</u>
	112,513	92,166
Termination benefits	1,813	13,159
Other employee benefits	<u>1,736,652</u>	<u>1,578,873</u>
Total employee benefits expense	<u>\$ 1,850,978</u>	<u>\$ 1,684,198</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 752,938	\$ 726,833
Operating expenses	<u>1,098,040</u>	<u>957,365</u>
	<u>\$ 1,850,978</u>	<u>\$ 1,684,198</u>

The existing (2014) Articles of Incorporation of the Company stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were \$26,156 thousand and \$18,683 thousand, respectively, representing 1.4% and 1%, respectively, of the base net income.

To be in compliance with the Company Act as amended in May 2015, the Company's board of directors proposed on March 24, 2016 amendments to the Articles of Incorporation of the Company which stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 0.50% and no higher than 0.75%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were \$29,347 thousand and \$19,466 thousand, respectively, representing 0.90% and 0.60%, respectively, of the base net profit. The employees' compensation and remuneration to directors and supervisors in cash for the year ended December 31, 2015 have been approved by the Company's board of directors on March 24, 2016 and are subject to the resolution and adoption of the amendments to the Company's Articles of Incorporation by the shareholders in their meeting to be held on June 15, 2016, and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonus to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 26, 2015 and June 18, 2014, respectively, were as follows:

	<b>For the Years Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
	<b>In Cash</b>	<b>In Cash</b>
Bonus to employees	\$ 26,156	\$ 23,431
Remuneration of directors and supervisors	18,683	16,736

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 26, 2015 and June 18, 2014 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors in 2016 and bonus to employees, directors and supervisors resolved by the shareholders' meetings in 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
	Foreign exchange gains	\$ 204,976
Foreign exchange losses	<u>(214,566)</u>	<u>(161,519)</u>
Net gains	<u>\$ (9,590)</u>	<u>\$ 11,344</u>

i. Impairment losses on non-financial assets

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
	Inventories (included in operating costs)	<u>\$ 64,408</u>

## 27. INCOME TAXES

a. Major components of tax expense (income) recognized in profit or loss were as follows

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Current tax		
In respect of the current year	\$ 585,551	\$ 455,079
Income tax expense of unappropriated earnings	998	10
In respect of prior periods	<u>(23,996)</u>	<u>5,641</u>
	562,553	460,730
Deferred tax		
In respect of the current year	<u>83,531</u>	<u>18,935</u>
Income tax expense recognized in profit or loss	<u>\$ 646,084</u>	<u>\$ 479,665</u>

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

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Profit before tax	<u>\$ 3,398,551</u>	<u>\$ 2,570,025</u>
Income tax expense calculated at the statutory rate	\$ 766,372	\$ 520,501
Nondeductible expenses in determining taxable income	8,023	13,795
Tax-exempt income	(77,397)	(58,401)
Unrealized temporary difference and loss carryforwards	(27,916)	(1,881)
Additional income tax on unappropriated earnings	998	10
Adjustments for prior years' tax	<u>(23,996)</u>	<u>5,641</u>
Income tax expense recognized in profit or loss	<u>\$ 646,084</u>	<u>\$ 479,665</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by the other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

b. Income tax recognized in other comprehensive income

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ (23,502)	\$ 51,890
Unrealized gains (loss) on available-for-sale financial assets	1,641	150
Remeasurement on defined benefit plans	<u>(14,396)</u>	<u>(4,654)</u>
	<u>(36,257)</u>	<u>47,386</u>
Arising on income and expenses reclassified from equity to profit or loss		
On disposal of available-for-sale financial assets	<u>(725)</u>	<u>(1,022)</u>
Total income tax recognized in other comprehensive expense (income)	<u>\$ (36,982)</u>	<u>\$ 46,364</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Current tax assets		
Tax refund receivable	<u>\$ 87,787</u>	<u>\$ 31,665</u>
Current tax liabilities		
Income tax payable	<u>\$ 278,855</u>	<u>\$ 256,131</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2015

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Business Combination</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>						
Temporary differences						
Loss on foreign investment	\$ 189,967	\$ (50,153)	\$ -	\$ -	\$ -	\$ 139,814
Defined benefit plans	31,279	1,604	14,396	1,985	21	49,285
Deferred sales return and allowance	7,767	(5,137)	-	-	-	2,630
Allowance for inventory loss	5,399	(347)	-	-	-	5,052
Available-for-sale financial assets	916	-	(916)	-	-	-
Others	<u>13,690</u>	<u>3,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,929</u>
	<u>\$ 249,018</u>	<u>\$ (50,794)</u>	<u>\$ 13,480</u>	<u>\$ 1,985</u>	<u>\$ 21</u>	<u>\$ 213,710</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Business Combination	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>						
Temporary differences						
Gain on foreign investment	\$ -	\$ 29,729	\$ -	\$ -	\$ -	\$ 29,729
Reverse for land value increment tax	33,685	-	-	-	-	33,685
Exchange difference on foreign operations	98,828	-	(23,502)	-	-	75,326
Allowance for inventory loss	-	1,712	-	4,061	54	5,827
Others	1,786	1,296	-	875	6	3,963
	<u>\$ 134,299</u>	<u>\$ 32,737</u>	<u>\$ (23,502)</u>	<u>\$ 4,936</u>	<u>\$ 60</u>	<u>\$ 148,530</u>

(Concluded)

For the year ended December 31, 2014

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

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Loss carryforwards		
Expiry in 2015	\$ -	\$ 15,145
Expiry in 2016	13,112	13,417
Expiry in 2017	817	1,884
Expiry in 2018	7,184	8,424
Expiry in 2019	2,378	3,102
Expiry in 2020	19,106	1,931
Expiry in 2021	1,117	1,117
Expiry in 2023	<u>888</u>	<u>888</u>
	<u>\$ 44,602</u>	<u>\$ 45,908</u>
Deductible temporary differences	<u>\$ 85,513</u>	<u>\$ 445,607</u>

- f. Information about tax-exemption

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

<u>Expansion</u>	<u>Tax-exemption Period</u>
Standard dairy 2009 capital increase expansion project	2012-2016

- g. Integrated income tax

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Unappropriated earnings		
Generated after January 1, 1998	<u>\$ 3,122,900</u>	<u>\$ 2,540,559</u>
Imputation credits account	<u>\$ 276,060</u>	<u>\$ 287,751</u>

The actual creditable ratio for distribution of the Company's earnings of 2014 was 20.16%; however, effective from January 1, 2015, the creditable ratio for individual ROC resident shareholders will be half of the original creditable ratio according to the revised Article 66 - 6 of the Income Tax Law.

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 2015 cannot be reasonably estimated.

- h. Income tax assessments

The tax returns of the Company through 2013, except 2012, have been assessed by the tax authorities.

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

The tax returns of Standard Dairy Products through 2012 have been assessed by the tax authorities.

## 28. EARNINGS PER SHARE

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 25, 2015. The basic and diluted earnings per share for the year ended December 31, 2014 before and after retroactive adjustment were as follows:

**Unit: NT\$ Per Share**

	<b>Before Adjusted Retrospectively</b>	<b>After Adjusted Retrospectively</b>
Basic earnings per share	<u>\$ 2.90</u>	<u>\$ 2.64</u>
Diluted earnings per share	<u>\$ 2.90</u>	<u>\$ 2.64</u>

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

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Profit for the period attributable to owners of the Company	\$ 2,730,613	\$ 2,075,851
Effect of potentially dilutive ordinary shares	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 2,730,613</u>	<u>\$ 2,075,851</u>

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

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Weighted average number of ordinary shares in computation of basic earnings per share	786,920	786,920
Effect of potentially dilutive ordinary shares:		
Bonus issue to employees	<u>522</u>	<u>572</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>787,442</u>	<u>787,492</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 29. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
Dermalab	Development and sale for cosmetics	April 9, 2015	80	<u>\$ 203,487</u>

Dermalab was acquired in order to engage in cosmetics business.

### b. Considerations transferred

	<b>Dermalab</b>
Cash	\$ 201,858
Payable for investments	1,629
Financial liabilities of put option of equity instruments of subsidiaries disposed of	<u>3,418</u>
	<u>\$ 206,905</u>

### c. Assets acquired and liabilities assumed at the date of acquisition

	<b>Dermalab</b>
Current assets	
Cash and cash equivalents	\$ 29,440
Trade receivables	19,445
Inventories	60,958
Current tax assets	2,127
Other current assets	17,606
Non-current assets	
Property, plant and equipment	596
Other intangible assets	112,329
Deferred tax assets	1,985
Other non-current assets	27,268
Current liabilities	
Trade payables	(10,328)
Other payables	(1,817)
Non-current liabilities	
Deferred tax liabilities	(4,936)
Net defined benefit liabilities	(9,922)
Other non-current liabilities	<u>(26,697)</u>
	<u>\$ 218,054</u>

### d. Non-controlling interests

The non-controlling interest (20% ownership interest in Dermalab) recognized and measured by reference to the fair value of the non-controlling interest at the acquisition date amounted to \$36,208 thousand. This fair value was estimated by applying market approach.

e. Goodwill recognized on acquisition of subsidiary

	<b>Dermalab</b>
Consideration transferred	\$ 206,905
Plus: Non-controlling interests (20% in Dermalab)	36,208
Less: Fair value of identifiable net assets acquired	<u>(218,054)</u>
Goodwill on acquisition of subsidiary	<u>\$ 25,059</u>

Goodwill was recognized in the acquisition of Dermalab because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, future market development and the assembled workforce of Dermalab. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The total amount of the goodwill recognized in the acquisition was not deductible for tax purposes.

f. Net cash outflow on acquisition of subsidiary

	<b>Dermalab</b>
Consideration paid in cash	\$ 201,858
Less: Cash and cash equivalent balances acquired	<u>(29,440)</u>
	<u>\$ 172,418</u>

g. Impact of the acquisition on the results of the Group

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

	<b>Dermalab</b>
Revenue	<u>\$ 118,945</u>
Profit	<u>\$ (22,223)</u>

Had the business combination been in effect at the beginning of the annual reporting period, the Group's revenue would have been \$25,547,220 thousand, and the profit would have been \$2,769,316 thousand for the year ended December 31, 2015. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2015, nor is it intended to be a projection of future results.

### 30. PARTIAL ACQUISITION OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

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

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

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

### 31. NON-CASH TRANSACTIONS

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

The Group acquired 80% of equity of Dermalab in April 2015 (see Note 29); as of December 31, 2015, part of the consideration in amount of \$1,629 thousand was not yet paid in cash.

### 32. OPERATING LEASE ARRANGEMENTS

#### a. The Group as lessee

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

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

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

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Not later than 1 year	\$ 43,698	\$ 45,619
Later than 1 year and not later than 5 years	45,179	60,077
Later than 5 years	<u>-</u>	<u>4,022</u>
	<u>\$ 88,877</u>	<u>\$ 109,718</u>

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

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Minimum lease payment	<u>\$ 76,695</u>	<u>\$ 72,682</u>

b. The Group as lessor

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

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Not later than 1 year	\$ 22,087	\$ 24,247
Later than 1 year and not later than 5 years	<u>18,883</u>	<u>19,963</u>
	<u>\$ 40,970</u>	<u>\$ 44,210</u>

### 33. CAPITAL MANAGEMENT

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

### 34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are measured at fair value

December 31, 2015

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Available-for-sale financial assets				
Listed shares				
Equity securities	\$ 157,871	\$ -	\$ -	\$ 157,871
Mutual funds	<u>132,529</u>	<u>-</u>	<u>-</u>	<u>132,529</u>
	<u>\$ 290,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,400</u>

December 31, 2014

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

There were no transfers between Levels 1 and 2 for the years ended December 31, 2015 and 2014.

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Financial assets</u>		
Loans and receivables (1)	\$ 9,022,776	\$ 7,536,777
Available-for-sale financial assets (2)	403,329	621,395
<u>Financial liabilities</u>		
Amortized cost (3)	3,896,366	3,431,453

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

c. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 39.

Sensitivity analysis

The Group was mainly exposed to the RMB and USD.

The following table details the Group's sensitivity to a 3% increase or decrease in 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 used the outstanding foreign currency denominated monetary items at the end of the reporting period and assumed the exchange rates at the end of the reporting period changed by 3% increase or decrease. The amount below indicates an increase (decrease) in pre-tax profit associated with the functional currency weakening 3% against the relevant currency. For a 3% strengthening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	<b>RMB Impact</b>		<b>USD Impact</b>	
	<b>For the Years Ended</b>		<b>For the Years Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Profit or loss	\$ 13,633 (i)	\$ 7,436 (i)	\$ 13,226 (ii)	\$ (27,451) (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, receivables, bank loans, and payables, which were not hedged at the end of the reporting period.

The Group's sensitivity to RMB increased during the current year mainly due to the increase in RMB debt investments with no active market; and the sensitivity to USD decreased during the current year mainly due to the increase in USD bank deposits.

b) Interest rate risk

The Group was exposed to interest rate risk because the Company held time deposits and repurchase agreements collateralized by bonds at both fixed and floating interest rates, and borrowed funds at both fixed and floating interest rates. The Group 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 Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Fair value interest rate risk		
Financial assets	\$ 2,249,863	\$ 1,508,561
Financial liabilities	1,880,637	631,541
Cash flow interest rate risk		
Financial assets	250,959	176,400
Financial liabilities	53,248	805,967

Sensitivity analysis

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

If interest rates had been 1% basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2015 and 2014 would increase/decrease by \$1,977 thousand and \$(6,296) thousand, respectively.

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

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2015 and 2014 would increase/decrease by \$2,904 thousand and \$4,970 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

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

## 2) Credit risk

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

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

The Group's concentration of credit risk of 35% and 34% in total trade receivables as of December 31, 2015 and 2014, respectively, was related to the Group's four largest customers.

The table below analyzes the collaterals held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Group's consolidated balance sheet:

### December 31, 2015

	<b>Maximum Exposure to Credit Risk Mitigated by</b>		
	<b>Collateral</b>	<b>Other Credit Enhancements</b>	<b>Total</b>
Receivables	\$ 137,959	\$ 6,028	\$ 143,987

### December 31, 2014

	<b>Maximum Exposure to Credit Risk Mitigated by</b>		
	<b>Collateral</b>	<b>Other Credit Enhancements</b>	<b>Total</b>
Receivables	\$ 109,887	\$ 4,428	\$ 114,315

## 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. The Group had available unutilized bank loan facilities in the amounts of \$5,130,639 thousand and \$6,117,163 thousand as of December 31, 2015 and 2014, respectively.

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

December 31, 2015

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 171,792	\$ 389,536	\$ 1,349,663	\$ 50,325
Finance lease liabilities	43	85	-	1,051
Variable interest rate liabilities	10	53,374	-	-
Fixed interest rate liabilities	<u>1,604</u>	<u>1,311,301</u>	<u>530,523</u>	<u>47,144</u>
	<u>\$ 173,449</u>	<u>\$ 1,754,296</u>	<u>\$ 1,880,186</u>	<u>\$ 98,520</u>

December 31, 2014

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

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

### 35. TRANSACTIONS WITH RELATED PARTIES

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

#### Compensation of Key Management Personnel

	<b>For the Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Short-term employee benefits	\$ 23,565	\$ 22,984
Post-employment benefits	<u>809</u>	<u>783</u>
	<u>\$ 24,374</u>	<u>\$ 23,767</u>

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

### 36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Time deposits (included in other current assets)	\$ 1,000	\$ 700
Properties, machinery and equipment, net	304,713	321,803
Investment properties, net	<u>77,416</u>	<u>78,822</u>
	<u>\$ 383,129</u>	<u>\$ 401,325</u>

### 37. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2015 the Group had the following significant commitments and contingencies:

- a. The Company has entered into a license agreement with The Quaker Oats Company (“Quaker”) for a period ending July 11, 2024. The agreement provides that the Company may use Quaker’s trademark, and process, manufacture, market and sell Quaker baby cereal, oatmeal, fruit cereal, ready-to-eat cereal, sesame paste, milk powder and other cereal products in the ROC. In consideration of the above, the Company shall pay Quaker royalties at an agreed percentage of net sales (as defined).
- b. Unused letters of credit of approximately US\$3,900 thousand.
- c. Commitments for purchase of properties of approximately \$277,400 thousand.

### 38. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

- a. In January 2016, Shanghai Le Ho signed an agreement to purchase property in Shanghai for the Group’s use in operation; the contract price is RMB110,384 thousand.
- b. In January 2016, Shanghai Le Ming signed an agreement to purchase property in Shanghai for the Group’s use in operation; the contract price is RMB68,035 thousand.

### 39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2015

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 36,278	32.83 (USD:NTD)	\$ 1,191,158
USD	12,786	6.49 (USD:RMB)	419,639
RMB	90,977	5.00 (RMB:NTD)	<u>454,433</u>
			<u>\$ 2,065,230</u>
Non-monetary items			
Others			
USD	1,116	32.83 (USD:NTD)	\$ 36,641
USD	208	6.49 (USD:RMB)	<u>6,824</u>
			<u>\$ 43,465</u>

#### Financial liabilities

Monetary items			
USD	2,484	32.83 (USD:NTD)	\$ 81,555
USD	33,156	6.49 (USD:RMB)	1,088,368
EUR	153	35.88 (EUR:NTD)	5,503
EUR	146	7.18 (EUR:RMB)	5,243
EUR	52	1.08 (EUR:CHF)	1,878
CHF	16	33.19 (CHF:NTD)	519
CHF	2,526	6.56 (CHF:RMB)	<u>83,822</u>
			<u>\$ 1,266,888</u>

December 31, 2014

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 634	31.65 (USD:NTD)	\$ 20,086
USD	10,226	6.22 (USD:RMB)	323,641
RMB	48,680	5.09 (RMB:NTD)	247,881
EUR	2	38.47 (EUR:NTD)	86
AUD	12	25.91 (AUD:NTD)	<u>303</u>
			<u>\$ 591,997</u>

(Continued)

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
Non-monetary items			
Others			
USD	\$ 1,227	31.65 (USD:NTD)	\$ 38,834
USD	3,903	6.22 (USD:RMB)	<u>123,534</u>
			<u>\$ 162,368</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,541	31.65 (USD:NTD)	\$ 48,756
USD	38,231	6.22 (USD:RMB)	1,210,009
EUR	984	38.47 (EUR:NTD)	37,805
AUD	758	25.91 (AUD:NTD)	19,624
SGD	252	23.95 (SGD:NTD)	<u>6,034</u>
			<u>\$ 1,322,228</u>
			(Concluded)

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

	<b>For the Year Ended December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
		<b>Net Foreign Exchange Gain (Loss)</b>		<b>Net Foreign Exchange Gain (Loss)</b>
NTD	1 (NTD:NTD)	\$ 45,157	1 (NTD:NTD)	\$ 20,650
RMB	5.11 (RMB:NTD)	(53,917)	4.94 (RMB:NTD)	(9,306)
CHF	33.00 (CHF:NTD)	<u>(830)</u>	33.14 (CHF:NTD)	<u>-</u>
		<u>\$ (9,590)</u>		<u>\$ 11,344</u>

#### 40. ADDITIONAL DISCLOSURES

- a. Financings provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held (excluding investments in subsidiaries): Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;

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

#### 41. SEGMENT INFORMATION

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

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

a. Operating segment information:

	Standard Foods Segment	Standard Dairy Products Segment	China Standard Segment	Other Segments	Adjustments and Eliminations	Consolidated
<u>For the year ended December 31, 2015</u>						
Sales from external customers	\$ 10,500,360	\$ 1,986,371	\$ 12,099,766	\$ 928,089	\$ -	\$ 25,514,586
Sales among intersegments	<u>1,246,436</u>	<u>690,834</u>	<u>-</u>	<u>5,481</u>	<u>(1,942,751)</u>	<u>-</u>
Total sales	<u>\$ 11,746,796</u>	<u>\$ 2,677,205</u>	<u>\$ 12,099,766</u>	<u>\$ 933,570</u>	<u>\$ (1,942,751)</u>	<u>\$ 25,514,586</u>
Interest income	<u>\$ 25,808</u>	<u>\$ 680</u>	<u>\$ 22,569</u>	<u>\$ 7,860</u>	<u>\$ -</u>	<u>\$ 56,917</u>
Financial cost	<u>\$ 268</u>	<u>\$ 165</u>	<u>\$ 19,675</u>	<u>\$ 3,047</u>	<u>\$ -</u>	<u>\$ 23,155</u>

(Continued)

	Standard Foods Segment	Standard Dairy Products Segment	China Standard Segment	Other Segments	Adjustments and Eliminations	Consolidated
Depreciation expense	\$ 155,596	\$ 26,047	\$ 150,598	\$ 21,597	\$ -	\$ 353,838
Amortization expense	\$ 19,945	\$ 4,865	\$ 19,466	\$ 4,983	\$ -	\$ 49,259
Other important non-cash items impairment loss on assets	\$ 658	\$ -	\$ -	\$ 5,106	\$ -	\$ 5,764
Operating segment income	\$ 2,386,928	\$ 389,567	\$ 592,773	\$ 74,179	\$ (44,896)	\$ 3,398,551
Unallocated amount						-
Income before income tax						\$ 3,398,551
<b>For the year ended December 31, 2014</b>						
Sales from external customers	\$ 10,316,706	\$ 1,673,300	\$ 9,345,194	\$ 464,813	\$ -	\$ 21,800,013
Sales among intersegments	1,171,351	755,400	-	6,916	(1,933,667)	-
Total sales	\$ 11,488,057	\$ 2,428,700	\$ 9,345,194	\$ 471,729	\$ (1,933,667)	\$ 21,800,013
Interest income	\$ 24,780	\$ 510	\$ 16,588	\$ 396	\$ -	\$ 42,274
Financial cost	\$ 171	\$ -	\$ 21,315	\$ 2,505	\$ -	\$ 23,991
Depreciation expense	\$ 133,808	\$ 28,569	\$ 121,831	\$ 18,040	\$ -	\$ 302,248
Amortization expense	\$ 22,554	\$ 5,404	\$ 59,564	\$ -	\$ -	\$ 87,522
Other important non-cash items impairment loss on assets	\$ 17,473	\$ -	\$ -	\$ 5,488	\$ -	\$ 22,961
Operating segment income	\$ 2,078,398	\$ 222,440	\$ 160,650	\$ 64,158	\$ 44,379	\$ 2,570,025
Unallocated amount						-
Income before income tax						\$ 2,570,025

(Concluded)

b. Revenue from major products

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

	For the Years Ended December 31	
	2015	2014
Nutritious foods	\$ 10,221,594	\$ 9,782,985
Cooking products	13,513,254	10,923,878
Others	1,779,738	1,093,150
	\$ 25,514,586	\$ 21,800,013

c. Geographical information:

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

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

	Revenue from External Customers			
	For the Years Ended December 31		Non-current Assets December 31	
	2015	2014	2015	2014
Taiwan	\$ 13,290,993	\$ 12,454,819	\$ 2,271,025	\$ 2,179,572
Mainland China	12,132,064	9,345,194	2,396,917	2,054,088
Other	91,529	-	28,790	-
	\$ 25,514,586	\$ 21,800,013	\$ 4,696,732	\$ 4,233,660

Non-current assets exclude financial instruments, goodwill, and deferred tax assets.

d. Information about major customers:

Sales to any individual customer which exceeded 10% of consolidated net sales for the years ended December 31, 2015 and 2014 are summarized as follows:

	<b>For the Years Ended December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Amount</b>	<b>% of Consolidated Net Sales</b>	<b>Amount</b>	<b>% of Consolidated Net Sales</b>
Customer A	<u>\$ 3,856,592</u>	15.1	<u>\$ 3,453,169</u>	15.8

## STANDARD FOODS CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(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	\$ 262,960	\$ 262,600	\$ 262,600	-	b.	\$ -	Need for operation	\$ -	-	\$ -	\$ 3,666,072	\$ 3,666,072	Note 4

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

Note 2: Reasons for financing as follows:

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

Note 3: The total amount shall not exceed 100% of net value of the Accession Limited, which was calculated to be \$3,666,072 thousand (the net value per financial statements at September 30, 2015 of \$3,666,072 thousand x 100%).

Note 4: The amount was eliminated upon consolidation.

## STANDARD FOODS CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(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 9)	Guarantee Provided by Subsidiary (Note 9)	Guarantee Provided to Subsidiaries in Mainland China (Note 9)	Note
		Name	Nature of Relationship (Note 2)											
0	Standard Foods Corporation	Standard Beverage Company Limited	b.	\$ 10,311,373 (Note 3)	\$ 314,350	\$ 164,125	\$ 27,000	\$ -	1.27	\$ 12,889,216 (Note 4)	Y	-	-	Note 10
1	Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	c.	2,520,537 (Note 5)	535,570	535,570	-	-	17.00	3,150,671 (Note 6)	-	-	Y	Note 10
	Shanghai Standard Foods Co., Ltd.	Standard Foods (China) Co., Ltd.	c.	2,520,537 (Note 5)	292,930	292,930	-	-	9.30	3,150,671 (Note 6)	-	-	Y	Note 10
2	Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	b.	1,907,554 (Note 7)	258,360	-	-	-	-	2,384,443 (Note 8)	-	-	Y	Note 10

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 Standard Foods Corporation; amount was calculated at \$10,311,373 thousand (the net value per financial statements at September 30, 2015 of \$12,889,216 thousand x 80%).

Note 4: The total amount shall not exceed 100% of the net value in the financial statements of Standard Foods Corporation; amount was calculated at \$12,889,216 thousand (the net value per financial statements at September 30, 2015 of \$12,889,216 thousand x 100%).

Note 5: 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 \$2,520,537 thousand (the net value per financial statements at September 30, 2015 of \$3,150,671 thousand x 80%).

Note 6: 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 \$3,150,671 thousand (the net value per financial statements at September 30, 2015 of \$3,150,671 thousand x 100%).

Note 7: 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 \$1,907,554 thousand (the net value per financial statements at September 30, 2015 of \$2,384,443 thousand x 80%).

Note 8: 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 \$2,384,443 thousand (the net value per financial statements at September 30, 2015 of \$2,384,443 thousand x 100%).

Note 9: Guarantee provided by the listed parent company, Guarantee provided by the Subsidiary or guarantee provided to subsidiaries in Mainland China, coded "Y".

Note 10: The amount was eliminated upon consolidation.

## STANDARD FOODS CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2015

(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, 2015				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	1,253,504	\$ 12,272		\$ 12,272	
	Chunghwa Telecom Co., Ltd.		Available-for-sale financial assets - current	48,600	4,816		4,816	
	<u>Mutual funds</u> UPAMC Quality Growth		Available-for-sale financial assets - current	297,794	6,803		6,803	
	<u>Stock</u> GeneFerm Biotechnology		Financial assets carried at cost - non-current	2,344,110	18,549	9.8	20,734	
	Dah Chung Bills Finance Corp.		Financial assets carried at cost - non-current	1,149,249	9,600	0.3	18,825	
	<u>Mutual funds</u> VantagePoint Communications Partners, L.P.		Financial assets carried at cost - non-current	Note 1	1,129	0.5	513	
	Walden VC 2, L.P.		Financial assets carried at cost - non-current	Note 1	34,502	2.1	28,104	
	<u>Stock</u> Techgains Pan-Pacific Corporation		Financial assets carried at cost - non-current	500,000	1,009	0.9	2,337	
	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	3,638	
	Paradigm Venture Capital Corporation		Financial assets carried at cost - non-current	307,125	3,072	7.0	3,388	
	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> Prudential Financial Money Market		Available-for-sale financial assets - current	192,191	3,000		3,000	
	Capital Multi-Asset Allocation FOF		Available-for-sale financial assets - current	217,598	3,136		3,136	
	Jih Sun Money Market		Available-for-sale financial assets - current	342,118	5,002		5,002	
	Taishin 1699 Money Market		Available-for-sale financial assets - current	1,123,175	15,002		15,002	
Charng Hui Ltd.	<u>Stock</u> Standard Foods Corporation	Parent of Charng Hui Ltd.	Available-for-sale financial assets - current	5,777,436	474,327	0.7	474,327	Note 3
	Formosa Plastics Corporation		Available-for-sale financial assets - current	91,440	7,041		7,041	
	China Steel Corporation		Available-for-sale financial assets - current	803,258	14,419		14,419	
	Polytronics Technology Corp.	Charng Hui Ltd. is a director.	Available-for-sale financial assets - current	1,596,000	106,453	2.0	106,453	
	Taiwan Semiconductor Manufacturing Co., Ltd.		Available-for-sale financial assets - current	90,000	12,870		12,870	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note 2)	
Standard Beverage Company Limited	<u>Mutual funds</u>	Charng Hui Ltd. is a director	Available-for-sale financial assets - current	1,504,652	\$ 22,000		\$ 22,000	
	Jih Sun Money Market		Available-for-sale financial assets - current	1,000,000	9,990		9,990	
	Fuh Hwa Global Strategic Allocation FoF		Available-for-sale financial assets - current	1,528,509	20,416		20,416	
	Taishin 1699 Money Market		Available-for-sale financial assets - current	1,453,360	19,266		19,266	
	Franklin Templeton SinoAm Global Bd Acc		Available-for-sale financial assets - current	883,913	9,014		9,014	
	Franklin Templeton SinoAm Money Market							
	<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	7,621	
DOMEX Technology Corporation	<u>Mutual funds</u>		Available-for-sale financial assets - current	225,000	2,052		2,052	
	Fuh Hwa Greater China Mid & Small Cap		Available-for-sale financial assets - current	356,761	5,095		5,095	
	Fuh Hwa Money Market		Available-for-sale financial assets - current	282,988	3,751		3,751	
	Franklin Templeton SinoAm Global Bd Acc		Available-for-sale financial assets - current	547,248	8,002		8,002	
Accession Limited	<u>Stock</u>		Financial assets carried at cost - non-current	3,600,000	26,586	13.4	309	
	InnoComm Mobile Technology Corp.							
Accession Limited	<u>Mutual funds</u>		Financial assets carried at cost - non-current	200	3,698	0.7	6,153	
	AsiaVest Opportunities Fund IV							

Note 1: No number of units of the Fund.

Note 2: The fair values for unlisted investees were not available; market value was based on the net value.

Note 3: The amount was eliminated upon consolidation.

(Concluded)

## STANDARD FOODS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(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	-	-	66,396,296	\$ 2,089,069	22,899,457	\$ 749,378	-	\$ -	\$ -	\$ -	\$ -	\$ 165,304 (Note 1)	89,295,753	\$ 3,003,751	Note 6
Standard Investment (Cayman) Limited	Standard Corporation (Hong Kong) Limited	Investments accounted for using equity method	-	-	66,371,296	2,088,697	22,899,457	749,378	-	-	-	-	-	165,432 (Note 2)	89,270,753	3,003,507	Note 6
Standard Corporation (Hong Kong)	Standard Investment (China) Co., Ltd.	Investments accounted for using equity method	-	-	Note 5	2,087,597	Note 5	749,378	-	-	-	-	-	165,634 (Note 3)	Note 5	3,002,609	Note 6
Standard Investment (China) Co., Ltd.	Standard Foods (Xiamen) Co., Ltd.	Investments accounted for using equity method	-	-	Note 5	-	Note 5	721,338	-	-	-	-	-	(8,130) (Note 4)	Note 5	713,208	Note 6

Note 1: Share of profit of subsidiary of \$223,720 thousand, and exchange differences on translation of foreign operations of \$(58,416) thousand.

Note 2: Share of profit of subsidiary of \$223,840 thousand, and exchange differences on translation of foreign operations of \$(58,408) thousand.

Note 3: Share of profit of subsidiary of \$224,018 thousand, and exchange differences on translation of foreign operations of \$(58,384) thousand.

Note 4: Share of profit of subsidiary of \$1,138 thousand, and exchange differences on translation of foreign operations of \$(9,268) thousand.

Note 5: A limited company, no issued shares.

Note 6: The amount was eliminated upon consolidation.

## STANDARD FOODS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(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	\$(1,246,436)	10.61	Net 55 days after receivables and payables monthly netting	-	-	\$ 131,096	6.93	Note
			Purchases	690,834	9.95	Net 55 days after receivables and payables monthly netting	-	-	-	-	Note
Standard Dairy Products Taiwan Limited	Standard Foods Corporation	Parent company of Standard Dairy Products Taiwan Limited	Purchases	1,246,436	65.37	Net 55 days after receivables and payables monthly netting	-	-	(131,096)	32.45	Note
			Sales	(690,834)	25.80	Net 55 days after receivables and payables monthly netting	-	-	-	-	Note
Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Sales	(7,071,843)	82.69	Net 60 days	-	-	773,713	49.39	Note
Standard Investment (China) Co., Ltd.	Shanghai Standard Foods Co., Ltd.	Brother company of Standard Investment (China) Co., Ltd.	Purchases	7,071,843	83.46	Net 60 days	-	-	(773,713)	66.10	Note
Shanghai Standard Foods Co., Ltd.	Standard Foods (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Sales	(463,639)	5.42	Net 60 days	-	-	503,195	32.12	Note
			Purchases	585,431	5.57	Net 60 days	-	-	-	-	Note
Standard Foods (China) Co., Ltd.	Shanghai Standard Foods Co., Ltd.	Brother company of Standard Foods (China) Co., Ltd.	Sales	(585,431)	29.46	Net 60 days	-	-	-	-	Note
			Purchases	463,639	22.66	Net 60 days	-	-	(503,195)	59.66	Note
Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (China) Co., Ltd.	Sales	(1,401,931)	70.54	Net 60 days	-	-	396,798	100.00	Note
Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	Standard Foods (China) Co., Ltd.'s subsidiary	Purchases	1,401,931	16.54	Net 60 days	-	-	(396,798)	33.90	Note

Note: The amount was eliminated upon consolidation.

## STANDARD FOODS CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2015

(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	\$ 131,096	9.41	\$ -	-	\$ 131,096 (Note 1)	\$ -	Note 2
			Other receivables	<u>1,939</u>		-	-	<u>1,939</u> (Note 1)	-	Note 2
				<u>\$ 133,035</u>		<u>\$ -</u>		<u>\$ 133,035</u> (Note 1)	<u>\$ -</u>	Note 2
Accession Limited	Shanghai Standard Foods Co., Ltd.	Accession Limited's subsidiary	Other receivables	<u>\$ 262,600</u>		<u>\$ -</u>	-	<u>\$ -</u> (Note 1)	<u>\$ -</u>	Note 2
Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co.	Trade receivables	\$ 773,713	7.25	\$ -	-	\$ 773,713 (Note 1)	\$ -	Note 2
			Trade receivables from sale of trademark rights	138,806		-	-	- (Note 1)	-	Note 2
			Other receivables	<u>27,959</u>		-	-	<u>27,959</u> (Note 1)	-	Note 2
			<u>\$ 940,478</u>	<u>\$ -</u>			<u>\$ 801,672</u> (Note 1)	<u>\$ -</u>	Note 2	
Shanghai Standard Foods Co., Ltd.	Standard Foods (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co.	Trade receivables	\$ 503,195	1.91	\$ -	-	\$ 503,195 (Note 1)	\$ -	Note 2
			Other receivables	<u>505</u>		-	-	<u>505</u> (Note 1)	-	Note 2
			<u>\$ 503,700</u>	<u>\$ -</u>			<u>\$ 503,700</u> (Note 1)	<u>\$ -</u>	Note 2	
Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (China) Co., Ltd.	Trade receivables	\$ 396,798	7.07	\$ -	-	\$ 396,798 (Note 1)	\$ -	Note 2
			Other receivables	<u>86,836</u>		-	-	<u>86,836</u> (Note 1)	-	Note 2
			<u>\$ 483,634</u>	<u>\$ -</u>			<u>\$ 483,634</u> (Note 1)	<u>\$ -</u>	Note 2	

Note 1: Amounts received before March 24, 2016.

Note 2: The amount was eliminated upon consolidation.

**STANDARD FOODS CORPORATION AND SUBSIDIARIES****DERIVATIVES TRADING INFORMATION****FOR THE YEAR ENDED DECEMBER 31, 2015****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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The Company was not engaged in derivatives trading during 2015.

Shanghai Standard Foods Co., Ltd. (“Shanghai Standard Foods”), Standard Investment (China) Co., Ltd. (“China Standard Investment”), Standard Foods (China) Co., Ltd. (“China Standard Foods”) and Shanghai Le Ben De Health Technology Co., Ltd. (“Shanghai Le Ben De”) entered into structured time deposits during 2015 mainly to earn from favorable effects of fluctuations of interest rates.

Shanghai Standard Foods entered into futures contracts during 2015 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, 2015, Shanghai Standard Foods, China Standard Investment, China Standard Foods and Shanghai Le Ben De did not have outstanding structured time deposit.

As of December 31, 2015, Shanghai Standard Foods did not have outstanding futures contract.

As of December 31, 2015, the amount of the margin deposits paid by Shanghai Standard Foods was RMB503 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, China Standard Foods and Shanghai Le Ben De was RMB4,223 thousand during 2015.

## STANDARD FOODS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount (Note 4)	Payment Terms	% to Total Sales or Assets (Note 3)
0	Standard Foods Corporation	Standard Dairy Products Taiwan Limited	a.	Trade receivables - related parties	\$ 131,096	According to the general conditions	0.6
		Standard Dairy Products Taiwan Limited	a.	Other receivables - related parties	1,939	According to the general conditions	-
		Standard Dairy Products Taiwan Limited	a.	Sales	1,246,436	According to the general conditions	4.9
		Standard Dairy Products Taiwan Limited	a.	Purchases	690,834	According to the general conditions	2.7
		Standard Dairy Products Taiwan Limited	a.	Other revenue (royalty revenue)	5,211	According to the general conditions	-
		Standard Dairy Products Taiwan Limited	a.	Acquisition of property, plant and equipment	307	According to the general conditions	-
		Standard Beverage Company Limited	a.	Other receivables - related parties	115	According to the general conditions	-
		Standard Beverage Company Limited	a.	Service revenue	1,320	According to the general conditions	-
		Standard Beverage Company Limited	a.	Purchases	5,126	According to the general conditions	-
		Charng Hui Company Limited	a.	Other receivables - related parties	33,119	According to the general conditions	0.2
		Charng Hui Company Limited	a.	Purchases	1,502	According to the general conditions	-
1	Accession Limited	Shanghai Standard Foods Co., Ltd.	c.	Financial intermediation receivable - related parties	262,600	No calculation of interest	1.3
2	Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	c.	Trade receivables - related parties	773,713	According to the general conditions	3.8
		Standard Investment (China) Co., Ltd.	c.	Other receivables from sale of trademark rights	138,806	According to the general conditions	0.7
		Standard Investment (China) Co., Ltd.	c.	Other receivables - related parties	27,959	According to the general conditions	0.1
		Standard Investment (China) Co., Ltd.	c.	Trade payables - related parties	175	According to the general conditions	-
		Standard Investment (China) Co., Ltd.	c.	Sales	7,071,843	According to the general conditions	27.7
		Standard Investment (China) Co., Ltd.	c.	Purchases	1,056	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	c.	Trade receivables - related parties	503,195	According to the general conditions	2.5
		Standard Foods (China) Co., Ltd.	c.	Other receivables - related parties	505	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	c.	Sales	463,639	According to the general conditions	1.8
		Standard Foods (China) Co., Ltd.	c.	Purchases	585,431	According to the general conditions	2.3
		Standard Foods (China) Co., Ltd.	c.	Other payables - related parties	100	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	c.	Prepayments	201,061	According to the general conditions	1.0
		3	Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	c.	Trade receivables - related parties	48
Standard Foods (China) Co., Ltd.	c.			Trade payables - related parties	396,798	According to the general conditions	1.9
Standard Foods (China) Co., Ltd.	c.			Other payables - related parties	86,836	According to the general conditions	0.4
Standard Foods (China) Co., Ltd.	c.			Sales	701	According to the general conditions	-
Standard Foods (China) Co., Ltd.	c.			Purchases	1,401,931	According to the general conditions	5.5
Shanghai Dermalab Corporation	c.			Other payables - related parties	25	According to the general conditions	-
Shanghai Dermalab Corporation	c.			Other expense	355	According to the general conditions	-
Standard Foods (Xiamen) Co., Ltd.	c.			Other receivables - related parties	1,346	According to the general conditions	-

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount (Note 4)	Payment Terms	% to Total Sales or Assets (Note 3)
4	Shanghai Dermalab Corporation	Shanghai Le Ben Extension Health Technology Co.	c.	Trade receivables - related parties	\$ 26	According to the general conditions	-
		Shanghai Le Ben Extension Health Technology Co.	c.	Sales	26	According to the general conditions	-
		Dermalab S.A.	c.	Trade payables - related parties	18,819	According to the general conditions	0.1
		Dermalab S.A.	c.	Purchases	27,415	According to the general conditions	0.1

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

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

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

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

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

Note 4: The amount was eliminated upon consolidation.

(Concluded)

## STANDARD FOODS CORPORATION

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2015			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2015	December 31, 2014	Shares	%	Carrying Amount			
Standard Foods Corporation	Accession Limited	Tortola, British Virgin Islands	Investment business	\$ 3,936,267	\$ 3,936,267	123,600,000	100	\$ 3,672,625	\$ 252,555	\$ 243,988 (Note 1)	Subsidiary (Note 5)
	Standard Investment (Cayman) Limited	Grand Cayman, Cayman Islands	Investment business	2,739,763	1,990,385	89,295,753	100	3,003,751	223,677	223,720 (Note 2)	Subsidiary (Note 5)
	Standard Dairy Products Taiwan Limited	Taipei, Taiwan	Manufacture and sale of dairy products and beverages	300,853	300,853	30,000,000	100	671,420	319,639	312,023 (Note 3)	Subsidiary (Note 5)
	Chang Hui Ltd.	Taipei, Taiwan	Investment business	530,000	530,000	54,100,000	100	564,074	26,691	18,287	Subsidiary (Note 5)
	DOMEX Technology Corporation	Hsinchu Taiwan	Manufacture and sale of computer peripherals and computer and information products	114,116	114,116	10,374,399	52	179,721	54,799	28,501	Subsidiary (Note 5)
	Standard Beverage Company Limited	Taipei, Taiwan	Manufacture and sale of beverages	79,072	79,072	7,907,000	100	80,813	3,538	3,717 (Note 4)	Subsidiary (Note 5)
Accession Limited	Dermalab S.A.	Switzerland	Development and sale of cosmetics	206,905	-	320	80	191,272	4,481	-	Indirect subsidiary (Note 5)
Dermalab S.A.	Swiss Line Cosmetics China Limited	Hong Kong	Sale of cosmetics	39	-	10,000	100	-	-	-	Indirect subsidiary (Note 5)
	Swissderma SL	Spain	Sale of cosmetics	96	-	3,000	100	-	-	-	Indirect subsidiary (Note 5)
Standard Investment (Cayman) Limited	Standard Corporation (Hong Kong) Limited	Wan Chai, Hong Kong	Investment business	2,739,013	1,989,635	89,270,753	100	3,003,507	223,840	-	Indirect subsidiary (Note 5)

Note 1: This amount was the share of profit of investee of \$252,555 thousand minus the unrealized gain on sidestream transaction of \$8,567 thousand.

Note 2: This amount was the share of profit of investee of \$223,677 thousand plus the realized gain on sidestream transaction of \$43 thousand.

Note 3: This amount was the share of profit of investee of \$319,639 thousand minus the unrealized gain on upstream transaction of \$7,616 thousand.

Note 4: This amount was the share of profit of investee of \$3,538 thousand plus the realized gain on upstream transaction of \$179 thousand.

## STANDARD FOODS CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(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, 2015	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2015	Accumulated Repatriation of Investment Income as of December 31, 2015	Note
					Outward	Inward							
Shanghai Standard Foods Co., Ltd.	Manufacture and sale of edible oil products and nutritional food	\$ 3,949,575	b. (Note 3)	\$ 3,980,795 (Note 4)	\$ -	\$ -	\$ 3,949,575 (Note 4)	\$ 259,791	100	\$ 259,791 (Note 10)	\$ 3,190,001	\$ -	Note 13
Inner Mongolia Jiatai Agriculture Technology Co., Ltd.	Production of sunflower	92,235	c. (Note 5)	- (Note 5)	-	-	- (Note 5)	(3,624)	100	(3,624) (Note 10)	3,356	-	Note 13
Standard Investment (China) Co., Ltd.	Investment and sales of edible oil products and nutritional food	2,732,656	b. (Note 6)	1,983,278 (Note 6)	749,378	-	2,732,656 (Note 6)	224,018	100	224,018 (Note 10)	3,002,609	-	Note 13
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)	41,018	100	20,486 (Note 10)	1,757,849	-	Note 13
Shanghai Dermalab Corporation	Sale of nutritional food and international trading	29,949	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	(13,660)	100	(13,660) (Note 10)	16,806	-	Note 13
Shanghai Le Ben Extension Health Technology Co.	Sale of nutritional food and international trading	199,370	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	82	100	82 (Note 10)	198,237	-	Note 13
Guangzhou Swissland Trade Co., Ltd.	Sale of cosmetics	2,359	c. (Note 8)	- (Note 8)	-	-	- (Note 8)	-	20	-	-	-	-
Shanghai Le Ben De Health Technology Co., Ltd.	Sale of nutritional food and international trading	31,220	c. (Note 4 and 9)	- (Note 4)	-	-	31,220 (Note 4)	167	100	167 (Note 10)	31,087	-	Note 13
Standard Foods (Xiamen) Co., Ltd.	Manufacture and sale of edible oil products and nutritional food	721,338	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	1,138	100	1,138 (Note 10)	713,208	-	Note 13
Shanghai Le Ho Industrial Co., Ltd.	Management of properties	- (Note 11)	c. (Note 7)	- (Note 11)	-	-	- (Note 11)	-	100	-	-	-	Note 13
Shanghai Le Min Industrial Co., Ltd.	Management of properties	- (Note 11)	c. (Note 7)	- (Note 11)	-	-	- (Note 11)	-	100	-	-	-	Note 13

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 6,766,730	\$ 8,766,199	Unlimited amount of investment (Note 12)

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

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

(Continued)

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 January 1, 2015 and December 31, 2015, accumulated amount invested from Taiwan was \$4,034,074 thousand. The amount of investment \$53,279 thousand has been retained in Accession Limited. The amount balance of \$3,980,795 thousand was accumulated outward remittance for investment of Shanghai Standard Foods Co., Ltd. However, Shanghai Standard Foods Co., Ltd. used assets of \$31,220 thousand to incorporate Shanghai Le Ben De Health Technology Co., Ltd. as of July 2015. After the investment, accumulated outward remittance for investment of Shanghai Standard Foods Co., Ltd. and Shanghai Le Ben De Health Technology Co., Ltd. was \$3,949,575 thousand and \$31,220 thousand, respectively.

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 through 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: The company invested through business combination, and indirectly invested through a third region was Dermalab S.A.

Note 9: The company spun off from Shanghai Standard Foods Co., Ltd. and indirectly invested through a third region was Accession Limited.

Note 10: Recognition of investment income (loss) was based on Note 2,b,2).

Note 11: As of December 31, 2015, the funds were not invested from Taiwan.

Note 12: 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)