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Standard Foods Corporation

2016

Annual Report

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GDR Trading Market
Market: Euro MTF Market, Luxembourg Stock Exchange
Website: http://www.bourse.lu

Table of Contents

Page

One. Letter to Shareholders

Dear shareholders,

In 2016, Standard Foods was wrongfully accused for the recall of parallel imported oats products that contained exceeding levels of glyphosate, and it has brought unprovoked harm to our brand image. Although the Company made clarifications to the misunderstanding by all means to resolve consumer concerns, the bottom line has still been negatively impacted. On the other hand, in China, in addition to the product adjustments made to align with the national standards, we also built new Xiamen plants for increasing production capacity and worked on the expansion of business network. The consolidated revenue in 2016 slightly increased compared to 2015, and the profit declined slightly, compared to 2015, due to the depreciation of Renminbi and the glyphosate incident. Standard Foods has been committed to the product quality through conducting quality tests on raw materials and finished products, and developing new products. Given that “quality and safety” are our unchanged commitment for customers, we will continue to affirm consumer faith with high quality, so that we can stand apart from the competition and create better performance with the efforts of all our staff.

In this report, we will present to you our combined business performance in 2016, the summary of our 2017 business plan, our future development strategies, along with impacts from external competitions, the legal environment, and the macro environment.

1. Business performance 2016

1.1. Consolidated revenue and profit overview

Unit: NT$ thousands

	2016	%	2015	%	±%
Sales revenue	27,073,564	100	25,514,586	100	6
Cost of goods sold	19,068,515	70	17,473,736	68	9
Gross Profit	8,005,049	30	8,040,850	32	0
Earnings before tax	3,279,805	12	3,398,551	13	(3)
Net income of the year	2,637,756	10	2,752,467	11	(4)
Total comprehensive profit and loss	2,199,684	8	2,560,855	10	(14)

Compared to 2015, performances in 2016 included: consolidated revenue increased by 6% or NT$1.56 billion to NT$27.07 billion; individual revenue decreased by 1% or NT$90 million to NT$11.66 billion; comprehensive income decreased by 14% or NT$360 million to NT$2.2 billion. This amount included the comprehensive income of this Company at NT$2.17 billion, with a decrease of 14% or NT$370 million.

1.2. Status of research and development

In 2016, Standard Foods invested a R&D fund amounted to NT$140 million. In addition to new product research, clinical trials, and technology development, we made continual improvement and optimization of the current products, so as to provide consumers with higher quality products.

2. Summary of 2017 business plan and future development strategies

2.1. Operating guidelines

(1) Studying consumer shopping habits and product market trends to develop products meeting consumer needs, and developing new products to create new demand, to cultivate the blue ocean on the market.
(2) Optimizing quality control, enforcing product testing procedures from source management,

enhancing product processing technology, and providing consumers with safe, nutritious, and healthy food.

(3) Enhancing occupational training to diversify personnel development, strengthening the Group's vertical and horizontal cooperation, reengineering internal organization, and improving the organization's operational flexibility and efficiency.

2.2. Expected sales volume and important marketing policies

Based on the estimated sales of 431,055 tons in 2017, the future production-marketing policy is summarized as follows:

(1) Production

- Aligning equipment investments with the Group's development strategy to effectively allocate internal resources and maximize benefits.
- Reinforcing cooperation with upstream suppliers and downstream distributors to enhance the efficiency of supply chain operation and smooth supply and demand.
- Strictly controlling each process of food manufacture, enforcing source management, to ensure all processes, from material input to product delivery to consumers, conform to the control standards.

(2) Marketing

- Capturing market trends: With the rise of health awareness and regimen trend in consumers, we will continuously promote products with equal emphasis on health, nutrition, and high quality and release new products that meet different consumer demands.
- Serving customers sincerely and getting closer to consumer needs and feelings to maintain brand coherence.
- Increasing product exposure with creative and flexible marketing strategies and omni-channel, to raise sales performance and increase market share.

3. Impacts of external competitions, the legal environment, and the macro environment

3.1. External competitions

In an era of global competition, both domestic and international food manufacturers compete for shares of the limited domestic food consumer market, and the development of cross-border e-commerce and social networking sites brings not only opportunities but challenges. Building and maintaining a brand has diverged from traditional ways whereas brand identification to consumers changes rapidly with new emerging brands or daily news. In this hypercompetitive environment, Standard Foods consistently provides our consumers with safe and nutritious products with our unchanged rigorous attitude. We are keen to develop innovative and highly value-added products coping with the competitive and constantly changing market. We will continuously improve consumer communication and enhance brand image, so as to win consumer support among competitors and became a market-leading brand.

3.2. Legal environment

After a series of food safety crises, the government of Taiwan has optimized the management system of food safety and sanitation by amending various laws and regulations to protect food safety and consumer rights for citizens. The Ministry of Health and Welfare rules that food manufacturers shall establish their own food traceability and tracking system, upload data to the "Food Product Traceability and Tracking Management System (Must Trace)" every month, and enact food safety monitoring plan to protect consumer rights. Aiming to become the most trustworthy food company in the Chinese world, we surpass statutory and regulatory requirements. Besides ensuring all products are traceable and trackable, we implement product data registration to coordinate with relevant laws and regulations and enact food safety monitoring plan.

3.3. Macro environment

In 2016, the global economy has recovered gradually. The oil and commodity prices were stabilized. The domestic economy showed double-digit growth in the second half of the year after several months of decline in exports. The quarterly economic growth rate has turned positive. All of these have eased up the overall operating environment. However, looking forwards, the unforeseeable economic trend and foreign exchange rate volatility, the alternation in the economic condition between major countries and regions, the adjustment of market supply and demand, and the flow and deployment of global capital will all simultaneously bring considerable effects and impacts to the bulk materials, food ingredients, and exchange rate. As the domestic economic condition will also affect the momentum of the consumer market, the challenges ahead remain tough for the domestic food industry that relies on imported ingredients and distributed products mainly domestically.

Looking to the future, we will continue to uphold the commitment: quality and safety for consumers and impose strict controls over each part of food manufacture. We firmly believe that providing consumers with satisfactory products and winning consumer trust and word of mouth are key to sustainable operations.

Chairman:	CEO:	Chief Financial Officer:
Ter-Fung Tsao	Ter-Fung Tsao	Chris Hong

Two. Company Profile

I. Date of Incorporation: June 6, 1986

II. Development history

1986
- Standard Foods Taiwan Ltd. was invested and established by Standard International Foods Corp. The paid-in capital was NT$4,788,300.
- Quaker Products Taiwan Ltd. invested in Standard Foods Taiwan Ltd., the paid-in capital increased to NT$4,788,400.
- Standard Foods acquired the assets of Quaker Products Taiwan Ltd. and was granted its business license on August 8 to continue to manufacture and sell Quaker's White Oats and Baby Cereal.
- Increased the paid-in capital to NT$15,000,000 by cash capitalization of NT$10,211,600.

1987
- Quaker Products Taiwan Ltd. transferred all its shares in the Company to Quaker Oats Company.
- Expansion of Ta Yuan plant facilities at an expense of over NT$15 million.

1988
- Increased the paid-in capital to NT$45,000,000 with retained earnings of NT$30,000,000 for expanding facilities and acquiring manufacturing equipment.

1990
- Acquired land in Wugu Industrial District for an amount over NT$120 million.
- Grand opening of the first Pizza Inn Restaurant in Taiwan.
- Increased the paid-in capital to NT$162,000,000 with retained earnings of NT$117,000,000. Par value of each share split from NT$100 to NT$10.
- Securities and Exchange Commission authorized the Company as a public company.

1991
- Expansion of Ta Yuan shipping warehouse at an expense of over NT$21 million.
- Increased the paid-in capital to NT$194,400,000 with retained earnings of NT$32,400,000

1992
- Increased the paid-in capital to NT$307,152,000 with retained earnings of NT$64,152,000 and cash capitalization of NT$48,600,000.

1993
- Invested in Standard Foods Singapore Pte Ltd. of US$2.32 million to re-invest an amount of US$2.25 million in Suzhou Standard Foods Co. to manufacture cereal products.
- Increased the paid-in capital to NT$430,012,800 with retained earnings of NT$122,860,800.
- Invested $79,999 thousand in Standard Friendship Taiwan Ltd. for 99.99% shareholdings.
- Food and beverages operations transferred to Standard Friendship Taiwan Ltd. for professional management.

1994
- Increased the paid-in capital to NT$602,017,920 with retained earnings of NT$172,005,120.
- The Company became a listed company in the Taiwan Stock Exchange on April 9.

1995
- Increased the paid-in capital to NT$848,338,570 with retained earnings of NT$246,320,650.

- Wired US$8.5 million, to repurchase the 51% equity interest of Standard Foods Singapore Pte Ltd. held by Quaker Oats Company for US$3.8 million and increased the investment in China by US$4.7 million.

1996
- Increased the paid-in capital to NT$1,191,168,430 with retained earnings of NT$342,829,860.

1997
- Increased the paid-in capital to NT$1,672,052,910 with retained earnings of NT$480,884,480.
- As resolved in the shareholders' meeting, Standard Friendship ceased its operations and sold its operational assets in December 1996.
- Invested in Charng-Li Investment Ltd. with an amount of NT$289,994 thousand for a shareholding of 99.9% to run investment business.
- In June 1997, Mr. Ter-Fung Tsao (Chairman of the Company) and Ms. H.D. Mon (major shareholder of the Company) used part of their equity interest in the Company to issue 3,000,000 Global Depositary Receipts ("GDRs") in Asia, Europe, and the United States; each unit represents 5 common shares of the Company.

1998
- Increased the paid-in capital to NT$2,094,702,360 with retained earnings of NT$422,649,450.
- Invested in Standard Beverage Ltd. with an amount of NT$99,999 thousand for a shareholding of 99.9% to produce bottled water.
- Increased investment in China by US$5 million.

1999
- Increased the paid-in capital to NT$2,623,606,510 with retained earnings of NT$528,904,150.
- Invested NT$3.28 million to establish Standard Dairy Products Taiwan Ltd. for the production of yogurt with 75% shareholding acquired. The products are included in the “Yoplait” brand.
- Acquired the factory, machinery and trademark of Fresh Dairy with NT$3.5 million to launch Fresh Delight series products.

2000
- Increased the paid-in capital to NT$3,022,645,060 with retained earnings of NT$399,038,550.
- Invested additional NT$1.08 million in Standard Dairy Products Taiwan Ltd. with 99% shareholding acquired in total.
- Increased the equity of Domex Technology Corporation to 49% by NT$2.14 million.
- Disposed of 900,000 shares of Standard Beverage Ltd. The equity interest decreased to 91%.
- Invested 100% equity in Accession Limited, based on BVI, with US$2 million. Then increased the equity by transferring assets as capital contribution and by cash total up to US$11.9 million.

2001
- Charng-Li Investment Ltd., our wholly-owned company, was renamed as Charng Hui Ltd.
- Automated storage was completed.
- Accession Limited invested in Shanghai Standard Foods Co. to sell cereal products.
- Increased the paid-in capital to NT$3,209,184,420 with retained earnings of NT$186,539,360.
- Invested 56% equity in Renewable Resource Technology (Cayman) Co., Ltd. with US$2.8 million with the goal of re-investing in Hunan Jiage Biotechnology Co., Ltd. with US$3.4 million to manufacture fermented organism products.

2002	• Accession Limited increased the paid-in capital to US$20,344,080 with US$5 million cash injection and US$1.42 million retained earnings. • Accession Limited acquired the equity of Suzhou Standard Foods Co. from Standard Foods Singapore Pte Ltd. and Standard Foods Singapore Pte Ltd. went into liquidation. • Changed the Company's name from "Standard Foods Taiwan Ltd." to "Standard Foods Corporation".
2003	• Shanghai Standard Foods Co., merged with Suzhou Standard Foods Co., Shanghai Standard Foods Co., is the continuing company. Suzhou Standard Foods Co., became a branch company of Shanghai Standard Foods Co. • Invested in Accession Limited by US$2.2 million. • Charng Hui Ltd., our wholly-owned, decreased the paid-in capital to NT$194 million by NT$96 million.
2004	• Liquidation of Singapore Standard Foods was completed. • Accession Limited increased the paid-in capital to US$37,344,080 with US$14.8 million cash injection. Accession Limited decreased the paid-in capital to US$33,100,000 by US$4,244,080 in October 2004.
2005	• Accession Limited increased the paid-in capital to US$38,100,000 with US$5,000,000 cash injection. • Increased the equity of Standard Dairy Products Taiwan Ltd. from 99.9% to 100%.
2006	• Changed the fiscal year to calendar year on January 1. • SAP ERP system officially online. • Charng Hui Ltd., our wholly-owned, decreased the paid-in capital to NT$150 million by NT$44 million.
2007	• Accession Limited increased the paid-in capital to US$43,100,000 with US$5,000,000 cash injection.
2008	• Signed a distribution agreement with Fonterra Brands (Far East) Limited (Hong Kong). • Accession Limited increased the paid-in capital to US$50,600,000 with US$7,500,000 cash injection.
2009	• Accession Limited increased the paid-in capital to US$73,600,000 with US$23,000,000 cash injection. • Increased the paid-in capital to NT$3,225,230,340 with retained earnings of NT$16,045,920
2010	• The Company's tangible stock shares are converted to intangible stock shares. • Accession Limited increased the paid-in capital to US$123,600,000 with US$50,000,000 cash injection. • Increased the paid-in capital to NT$3,709,014,890 with retained earnings of NT$483,784,550
2011	• The Company invested in and established Standard Investment (Cayman) Limited, which reinvested in and established Standard Corporation (Hong Kong) Limited. • Standard Corporation (Hong Kong) Limited invested in and established Standard Investment (China) Limited. • Standard Investment (China) Limited made reinvestment to set up Standard Food (China) Limited. • Increased the paid-in capital to NT$4,636,268,610 with retained earnings of NT$927,253,720.

2012 • Increased the paid-in capital to NT$5,748,973,070 with retained earnings of NT$1,112,704,460
• Made a cash injection of US$ 30,010,000 to Standard Investment (Cayman) Limited. Total paid-in capital of the Company increased to US$ 30,010,000.

2013 • Increased the paid-in capital to NT$6,611,319,030 with retained earnings of NT$862,345,960.
• Made a cash injection of US$ 15,035,000 to Standard Investment (Cayman) Limited. Total paid-in capital of the Company increased to US$ 45,045,000.
• An increase in cash capital of NT$380,000,000 was invested in Charng Hui Ltd. for a total investment of NT$541,000,000.

2014 • Increased the paid-in capital to NT$7,206,337,740 with retained earnings of NT$595,018,710.
• Increased shareholding of Standard Beverage Ltd. from 97.1% to 100%
• Increased the paid-in capital of Standard Investment (Cayman) Limited to US$66,396,296 with retained earnings of CNY131,211,500 (equivalent to US$21,351,296).
• Established Shanghai Dermalab Corporation with re-investments through Standard Investment (China) Ltd.
• Established Le Bonta Wellness Co., Ltd. with re-investments through Standard Investment (China) Ltd.

2015 • Transferred capital surplus at NT$720,633,770 to capital to increase paid-in capital to NT$7,926,971,510.
• Increased capital to US$22,899,457 to Standard Investment (Cayman) Limited to increase paid-in capital to US$89,295,753.
• Standard Investment (Cayman) Limited then reinvested in Standard Foods (Xiamen) Co., Ltd. and Shanghai Dermalab Corporation through Standard Foods (Hong Kong) Ltd. and Standard Investment (China) Ltd.
• Shanghai Standard Foods Co. established Shanghai Le Ben De Health Technology Co., Ltd. through asset partitioning at US$1,000,000.
• Accession Limited acquired 80% shares of Dermalab S.A.
• Le Bonta Wellness Co., Ltd. acquired Beijing Yisheng Tong Kang Biotechnology Co., Ltd. via cash merger.

2016 • Transferred capital surplus NT$871,966,860 to capital to increase paid-in capital to NT$8,798,938,370.
• Increased capital US$45,040,101 to Standard Investment (Cayman) Limited to increase paid-in capital to US$134,335,854. Standard Investment (Cayman) Limited established Shanghai Le Ho Industrial Co., Ltd. and Shanghai Le Min Industrial Co., Ltd. with re-investments through Standard Foods (Hong Kong) Limited.
• Acquired 100% share equity of Le Bonta Wellness International Co.

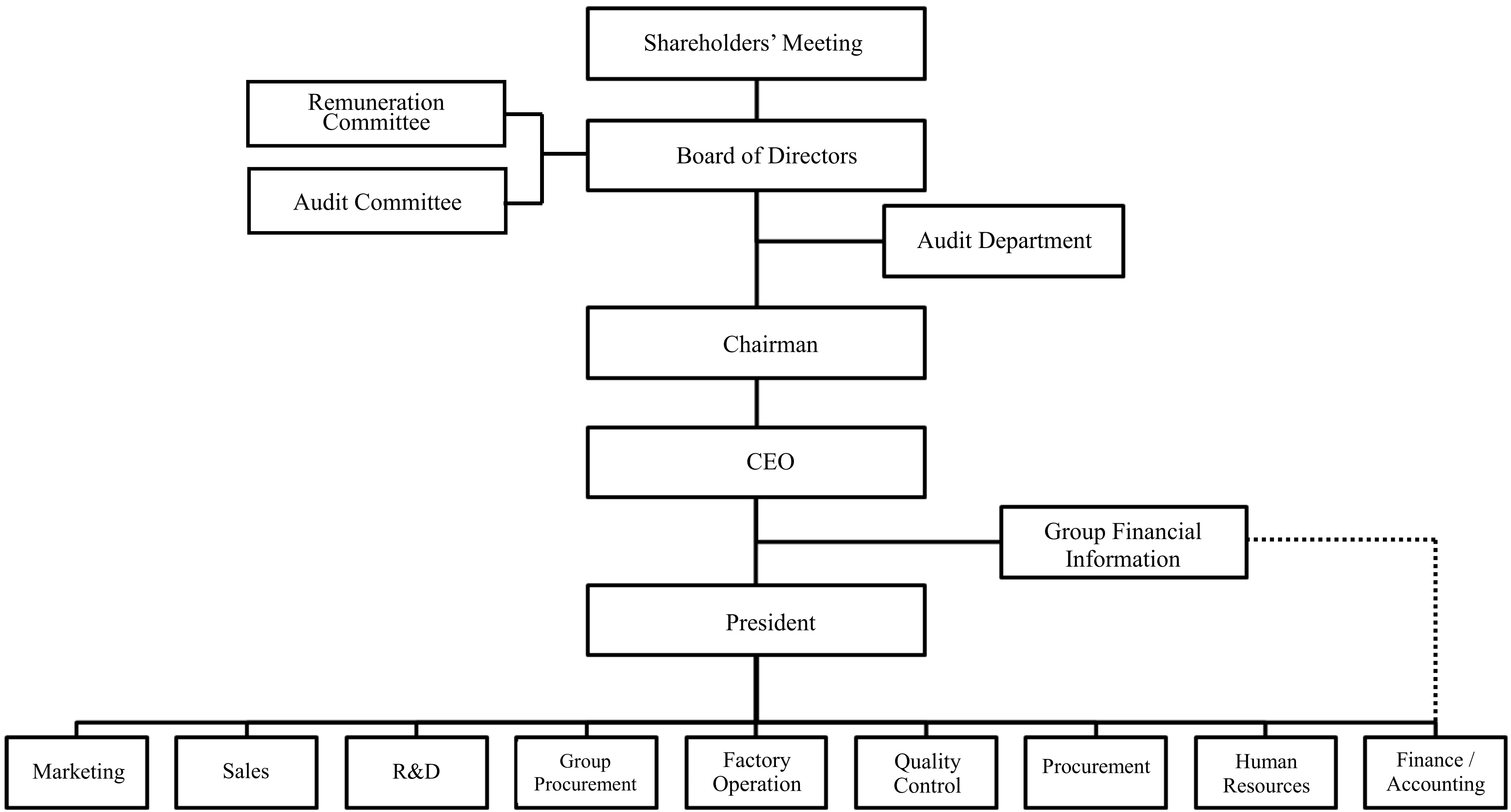
2017

- The Company's Chairman and President, Mr. Ter-Fung Tsao, resigned from the position of the Company's President on May 1, and Vice President of the Company, Yao Steven Yih-Chun, took over the office.
- The Company established the position of Chief Executive Officer on May 5, assumed by the Chairman, Ter-Fung Tsao.
- Increased capital CNY 40,900,000 to Le Bonta Wellness Co., Ltd. to increase paid-in capital to CNY 80,200,000.
- Increased capital US$10,603,530 to Standard Investment (Cayman) Limited and Standard Foods (Hong Kong) Limited to increase paid-in capital to US$144,939,384 and US$144,891,384, respectively.

Three. Corporate Governance Report

I. Organization of company

I.1. Organization chart



I.2. Department function description

- Marketing:
  Responsible for product advertising and marketing strategy planning.

- Sales:
  Classified into three major distribution channels in accordance with the nature of customers. The General Trade, Post Exchange and Key Accounts. Salespersons are responsible for quotations, new product pricing and launching, product distribution and display, channel, activity planning and execution, annual customer service and operation planning and execution, agreement negotiation and dealer management.

- R&D:
  For the R&D of innovative products and technology, improvement of product quality, reduction of costs, evaluation of new business and the application for health certification.

- Factory Operation:
  For the production, packaging, warehousing and delivery of our products.

- Engineering & Maintenance
  Planning and execution of new production equipment; procurement, contracting, and maintenance of production equipment; new processes and process change and improvement.

- Quality Control:
  Controlling production system, conducting tests and managing quality system.

- Procurement:
  Imported production and packaging materials procurement and sub-contractor management.

- Human Resources:
  Responsible for the planning and execution of human resource management as well as the stipulations and enforcement of all regulations and systems, general affairs, and labor safety and health management.

- Finance/Accounting:
  Responsible for the summary and supply of accounting information, management and operation of finances and investment, annual budgeting, bank credit line control, and stock affair services.

II. Directors, Supervisors, President, Vice President, Assistant VP, and Department Heads
II.1. Directors and Supervisors
II.1.1. Information of directors and supervisors

As of 24 April, 2017; Unit: Shares/NT$ thousands

Title	Nationality or Residency	Name	Gender	Date elected (inaugurated)	Term (year)	Date of First Elected	Shareholding when elected		Current Shareholding		Current shareholding of representative		Shareholding of spouse and minor		Shares held by other persons in their names		Experience (Education)	Current Position With Other Company	Executives who are spouses or within 2 degrees of consanguinity		
							Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%			Title	Name	Relation
Chairman	ROC	Mu Te Investment Co. Ltd. Representative: Ter-Fung Tsao	Male	June 15, 2016	3 years	June 15, 2016	19,620,632	2.48%	21,778,901	2.48%	39,277,119	4.46%	0	0	21,780,011	2.48%	Ph.D., Colorado University, USA R&D Director of Quaker Plant Manager of Quaker(Taiwan) General Manager of Quaker(Taiwan)	Chairman and CEO of the Company Chairman of Standard Dairy Products Taiwan Ltd. Chairman of Domex Technology Corporation Chairman of Standard Beverage Ltd. Director of Accession Limited Director of Polytronics Technology Corporation Director of Green Wall Enterprise Co., Ltd. Independent Director of PlexBio Co., Ltd. Supervisor of Crosslink Semiconductor, Inc. Director of Standard Investment (Cayman) Limited Director of Standard Corp (HK) Ltd. Director of Standard Investment (China) Ltd.	Director	Wendy Tsao Arthur Tsao	Sibling Son
Director	ROC	Mu Te Investment Co. Ltd. Representative: Jason Hsuan	Male	June 15, 2016	3 years	June 15, 2016	19,620,632	2.48%	21,778,901	2.48%	0	0.00%	0	0	0	0	Polytechnic Institute of New York University Ph.D. of Systems Engineering	Chairman and Chief Executive Officer of TPV Technology Limited Independent director of Array Inc. Chairman of Shanghai Standard Foods Co. Chairman of Standard Investment (China) Ltd. Chairman of Standard Foods (China) Ltd. Chairman of Le Bonta Wellness Co., Ltd. Chairman of Standard Foods (Xiamen) Co., Ltd.	NONE	NONE	NONE
Director	ROC	Mu Te Investment Co. Ltd. Representative: Wendy Tsao	Female	June 15, 2016	3 years	June 15, 2016	19,620,632	2.48%	21,778,901	2.48%	4,764,342	0.54%	0	0	0	0	Soochow University, R.O.C.	Chairman of Green Wall Enterprise Co., Ltd. Chairman of Crosslink Semiconductor, Inc. Chairman of SPARKLE Inc. Director of Charng Hui Ltd.	Chairman	Ter-Fung Tsao	Sibling
Director	ROC	Charng Hui Ltd. Representative: Arthur Tsao	Male	June 15, 2016	3 years	June 15, 2016	5,777,436	0.73%	6,412,953	0.73%	0	0.00%	0	0	0	0	MBA, Stanford University, USA	President of Standard Investment (China) Ltd. President of Shanghai Standard Foods Co. President of Standard Foods (China) Ltd. President of Standard Foods (Xiamen) Ltd. President of Le Bonta Wellness Co., Ltd. Chairman of Shanghai Dermalab Corporation Chairman of Shanghai Le Ho Industrial Co., Ltd. Chairman of Shanghai Le Min Industrial Co., Ltd.	Chairman	Ter-Fung Tsao	Father
Independent Director	ROC	Ben Chang	Male	June 15, 2016	3 years	June 15, 2016	0	0.00%	0	0.00%	0	0.00%	0	0	0	0	Master in Statistics, National Chengchi University, R.O.C	Honorary Chairman of Polytronics Technology Corporation Managing director/independent director of Far Eastern International Bank Independent director of Pegatron Corporation Independent director of Raydium Semiconductor Corporation	NONE	NONE	NONE

Title	Nationality or Residency	Name	Gender	Date elected (inaugurated)	Term (year)	Date of First Elected	Shareholding when elected		Current Shareholding		Current shareholding of representative		Shareholding of spouse and minor		Shares held by other persons in their names		Experience (Education)	Current Position With Other Company	Executives who are spouses or within 2 degrees of consanguinity		
							Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%			Title	Name	Relation
Independent Director	ROC	George Chou	Male	June 15, 2016	3 years	June 15, 2016	0	0.00%	0	0.00%	0	0.00%	0	0	0	0	Master in Mathematics, Colorado State University	Senior Adviser of Chunghwa Telecom Co., Ltd. Independent Director of Yulon Motor Co., Ltd. Independent Director of Taiwan Acceptance Corporation	NONE	NONE	NONE
Independent Director	ROC	Daniel Chiang	Male	June 15, 2016	3 years	June 15, 2016	0	0.00%	0	0.00%	0	0.00%	0	0	0	0	Master in Political Economics, University of Taxes	Chairman of Harvest365 Organization Chairman of Harvest Capital Group Chairman of Purestone Capital Group Independent director of TPK Holding Co., Ltd Director of Softstar Entertainment Inc. Director of Chander Electronics Corp.	NONE	NONE	NONE

II.1.2. Major shareholders of institutional shareholders

As of 24 April, 2017

Name of institutional shareholders	Major shareholders of institutional shareholders	Shareholding (%)
Mu Te Investment Co., Ltd.	Ter-Fung Tsao	99.99
Charng Hui Ltd.	Standard Foods Corporation	100.00

II.1.3. Major institutional shareholders of institutional shareholders, if available

As of 24 April, 2017

Name of legal person	Major shareholders of the legal persons	Shareholding (%)
Standard Foods Corporation	Mu Te Investment Co., Ltd. Trust Property Account	17.16
	Chia Yun Investment Co., Ltd. Trust Property Account	14.55
	Chia Chieh Investment Co., Ltd. Trust Property Account	11.85
	Ter-Fung Tsao	4.46
	Bilai Investment Co., Ltd.	3.61
	Mu Te Investment Co., Ltd.	2.48
	Deutsche Bank Escrows FS Fund FS Asia Pacific Fund Investment Account	2.05
	RBC Emerging Markets Equity Fund under the custody of HSBC	1.90
	Nan Shan Life Insurance Co., Ltd.	1.48
	Cathay Life Insurance Co., Ltd.	1.40

II.1.4. Independence of directors and supervisors

Conditions / Name	With or without five years of work experience or more and the following professional experience			Independence (Note 1)										Also an independent director of another public company
	Teachers of public or private colleges for the subject of commerce, law, finance, accounting, or business	Judge, prosecutor, attorney, accountant, or business salesperson who passed national exams & certified specialists or technicians	With job experience in commerce, law, finance, accounting, or business	1	2	3	4	5	6	7	8	9	10	
Mu Te Investment Co., Ltd. Representative: Ter-Fung Tsao			V							V		V		1
Mu Te Investment Co., Ltd. Representative: Jason Hsuan			V	V		V	V	V		V	V	V		1
Mu Te Investment Co., Ltd. Representative: Wendy Tsao			V	V		V		V		V		V		0
Charng Hui Ltd. Representative: Arthur Tsao			V			V		V		V		V		0
Ben Chang			V	V	V	V	V	V	V	V	V	V	V	3
George Chou			V	V	V	V	V	V	V	V	V	V	V	2
Daniel Chiang			V	V	V	V	V	V	V	V	V	V	V	1

Note 1: Please tick the corresponding items when directors and supervisors comply with the following conditions two years before being elected and during their term.

(1) Not an employee of the Company or any of its affiliates.

(2) A director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Does not hold more than 1% of total stock issued directly or indirectly nor is a natural shareholder on the top-ten shareholdings list;

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the preceding three subparagraphs;

(5) Not a director, supervisor or employee of the institutional shareholder that holds over 5% of total stock issued directly or indirectly; and is not on the top-five shareholdings list of the Company;

(6) Not a director, supervisor, manager or a shareholder with over 5% shareholdings of a Company or organization that is in business with the Company;

(7) Not an owner, partner, Director, Supervisor, manager of a partnership or institution or his/her spouse that provides commerce, law, finance, accounting and consulting service to the Company or related party; this does not include members from a remuneration committee who exercises his/her power based on Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter.

(8) Not the spouse or a relative within two degrees of lineal consanguinity of an individual;

(9) Free of any of the behaviors as defined in Article 30 of Company Act;

(10) Not a governmental officer, juridical person or its representative as defined in Article 27 of Company Act.

II.2. President, Vice President, Assistant V.P. and Department Heads

As of May 19, 2017

Title	Nationality or Residency	Name	Gender	Date elected (inaugurated)	Shareholding		Shareholding of spouse and minor		Shares held by other persons in their names		Experience (Education)	Currently holds a position with other companies	Manager who is with a spouse or 2nd cousin status		
					Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%			Title	Name	Relation
CEO	ROC	Ter-Fung Tsao	Male	May 5, 2017	39,277,119	4.46%	0	0	21,780,011	2.48%	Ph.D., Colorado University, USA R&D Director of Quaker Plant Manager of Quaker(Taiwan) General Manager of Quaker(Taiwan) President of Standard Foods Corporation	Chairman of Standard Foods Corporation Chairman of Standard Dairy Products Taiwan Ltd. Chairman of Domex Technology Corporation Chairman of Standard Beverage Ltd. Director of Accession Limited Director of Polytronics Technology Corporation Director of Green Wall Enterprise Co., Ltd. Independent Director of PlexBio Co., Ltd. Supervisor of Crosslink Semiconductor, Inc. Director of Standard Investment (Cayman) Limited Director of Standard Corp (HK) Ltd. Director of Standard Investment (China) Ltd.	NONE	NONE	NONE
President	USA	Yao Steven Yih-Chun	Male	May 1, 2017	0	0.00%	0	0	0	0	Master of Northwestern University U.S.A. Attorney Partner, Bluefield Ventures, Partner, Dubuglo Vice President of California Pacific Bank Vice President of Supply Chain of Standard Foods Corporation	Chairman, Charng hui Ltd. Director, Dermalab S.A. Director, Le Bonta Wellness International Co.	NONE	NONE	NONE
Vice President, Marketing and Sales	ROC	Glendy Chiang	Female	July 1, 1992	424,731	0.05%	0	0	0	0	National Taiwan University Marketing Director of Standard Foods Corporation	Director of Standard Beverage Company Ltd. Director of Standard Dairy Products Taiwan Ltd. Director, Dermalab S.A Director of Standard Investment (China) Ltd.	NONE	NONE	NONE
Chief Financial Officer	ROC	Chris Hong	Female	September 30, 2015	0	0.00%	0	0	0	0	Master, National Cheng Chi University. Vice President of PriceWaterhouseCoopers CPA Firm President, Standard Dairy Products Taiwan Ltd.	Director of Standard Dairy Products Taiwan Ltd. Director of Standard Beverage Company Ltd. Director, Domex Technology Corporation Director of GeneFerm Biotechnology Co., Ltd. Supervisor of, Shanghai Standard Foods Co. Supervisor of Standard Investment (China) Ltd. Supervisor of Standard Foods (China) Ltd. Supervisor of Shanghai Dermalab Corporation Supervisor of Le Bonta Wellness Co., Ltd. Supervisor of Shanghai Le Ho Industrial Co., Ltd. Supervisor of Shanghai Le Min Industrial Ltd. Supervisor of Standard Foods (Xiamen) Ltd.	NONE	NONE	NONE
Director of Human Resources	ROC	Larry Fong	Male	March 1, 2011	0	0	0	0	0	0	Master of NCU Director of Human Resources, SINTEK Administration Manager of Sunplus/HT mMobile Inc. Vice Director of Human Resources, HannStar	Director of Le Bonta Wellness Co., Ltd.	NONE	NONE	NONE
Audit Manager	ROC	Hui-Jun Fu	Female	Nov 12, 2015	0	0	0	0	0	0	Tamkang University Associated Manager of Deloitte Touch Tohmatsu CPA Firm	NONE	NONE	NONE	NONE

II.3. Remuneration of Directors, Supervisors, President and Vice President

II.3.1. Remuneration of Directors

Unit: NT$1,000

Title	Name	Remuneration of Directors								Ratio of A+B+C+D to Net income (%) (Note 2)		Remuneration of part-time employees								Ratio of A+B+C+D+E+F+G to Net income (%) (Note 2)		Remuneration from the invested company other than the Company's subsidiary
		Remuneration (A)		Pension (B)		Remuneration for directors (C)		Business expense (D) (Note 1)				Salary, bonus, and compensation (E) (Note 1)		Pension (F)		Compensations for employees (G)						
																From the Company		From all consolidated entities in this report				
		From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	Cash	Stock	Cash	Stock	From the Company	From all consolidated entities in this report	
Chairman	Ter-Fung Tsao	0	0	0	0	15,859	15,859	360	360	0.62	0.61	8,793	9,441	567	567	200	0	200	0	0.99	1.00	NONE
Director	Jason Hsuan																					
Director	Wendy Tsao																					
Director	Arthur Tsao																					
Director	Jack Hsieh (Note 3)																					
Director	Howard Tong (Note 3)																					
Independent Director	Ben Chang																					
Independent Director	George Chou																					
Independent Director	Daniel Chiang																					

* Except disclosed above, compensation paid to directors for the services rendered (e.g. non-employee consultant) to all consolidated entities in this report: 0

Note 1: Expenses incurred in 2016.

Note 2: Net income after tax in 2016.

Note 3: Jack Hsieh and Howard Tong were members of the 11th board of directors and resigned their office on June 15, 2016.

Remuneration Bracket

Remuneration to directors	Name of directors			
	Total amount of the first four categories(A+B+C+D)		Total amount of the first seven categories(A+B+C+D+E+F+G)	
	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report
Below $2,000,000	Arthur Tsao, Jack Hsieh (Note 1), Howard Tong (Note 2), Ben Chang, George Chou, Daniel Chiang	Arthur Tsao, Jack Hsieh (Note 1), Howard Tong (Note 2), Ben Chang, George Chou, Daniel Chiang	Jack Hsieh (Note 1), Howard Tong (Note 2), Ben Chang, George Chou, Daniel Chiang	Jack Hsieh (Note 1), Howard Tong (Note 2), Ben Chang, George Chou, Daniel Chiang
2,000,000 (inclusive) ~ 5,000,000 (non-inclusive)	Ter-Fung Tsao, Wendy Tsao, Jason Hsuan	Ter-Fung Tsao, Wendy Tsao, Jason Hsuan	Arthur Tsao, Wendy Tsao, Jason Hsuan	Arthur Tsao, Wendy Tsao, Jason Hsuan
5,000,000 (inclusive) ~ 10,000,000 (non-inclusive)	0	0	0	0
10,000,000 (inclusive) ~ 15,000,000 (non-inclusive)	0	0	Ter-Fung Tsao	Ter-Fung Tsao
15,000,000 (inclusive) ~ 30,000,000 (non-inclusive)	0	0	0	0
30,000,000 (inclusive) ~ 50,000,000 (non-inclusive)	0	0	0	0
50,000,000 (inclusive) ~ 100,000,000 (non-inclusive)	0	0	0	0
$100,000,000 and over	0	0	0	0
Total	9	9	9	9

Note 1: Jack Hsieh and Howard Tong were members of the 11th board of directors and resigned their office on June 15, 2016.

II.3.2. Remuneration of Supervisors

Unit: NT$1,000

Title	Name	Remuneration of Supervisors						Ratio of A+B+C to Net income (%) (Note 2)		Remuneration from the invested company other than the Company's subsidiary
		Remuneration (A)		Compensation (B)		Business expense (C) (Note 1)				
		From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	
Supervisor	Tom A. Chien (Note 3)	0	0	2,643	2,643	60	60	0.10	0.10	NONE
Supervisor	Samson Wang (Note 3)									

Note 1: Expenses incurred 2016.
Note 2: Net income after tax in 2016.
Note 3: The 11th term supervisors and resigned on June 15, 2016.

Remuneration Bracket

Remuneration of Supervisors	Name of President and Vice Presidents	
	From the Company	All companies in financial statements
Below $2,000,000	Tom A. Chien, Samson Wang	Tom A. Chien, Samson Wang
2,000,000 (inclusive) ~ 5,000,000 (non-inclusive)	0	0
5,000,000 (inclusive) ~ 10,000,000 (non-inclusive)	0	0
10,000,000 (inclusive) ~ 15,000,000 (non-inclusive)	0	0
15,000,000 (inclusive) ~ 30,000,000 (non-inclusive)	0	0
30,000,000 (inclusive) ~ 50,000,000 (non-inclusive)	0	0
50,000,000 (inclusive) ~ 100,000,000 (non-inclusive)	0	0
$100,000,000 and over	0	0
Total	2	2

Note 1: Data as of June 15, 2016

II.3.3 Remuneration of President and Vice President

Unit: NT$ thousands

Title	Name	Salary (A) (Note 2)		Pension (B) (Note 3)		Bonuses and Allowance (C) (Note 2)		Compensations for Employees (D)				Ratio of A+B+C+D to Net income (%) (Note 1)		Remuneration from the invested company other than the Company's subsidiary
		From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	The Company (Note 2)	From all consolidated entities in this report	From the Company		From all consolidated entities in this report		From the Company	From all consolidated entities in this report	
								Cash	Stock	Cash	Stock			
President	Ter-Fung Tsao	5,700	5,700	518	518	2,416	2,416	200	0	200	0	0.34	0.33	NONE

Note 1: Net income after tax in 2016.
Note 2: Expenses incurred in 2016.
Note 3: Appropriation of pension expense for the contracted management.

Remuneration Bracket

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

II.3.4 Employee Compensations for Management

As of April 24, 2017; Unit: NT$ thousands

	Title	Name	Stock	Cash	Total	Ratio of the total amount of net income[1] (%)
Management	President	Ter-Fung Tsao	0	200	200	0.01%
	Assistant Vice President, Sales and Marketing	Glendy Chiang				
	Assistant Vice President, Supply Chain	Yao Steven Yih-Chun				
	Chief Financial Officer	Chris Hong				
	Director of Human Resources	Larry Fong				
	Audit Manager	Hui-Jun Fu				

Note 1: Expenses incurred 2016.
Note 2: President Ter-Fung Tsao resigned the office on May 1, 2017, and the office of presidency was taken over by vice president Yao Steven Yih-Chun .
Note 3: Ter-Fung Tsao has become the Chief Executive Officer on May 5, 2017.

II.4. The ratio of remuneration paid to the directors, supervisors, president and vice president of the Company and the companies included the financial statements in the last two years to the net income, as well as, the correlation of remuneration policy, standard and combination, remuneration procedure, operating performance, and risk:

II.4.1. Remuneration analysis of the last two years

Unit: Shares/NT$1,000

Title	2015				2016			
	Total amount of remuneration		Ratio of total amount to net income (%)		Total amount of remuneration		Ratio of total amount to net income (%)	
	From the Company	Companies in the consolidated financial statements	From the Company	Companies in the consolidated financial statements	From the Company	Companies in the consolidated financial statements	From the Company	Companies in the consolidated financial statements
Director	14,366	14,366	0.53	0.53	16,219	16,219	0.62	0.61
Supervisor	5,520	5,520	0.20	0.20	2,703	2,703	0.10	0.10
President	10,008	10,008	0.37	0.37	8,834	8,834	0.34	0.33
Total	29,894	29,894	1.10	1.10	27,756	27,756	1.06	1.04

(1) The ratio of remuneration paid to directors, supervisors, and president of the Company in last two years to net income:
The ratio of the remuneration paid to the Company's directors, supervisors, and President by the Company and all the companies included in the 2016 consolidated financial statements to the net income was lower than that of 2015 and it was mainly due to the Company's lower remuneration in 2016 than the year of 2015.

(2) Please refer to Provision (VIII) on page 52 for the payment policy of bonus to employees and remuneration to directors.

II.4.2. Remuneration policies, standards, portfolio, procedures, and the relevance of operating performance and future risks:

The performance evaluation and remuneration of the Company’s directors, supervisors, and managers is determined by referring to the payment standard of the industry, individual performance, Company’s operating performance and the reasonableness of related risk.

III. Corporate Governance

III.1. Operation of the Board of Directors

The Board of Directors held five (5) board meetings (A) last years, director and supervisor attendances were as follows:

Title	Name	Number of attendances (B)	Proxy	Ratio of attendances 【B / A】 (%)	Remarks
Chairman	Mu Te Investment Co., Ltd. Representative: Ter-Fung Tsao	3	0	100%	Current term Re-election date: June 15, 2016
Director	Mu Te Investment Co., Ltd. Representative: Jason Hsuan	2	1	67%	
	Mu Te Investment Co., Ltd. Representative: Wendy Tsao	3	0	100%	
	Charng Hui Ltd. Representative: Arthur Tsao	1	2	33%	
Independent director	Ben Chang	3	0	100%	
	George Chou	3	0	100%	
	Daniel Chiang	3	0	100%	
Chairman	Ter-Fung Tsao	2	0	100%	Former term Re-election date: June 15, 2016
Director	Jason Hsuan	1	1	50%	
	Wendy Tsao	2	0	100%	
	Howard Tong	2	0	100%	
	Jack Hsieh	2	0	100%	
Supervisor	Tom A. Chien	2	0	100%	
Supervisor	Charng Hui Ltd. Representative: Samson Wang	0	0	0%	

Supplementary information:

1. For board of director meetings that meet any of the following descriptions, state the date, session, the subject matter, independent directors' opinions and how the company has responded to such opinions:
   1) The events stated in Article 14-3 of the Securities and Exchange Act.:

Date of the Board of Directors' meeting	Subject Matter	Independent directors' opinions and how the company has responded to such opinions
August 3, 2016 2nd meeting of the 12th term of the board of directors	To increase paid-in capital at NT$330,000,000 to the subsidiary, Le Bonta Wellness International Co.	Approval from all independent directors

   2) Any other documented objections or qualified opinions raised by independent director against board resolution in relation to matters other than those described above that were included in records or stated in writing: None.
2. The name of the directors who have excused themselves from the meeting due to a conflict of interest (the content of the case, the reason for the conflict of interest and the voting must be stated in detail): None.
3. The goal and the enforcement of reinforcing the function of the board of directors then and in the most recent years: The third meeting of 12th board of directors had resolved the "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles" and "Ethical Corporate Management Best Practice Principles".

III.2. The operation of the Auditing Committee:

A total of 2 Audit Committee meetings (A) were held in the last year, and attendance of independent directors is as follows:

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual (proxy) attendance (%) 【B / A】	Remarks
Independent Director	Ben Chang	2	0	100%	Current term Re-election date: June 15, 2016
	George Chou	2	0	100%	
	Daniel Chiang	2	0	100%	

Supplementary information:

1. For Audit Committee meetings that meet any of the following descriptions, state the date and session of board of directors meeting held, the subject matter, the Audit Committee's resolution, and how the company has responded to Audit Committee's opinions:
   1) Conditions described in Article 14-5 of the Securities and Exchange Act:

Date of the Audit Committee's meeting	Subject Matter	Audit Committee's resolution, and how the company has responded to Audit Committee's opinions
August 3, 2016 First meeting of the first Audit Committee	● 2016 second quarter financial statements ● To increase paid-in capital at NT$330,000,000 to the subsidiary, Le Bonta Wellness International Co.	Approval from all independent directors

   2) Other than the conditions described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors: None.
2. Avoidance of involvements in interest-conflicting agendas by Independent Directors, including details such as the names of Independent Directors, the agenda, the nature of conflicting interests, and the voting process: None.
3. Communication between the Independent Director and the internal audit supervisor and external auditors: The Company's independent directors has interviewed and discussed with external auditors on January 10, 2017, in addition to matters related to accounting principles and financial statements, they also discussed about material financial and business changes or operation risks; the internal audit supervisor also reports to the independent directors on a regular basis and communicate regarding the Company's internal control system and risks.

III.3. Supervisors' involvements in Board of Directors meetings:

The Board of Directors held 2 board meetings (A) last years, and supervisor attendances are as follows:

Title	Name	Number of attendances (B)	Ratio of attendances [B / A] (%)	Remarks
Supervisor	Tom A. Chien	2	100%	Former term re-election date on June 15, 2016
Supervisor	Charng Hui Ltd. Representative: Samson Wang	0	0%	

Supplementary information:

1.Composition and responsibilities of supervisors:

1) Communication between supervisors, employees and shareholders: In addition to presenting the supervisor's report at the general shareholder's meeting, the shareholders may ask the supervisors questions about the financial position of the Company. In addition to attending the board meeting, supervisors may ask to have a meeting arranged with the related personnel responsible for business or financial review or to communicate regarding certain events.

2) Communication between supervisors, internal auditing manager, and the CPA: Supervisors will discuss with the CPA current changes in accounting principles and related matters, and will exchange opinions on material changes in financial conditions or operating risks. The internal auditing manage shall submit the auditing plan of the year along with monthly audit report to the supervisors for review. Internal auditing manager can be invited by supervisors to attend the meeting held between the supervisors and CPAs.

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

III.4. Corporate Governance and Compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies (CGBPP)

Assessment Item	Status of Implementation			Non-compliance with the CGBPP and reasons
	Yes	No.	Performance Summary	
1. Does the Company establish and disclose own corporate practice principles with reference to the "CGBPP"?	✓		The Company has established the "Corporate Governance Best Practice Principles" with provision in regarding to shareholder right protection, board functionality enhancement, stakeholders' rights and information transparency improvement.	The Company complies with Article 2 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
2. Shareholding structure & shareholders' rights:				The Company complies with Articles 10, 13, 14, 19 and 30 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
(1) Does the Company establish and implement the internal operation procedures to handle shareholders' suggestions, concern, disputes and litigation matters?	✓		1. To protect the rights and benefits of shareholders, the Company has established the spokesperson, stock service, and legal affairs departments to handle shareholders' suggestions and disputes.	
(2) Does the Company maintain a list of major shareholders and their beneficial owners?	✓		2. The Company requests the latest list of major shareholders from the stock agent at regular planned intervals to substantively maintain a list of major shareholders and their beneficial owners; maintains good interaction with major shareholders; and reports and discloses on MOPS relevant changes with reference to the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.	
(3) Has the Company established and implemented a risk management mechanism and "firewall" between the Company and its affiliates?	✓		3. The Company and affiliates implement independent management over assets, sales, and finance. We have also established relevant regulations, including the "Subsidiaries Supervision Regulations", "Procedures for Acquisition and Disposition of Assets," "Procedures for Loaning of Company Funds," and "Procedures for Endorsements and Guarantees" to manage the risk management mechanism and firewall of affiliates.	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		4. The Company has established the "Insider Trading Prevention Regulations to prohibit employees from trading securities with insider information.	
3. Formation and responsibility of the board of directors:				Except for Article 27, the Company complies with Articles 20, 28-1 and 37 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
(1) Does the Company establish and implement diversified policies with reference to board formation?	✓		1. The Company has 4 directors and 3 independent directors. Directors and supervisors perform duties according to the regulations, Articles of Incorporation and resolutions reached in the shareholder meeting.	

Assessment Item	Status of Implementation			Non-compliance with the CGBPP and reasons
	Yes	No.	Performance Summary	
(2) After establishing the compensations committee and audit committee by the law, does the Company voluntarily establish other functional committees?		✓	2. Apart from establishing the Remuneration Committee and Audit Committee with reference to the Company Act, the Company did not establish other functional committees.	
(3) Does the Company establish board performance evaluation regulations and methods to evaluate board performance every year?	✓		3. Based on the Compensations Committee Charter, the Compensations Committee establishes and regularly reviews the annual and long-term performance targets, remuneration policy, system, standard, and structure of directors, independent Director, and managers.	
(4) Does the Company assess the independency of its CPAs?	✓		4. The Company hires one of the leading domestic CPA firms as our certifying accountant. This firm is not a related party of the Company. The Company also assesses the independence of the CPA.	
4. For TWSE/TPEx-listed financial holding companies, is there any unit or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors and supervisors with the information needed to perform their duties, convening board meetings and shareholder meetings, changing company registration, maintaining board/shareholder meeting minutes etc.)?	✓		The Company has set up personnel that specializes in providing instant information to shareholders, assisting to maintain the list of major shareholders, providing directors and supervisors with the information needed to perform their duties, convening board meetings and shareholder meetings, changing company registration, maintaining board/shareholder meeting minutes, and regularly assessing the independency and competency of the CPAs.	The Company complies with Article 3-1 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
5. Does the Company establish mechanisms for communicating with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and a stakeholder site on the corporate website to appropriately respond to material CSR topics they concern about?	✓		Apart from establishing the spokesperson system, the Company effectively discloses information over MOPS for shareholders and stakeholders to fully understand the status of the Company's finance, sales, and corporate governance. We have also established a "stakeholder page" on the corporate website. Stakeholders can reach us by phone or email to express their concerns about CSR to our contact window.	The Company complies with Article 51 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
6. Does the Company assign professional registers to handle shareholder meeting affairs?	✓		The Company assigns Transfer Agency Department of CTBC Bank Co., Ltd. to provide shareholder services.	The Company complies with Article 7 of the CGBPP.
7. Information disclosure				The Company complies with Articles 55-58 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
(1) Does the Company establish a website to disclose financial and corporate governance information?	✓		1. (1) Financial information disclosure: The Company has established an "investor information site" on the corporate website and discloses and updates financial information at regular intervals for investors. (2) Sales information disclosure: The Company discloses the information of all	

Assessment Item	Status of Implementation			Non-compliance with the CGBPP and reasons
	Yes	No.	Performance Summary	
(2) Does the Company disclose such information by other methods (e.g. English website, assigning a staff to gather and disclose relevant information, implementing the spokesperson system, and posting the conference call on the corporate website)?	✓		products and the latest promotional activities on the corporate website for customers to enquire. (3) Corporate governance information disclosure: The Company discloses on the corporate website information regarding the internal audit organization and operation, material information notification, board meeting resolutions, and major regulations. 2. The Company has appointed a spokesperson and a deputy spokesperson and assigned a dedicated unit to gather and disclose corporate information. For material information required public disclosure, we proceed with reference to the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities. We have disclosed the process and relevant information on our corporate website for the shareholders' reference.	
8. Does the Company disclose other information for investors better understand its corporate governance practices (including but not limited to employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights and benefits, training for directors and Audit Committee, implementation of risk management policies and risk assessment standards, implementation of customer relations policies, and insurance for directors and Audit Committee)?	✓		1. Employees benefits and care (1) Given that employee capital is one of the most important corporate assets, the Company has established the Employee Work Rules with reference to the Labor Standards Law and relevant laws and regulations to define the rights, benefits, and obligations of employees. (2) The Company continuously and systematically improves employee quality. Apart from arranging employee education and training, we provide opportunities and funds for external training and cultivate excellent employees through job rotation, project participation, and guidance of senior officers. (3) The Company has established an employee welfare committee. Apart from issuing cash gifts on major festivals and employee birthdays, we subsidize employee club activities and travels and provide allowances for weddings, funerals, childbirth, and occupational injury and disease. In addition, we arrange health examination, group accident insurance, and healthcare insurance for employees all at the Company's expense. (4) Apart from conducting satisfaction surveys and promoting occupational safety and health, the Company has established and implemented a complete recommendation system and the QCC to encourage employees to make recommendations for continual improvement and innovation. In addition, we emphasize a steady and pragmatic team spirit in corporate culture and encourage employees to face work challenges with mutual respect and mutual support. 2. Investor relations: The Company discloses different kinds of information over	The Company complies with Article 59 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Status of Implementation			Non-compliance with the CGBPP and reasons
	Yes	No.	Performance Summary	
			MOPS to protect the rights and benefits of investors. In addition, we have established the “investor information” site on the corporate website to keep investors posted with relevant corporate information. We have also provided stock service contact information to maintain virtuous and harmonious relations between the Company and shareholders. 3. Supplier relations: The Company maintains unobstructed communication with suppliers through unimpeded channels and conduct business with suppliers in a fair and ethical manner, so as to establish long-term, steady, and mutual trust cooperation and pursue sustainable growth together. In addition, we evaluate suppliers at planned intervals to select good suppliers as our partners. 4. Stakeholder rights: The Company provides unimpeded channels to communicate with stakeholders and respects and maintains their rights and benefits proper. If any concerns arise against stakeholders’ legitimate rights, the Company will properly handle based on the principle of good faith. 5. Further education for directors and Audit Committee: Directors and Audit Committee of the Company are all professionals in respective fields, and please refer to the appendix on page 27 for summary of training for directors. 6. Risk management policy and risk assessment: Please refer to “Risk Management Last Year and by Report Publishing Date” on page 271-273 for the details of the risk management policy, organizational framework, and relevant risk controls of the Company. In addition, the Company has analyzed, followed up, and addressed events that could cause high risk to operational goals to optimize the risk management mechanism. 7. Customer service policy: The Company has set up a customer service line to provide an impeded channel for customer communication. We also actively participate in relevant food safety associations, perform our member responsibilities and obligations, care about community care and philanthropy, and apply for relevant health food certification. 8. Insurance for directors and members of Audit Committee: the Company has insured itself against liabilities of its directors and members of Audit Committee.	
9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified: The Company has implemented self-evaluation of corporate governance regularly in compliance with relevant laws and regulations. In the future, the Company will continue to strengthen the corporate governance in the aspects of improvement and maintenance of shareholder rights, equal treatments to all shareholders, enhancement of board composition and increased information transparency.				

Appendix: Summary of training for directors in 2016

Title	Name	Training Date	Organizer	Course Name	Training Hours
Independent Director	Ben Chang	2016.08.25	Taiwan Corporate Governance Association	Trends in corporate governance and green industry - low-carbon investment and business strategy post Paris Agreement	3
		2016.10.24	Taiwan Corporate Governance Association	Group Governance	3
Independent Director	George Chou	2016.07.06	Taiwan Corporate Governance Association	Discussion of legal liability of directors and supervisors and forensic accounting Corporate governance and sustainability	6
Independent Director	Daniel Chiang	2016.11.09	Taiwan Corporate Governance Association	Important issues of insider trading and market manipulation in the OBI Pharma, Inc. Decoding crisis and analyzing anti-avoidance rules in Taiwan.	6

III.5. Disclosure of the formation, responsibility, and operation of the compensation committee, if any.

III.5.1. Information of members of the Compensations Committee

By identity (Note 1)	Conditions / Name	With or without five years of work experience or more and the following professional experience			Independence (Note 2)								Also an compensation committee member of another public company	Remarks (Note 3)
		Teachers of public or private colleges for the subject of commerce, law, finance, accounting, or business	Judge, prosecutor, attorney, accountant, or business salesperson who passed national exams & certified specialists or technicians	With job experience in commerce, law, finance, accounting, or business	1	2	3	4	5	6	7	8		
Independent Director	Ben Chang			V	V	V	V	V	V	V	V	V	2	-
Independent Director	George Chou			V	V	V	V	V	V	V	V	V	2	-
Independent Director	Daniel Chiang			V	V	V	V	V	V	V	V	V	1	-

Note 1:Please specify whether it’s director, independent director, or other under “Position”;

Note 2:Please tick the corresponding items when directors and supervisors comply with the following conditions two years before being elected and during their term.

(1) Not an employee of the Company or any subsidiary.

(2) Not a director or supervisor of affiliated companies except an independent director of an investee of the Company, of the parent of the Company, or subsidiaries , as appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent or subsidiary.
(3) Does not hold more than 1% of total stock issued directly or indirectly nor is a natural shareholder on the top-ten shareholdings list;
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the above three items.
(5) Not a director, supervisor or employee of the institutional shareholder that holds over 5% of total stock issued directly or indirectly; and is not the top five shareholders of the Company;
(6) Not a director, supervisor, manager or a shareholder with over 5% shareholdings of a company or organization that has business with the Company;
(7) Not a professional or an owner, partner, director, supervisor, officer, or spouse of a sole proprietorship, partnership, company, or institution that providing commercial, legal, financial, and accounting services or consultation to the Company or its affiliates.
(8) No violation of any items specified in Article 30 of the Company Act.

III.5.2. Operation of the Remuneration Committee

(1) The Compensations Committee is composed of three members.

(2) Tenure of current members: June 15, 2016 to June 14, 2019. Two (A) Remuneration Committee meetings were held last year, with the qualifications and attendances of members are as follows:

Title	Name	Number of attendances (B)	Ratio of attendances (B / A) (%)	Remarks
Convener	Ben Chang	1	100%	Current term Re-elected on June 15, 2016
Committee members	George Chou	1	100%	
Committee members	Daniel Chiang	1	100%	
Convener	Hong-Chi Tsai	1	100%	Former term Re-elected on June 15, 2016
Committee members	Geng-Shen Fang	1	100%	
Committee members	Daniel Chiang	1	100%	
Supplementary information: (1) If the board dissents or modifies the recommendation made by the committee, specify the date and term of the board meeting and proposal content, board resolution and handling of committee opinion: N/A. (2) When members dissent or have reservations of a resolution made at the committee meeting with track records or written statements, specify the date and term of the committee meeting, proposal content, opinion of all members, and handling of their opinion: N/A.				

III.6. CSR Performance

Assessment Item	Implementation			Non-compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Performance Summary	
1. Corporate governance promotion				
(1) Does the Company establish a CSR policy or system and review the effectiveness of implementation?	✓		1. The Company has established the "CSR Best Practice Principles" and actively implemented environmental protection and energy conservation, and involved in social charity events.	The Company complies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Does the Company arrange CSR training on a regular basis?	✓		2. The Company provides education on occupational safety and health and arranges disaster response exercises at planned intervals.	
(3) Does the Company establish a dedicated (concurrent) unit to promote CSR with authorization from top management and to report the effectiveness of implementation to the board?	✓		3. The Company has formed a dedicated team to promote CSR and related affairs and report the results to the management.	
(4) Does the Company establish a fair compensations policy combing with the employee performance evaluation system and CSR policy and an effective and well-defined reward and punishment system?	✓		4. The Company has defined the organizational reward and punishment policies in the "Employee Work Rules" and has established a well-planned system to evaluate employee performance and reward excellent employees.	
2. Development of a sustainable environment:				
(1) Does the Company make efforts to enhance resource efficiency and use recycled materials with lower environmental impact?	✓		1. The Company is committed to enhancing the efficiency of various resources. For example, we have implemented paper recycling, simplified business processes to minimize paper consumption, adopted electronic approval to some processes, and reused Kraft paper envelopes for internal document delivery.	The Company complies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Does the Company establish an appropriate environmental management system (EMS) according to the characteristics of its industry?	✓		2. The Company has passed TOSHMS certification and is aggressively implementing the ISO14001 environmental management system. For occupational health and safety (OSH), environmental protection, we have established comprehensive specifications that meet the audit standard of competent authorities and fulfill public expectations for corporate requital for society. In addition, the Company has assigned dedicated personnel under the Occupational Health and Safety & Administration Department to implement and supervise operation of the OSH system and EMS. The Company also established standards to control wastewater and emissions with reference to applicable environmental protection regulations. In practice, we check relevant meters and take samples regularly to ensure effluent and emissions comply with statutory and regulatory requirements.	
(3) Has the Company noticed the effect of	✓		3. The Company aggressively implements various energy conservation and	

climate change on its business activities and does it implement GHG inventory and establish an energy conservation and GHG reduction strategy?			emission reduction policies. Apart from implementing continuous process monitoring and equipment efficiency enhancement, we have implemented energy conservation management with different means, such as recycling condensate and hot water from bottle washers to save water and reduce wastewater; installing the dissolved air flotation (DAF) equipment at the wastewater treatment system, increasing wastewater treatment, and enhancing fuel and electricity efficiency, so as to achieve targets for energy conservation, emissions reduction, and GHG reduction.	
3. Implementation of philanthropy				The Company complies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(1) Does the Company establish relevant management policies and procedures with reference to relevant international regulations and international human rights treaties?	✓		1. The Company has established the "Employee Work Rules" to protect the rights and benefits of employees and contributed pension funds for employees. The Company has also established the Employee Welfare Committee to undertake various employee welfare affairs.	
(2) Does the Company establish mechanisms and channels for and properly handle employee grievances?	✓		2. The Company has established a grievance system and procedures as defined in the "Measures for Workplace Sexual Harassment Prevention" and Regulations for Grievances and Punishment". The Company has also established the Grievance Address Committee to implement the grievance system. Apart from reporting grievances to the committee, employees can file their grievances by grievance hotline or e-mail.	
(3) Does the Company provide employees with a safe and healthy work environment and regularly arrange safety and health training/education for employees?	✓		3. The Company arranges education and training activities on occupational safety and health in May and November each year, employee health examination every November, and publicizes safe workplace and health inform from time to time.	
(4) Does the Company establish mechanisms for periodic employee communication and reasonably notify employees of significant operational changes that could substantially affect them?	✓		4. The Company holds the employer-employee (labor/management) meeting at planned intervals and has set up a suggestion box on the intranet mechanism to interact with employees. In addition, the Company gives notices to employees through harmonious employer-employee communication and maintains sound and harmonious employer-employee relations, to prevent significant operational changes.	
(5) Does the Company establish effective training programs for employees to develop employability?	✓		5. The Company continually and systematically improves employee quality, designs training programs with reference to the required competencies of corresponding positions, and promotes personal and organizational development and growth through a multidimensional learning environment.	
(6) Does the Company establish policies and procedures to protect consumer rights and benefits in R&D, procurement, production, operation, and service processes?	✓		6. The Company provides a hotline of the contact window for stakeholders on the corporate website to provide immediate services and assistance so as to maintain and protect consumer rights and benefits.	

(7) Does the Company follow relevant regulations and international standards to market and label products and services?	✓		7. The Company labels foods and manages advertisements with reference to the “Act Governing Food Safety and Sanitation” and discloses ingredient supplier information with reference to the “Regulations Governing the Registration of Food Businesses”.	
(8) Does the Company assess if suppliers have records of causing impacts on the environment and society?	✓		8. The Company evaluates each supplier prior to having business with them. The evaluation also includes if suppliers have food safety records and assesses the severity of their offences, so as to select excellent suppliers as partners through the supplier evaluation process.	
(9) When signing contracts with major suppliers, does the Company include the following terms in the contract: when suppliers violate the Company’s CSR policy and have significant impact on the environment and society, the Company may terminate or rescind the contract at any time?	✓		9. Given food safety is the most important thing to protect consumer rights and benefits, although the Company does not include CSR-related terms in contracts signed with suppliers, through periodic visits and annual evaluation and audit of active suppliers, the Company reinforces supplier management to ensure the quality (Q), cost (C), delivery (D), and service (S) of suppliers and ingredients conform to production needs and thereby ensure consumer health and safety.	
4. Reinforcement of disclosure of CSR information. (1) Does the Company disclose relevant and reliable CSR information on the corporate website and MOPS?	✓		The Company has form a dedicated team to promote CSR affairs. In addition, we began publishing our own 2014 and 2015 CSR reports and established the “CSR” site on the corporate website for the public to download the Company’s CSR reports.	The Company complies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.

5. If the Company has established own code of CSR practice with reference to the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies,” specify its operation and non-compliance with the best practice principles: The Company has established and put into practice the “Corporate Social Responsibility Best Practice” in compliance with the principles.

6. Other material information enabling a better understanding of CSR implementation: Major activities sponsored by the Company last year

Item	Beneficiary	Item	Beneficiary
1	Chinese Christian Relief Foundation	11	Taiwanese Association of Diabetes Educators
2	Taipei ChuanLi Foundation	12	Changhua County Christian Joy Orphanage
3	Taipei Trend Research Foundation	13	Catholic Marian Long-term Care Center
4	Angel Heart Family Social Welfare Foundation	14	Keelung City Bor-Ay Home for the Aged
5	Assets Protection Plans Certification	15	Good Shepherd Welfare Services
6	Sun Yun Suan Foundation	16	Breast Cancer Society of Taiwan
7	National Yang-Ming University Alumni Association	17	Taichung GanLin Social Foundation
8	Ti-Hwei Children's Home	18	The Garden of Hope Foundation
9	Civil Foundation of NCKU	19	Hualian Marathon Association
10	Miaoli County Haiching Home for the Aged	20	Christian Good 119 Organization

7. If the organizational CSR report has passed the verification standards of relevant certification authorities, please specify: The Company’s CSR Report has been verified by Deloitte Taiwan with the limited assurance report.

III.7. **Enforcement of** Fair and Ethical Business Operations

Assessment Item	Implementation			Non-compliance with Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Performance Summary	
1. Policies and plans for fair and ethical business operations				
(1) Does the Company specify its policies and practices to maintain fair and ethical business operations in relevant regulations and external documents? Do the board and management actively implement the commitments made in relevant policies?	✓		The Company has established the " Ethical Corporate Management Best Practice Principles" and specified clearly in the "Ethical Corporate Management Best Practice Principles" and "Employees Work Rules" that employees are not allowed to extort treatments, gifts, kickbacks, or benefits of any form based on their authority. The Company also makes known to employees that "maintaining business integrity through fair and ethical operations" is the backbone policy of Standard Foods. To protect organizational trade secrets and intellectual property, employees are requested to sign a "letter of undertaking" to promise not to accept commissions, kickbacks, paybacks, cash, loans, or undue or improper advantage (including, but not limited to, treatment or travel or gift). In addition, the Company has specified the policy for avoiding conflicts of interest in the "Rules of Procedure for Board Meetings".	The Company complies with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Does the Company draw up programs to prevent unethical conduct and set out in each program and implement SOPs, conduct guidelines, penalties for violation, and a grievance system?	✓			
(3) Does the Company take precautionary action to prevent business activities specified in paragraph 2 of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and other business activities within its scope of business with higher behavioral risk?	✓			
2. Implementation of fair and ethical business operations				
(1) Does the Company assess if trading counterparts involved in	✓		The Company does not accept cash gifts or kickbacks of any kind from suppliers to ensure reasonable prices and premium quality. The Company's human	The Company complies with the spirit of the Ethical Corporate

any unfair and unethical business operations and include the fair and ethical business operations clause in the transaction agreement signed with them? (2) Does the Company establish a dedicated (concurrent) unit directly under the board to promote fair and ethical business operations and report the effectiveness of implementation directly to the board? (3) Does the Company establish and implement policies to prevent conflicts of interest and provide appropriate channels for reporting such conflicts? (4) Has the Company established effective accounting and internal control systems to implement fair and ethical business operations? Does the Company have these system audited regularly by the internal audit unit or a CPA? (5) Does the Company arrange regular internal/external training/ education for fair and ethical business operations?	✓ ✓ ✓ ✓		resources unit is the dedicated (concurrent) unit to promote fair and ethical business operations. In addition, the Company has established a sound internal control system where internal auditors audit the performance of each unit at planned intervals. When new employees report to the Company, the human resources unit will inform them of the Company’s fair and ethical business operations. In addition, we have established a laws and regulations site on the intranet to provide employees with relevant legal knowledge.	Management Best Practice Principles for TWSE/TPEX Listed Companies.
3. Operation of the whistleblower system (1) Does the Company establish a practical whistleblower and reward system and channels to facilitate reporting of unfair and unethical business operations and assign appropriate personnel to handle a reported case?	✓		Coordinated by the human resources unit, the Company’s audit unit accepts reports on unfair and unethical business operations, and such reports and reward system, investigation standards and protection measures for informers are handled with reference to the Company’s “Ethical Corporate Management Best Practice Principles” and human resources regulations. Up until the date of publication date of this report, there is no case reported.	The Company complies with the spirit of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

(2) Does the Company establish a SOP and a non-disclosure mechanism of relevant investigations? (3) Does the Company establish and implement an informer protection policy to ensure no informer will receive indecent treatment?	✓ ✓			
4. Reinforcement of information disclosure (1) Does the Company disclose the content and effectiveness of implementation of the Code of Business Ethics on the corporate website and MOPS?	✓		The Company posts the annual report on the corporate website for investors to download to understand relevant information.	The Company complies with the spirit of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
5. If the Company has established own code of business ethics with reference to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," specify its operation and non-compliance with the best practice principles: The Company has established the "Ethical Corporate Management Best Practice Principles" and put it into practice in compliance with the best practice principles.				
6. Other material information enabling a better understanding of fair and ethical business operations (such as review and revise the code of business ethics): (1) The Company always observes the Company Act, Securities and Exchange Act, Business Entity Accounting Act, relevant rules and regulations governing TWSE/TPEX listed companies, and other business behaviors to implement fair and ethical business operations. (2) The Company has specified the policy for avoiding conflicts of interest in the "Rules of Procedure for Board Meetings". Under this policy, for proposals constituting a conflict of interest between himself/herself or his/her representatives that may harm the interest of the Company, a director may express opinions and answer to interpellation but is not allowed to join relevant discussions and vote for the proposal. In addition, this director should recur from the discussions and voting of the proposal. (3) The Company has established the "Insider Trading Prevention Regulations" to prohibit directors, managers, and employees from disclosing material internal information to a third party or from enquiring or collecting undisclosed material internal information unrelated with own duties from those acknowledging such material internal information. They are also requested not to disclose to others undisclosed material internal information acknowledged from work.				

III.8. Corporate governance rules and regulations of the Company

(1) Please visit our corporate website at http://www.sfworldwide.com for updates of corporate governance.
(2) Corporate website information collected and maintained by dedicated personnel, and all major policies such as Corporate Governance Best Practice Principles are posted on the corporate website for public retrieval.

III.9. Other material information enabling a better understanding of corporate governance: None.

III.10. Status of implementation of the internal control system

III.10.1. Statement of Internal Control

Standard Foods Corporation
Statement of Compliance of the Internal Control System

Date: March 24, 2017

This Company makes the following statements on the compliance of the internal control system during January 1-December 31, 2016 with reference to self-assessment results.

1. We understand that it is the responsibility of the Company's management to establish, implement, and maintain the internal control system. The Company has established the internal control system to provide a reasonable assurance for the realization of operating effectiveness and efficiency (including profits, performance, and assets safety), the reliability, timeliness, transparency, and compliance of reports, and the conformity to relevant laws and regulations.
2. The internal control system is designed with limitations; therefore, no matter how perfect it is designed, an effective internal control system ensures only the realization of the aforementioned three objectives. Due to the changes in the environment and conditions, the effectiveness of an internal control system could change at any time. Our internal control system is designed with self-monitoring mechanisms; therefore, we are able to have corrective actions initiated upon identifying any nonconformity.
3. We have based the internal control criteria on the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (referred to as “the Governing Rules” hereinafter) to determine the effectiveness of internal control design and enforcement. The internal control criteria of the “Governing Rules” are the management control processes. The internal control, are divided into five elements: (1) environment control, (2) risk analysis, (3) control process, (4) information and communication, and (5) supervision. Each element is subdivided into several items. Please refer to the “Governing Rules” for the details of the said items.
4. We have established the aforementioned internal control criteria to assess the effectiveness of internal control design and enforcement.
5. According to the aforementioned assessment results, the Company’s internal control system on December 31, 2016 (including the supervision and management over subsidiaries), including the understanding of business performance and efficiency, the reliability, timeliness, transparency, and regulatory compliance of reports, the conformity to governing regulations, and the design and enforcement of the internal control system are effective and feasible to ensure the realization of the aforementioned objectives.
6. The Declaration of Internal Control is in our annual report and prospectus for public information. For any forgery and concealment of the aforementioned information to the public, we will be held responsible by law in accordance with Securities Transaction Regulation No. 20, No. 32, No. 171 and No. 174.
7. We hereby declare that the Declaration of Internal Control was approved by the seven directors at the board meeting unanimously on March 24, 2017.

Standard Foods Corporation

Chairman: Ter-Fung Tsao (Signature)

President: Ter-Fung Tsao (Signature)

III.10.2. The CPA audit review should be disclosed if the internal control system is audited by a CPA: None.

III.11. Punishment of the Company and employees by the law, punishment of employees by the Company for violation of internal control system regulations, and major defects and improvement in last year and by the report publishing date: None.

III.12. Major resolutions made at the shareholders' meeting and board meeting in last year and by the report publishing date:

(1) Major resolutions made at board meetings in last year are listed as follows:

Date	Meeting	Proposals	Resolutions
March 24, 2016	Board Meeting	1. Adoption of the 2016 business plan, budget and operating report. 2. Amendment of the Company's "Articles of Incorporation". 3. Approval of the remuneration for directors and supervisors and compensation for employees in 2015. 4. Adoption of the Company's financial statements and consolidated statements for 2015. 5. Establishment of the Company's "Audit Committee Charter". 6. Amendment of the Company's "Regulations for Managing Professional Accounting Judgments and Changes of Accounting Principles and Estimates". 7. Amendment of the Company's "Procedures for Handling Material Inside Information". 8. Amendment of the Company's "Procedures for Halt and Resumption Applications". 9. Amendment of the Company's "Procedures for Preventing Insider Trading". 10. Amendment of the Company's "Procedures for Asset Acquisition and Disposal". 11. Amendment of the Company's "Procedures for Endorsements and Guarantees". 12. Amendment of the Company's "Rules for Director and Supervisor Elections". 13. Amendment of the Company's "Rules of Procedure for Board of Directors Meetings". 14. Amendment of the Company's "Procedures for Lending Funds to Others". 15. Amendment of the Company's "Codes of Ethical Conduct". 16. Amendment of the Company's "Rules for Compensations Committee Organization". 17. Amendment of the Company's "Procedures for Managing Related Party Transactions" 18. Approval of full re-election of the 12th board of directors (including independent directors). 19. Approval of the acceptance of candidate nomination, vacancies, and acceptance locations of the 12th board of directors (including independent directors).	1. Unanimously approved as proposed by all attended directors. 2. Unanimously approved as proposed by all attended directors. 3. Unanimously approved as proposed by all attended directors. 4. Unanimously approved as proposed by all attended directors. 5. Unanimously approved as proposed by all attended directors. 6. Unanimously approved as proposed by all attended directors. 7. Unanimously approved as proposed by all attended directors. 8. Unanimously approved as proposed by all attended directors. 9. Unanimously approved as proposed by all attended directors. 10. Unanimously approved as proposed by all attended directors. 11. Unanimously approved as proposed by all attended directors. 12. Unanimously approved as proposed by all attended directors. 13. Unanimously approved as proposed by all attended directors. 14. Unanimously approved as proposed by all attended directors. 15. Unanimously approved as proposed by all attended directors. 16. Unanimously approved as proposed by all attended directors. 17. Unanimously approved as proposed by all attended directors. 18. Unanimously approved as proposed by all attended directors. 19. Unanimously approved as proposed by all attended directors. 20. Unanimously approved as proposed by all attended directors. 21. Unanimously approved as proposed by all attended directors. 22. Unanimously approved by all attended directors that the annual meeting of shareholders be held on

Date	Meeting	Proposals	Resolutions
		20. Approval and review of the list of director candidates (including independent directors). 21. Approval for directors of the 12th board to concurrently be directors, supervisors, or managerial personnel of other companies with similar scope of business of this Company. 22. Approval of the data and agenda of the 2016 annual meeting of shareholders. 23. Authorization of the Chairman to sign documents with financial institutions for account opening, loans, and derivatives trade on behalf of the Company. 24. Approval of the Company's "Statement of Compliance of the Internal Control System 2015". 25. Approval of the report on distribution of compensations for managerial personnel in 2015 and estimated compensations for managerial personnel in 2016.	June 15, 2016. 23. Unanimously approved as proposed by all attended directors. 24. Unanimously approved as proposed by all attended directors. 25. Unanimously approved as proposed by all attended directors.
April 28, 2016	Board Meeting	1. Approval of the 2015 earnings distribution proposal. 2. Approval of the increase of paid-in capital from 2015 retained earnings to issue new shares. 3. Approval of the revision of the Articles of Incorporation. 4. Approval of the motion for discussing the agenda of the 2016 annual meeting of shareholder. 5. Approval of additional nomination of directors (including independent directors) for review.	1. Unanimously approved as proposed by all attended directors. 2. Unanimously approved as proposed by all attended directors. 3. Unanimously approved as proposed by all attended directors. 4. Unanimously approved as proposed by all attended directors. 5. Unanimously approved as proposed by all attended directors.
June 15, 2016	Board Meeting	1. Election of Chairman of the 12th board of directors.	1. Unanimously elected Ter-Fung Tsao as Chairman of the 12th board of directors.
August 3, 2016	Board Meeting	1. Approval of the 2015 increasing paid-in capital through surplus and distribution of cash dividend. 2. Appointment of 3rd Remuneration Committee. 3. Approval of increasing paid-in capital of NT$330,000,000 to Le Bonta Wellness International Co.	1. Unanimously approved as proposed by all attended directors, and resolved August 24, 2016 as the ex-rights and dividend date. 2. Unanimously approved as proposed by all attended directors and appointed three independent directors as the Company's 3rd remuneration committee. Nominated by independent directors George Chou and Daniel Chiang, Ben Chang was elected as convener and Chairman of the 3rd Remuneration Committee. 3. Unanimously approved as proposed by all attended directors.
November 11, 2016	Board Meeting	1. Approval of investment in Le Bonta Wellness Co., Ltd. for CNY 40,900,000. 2. Adoption of the Company's "Corporate Social Responsibility Best Practice Principles." 3. Adoption of the Company's "Corporate Governance Best Practice Principles." 4. Adoption of the Company's "Ethical	1. Unanimously approved as proposed by all attended directors. 2. Unanimously approved as proposed by all attended directors. 3. Unanimously approved as proposed by all attended directors. 4. Unanimously approved as proposed by all attended directors.

Date	Meeting	Proposals	Resolutions
		Corporate Management Best Practice Principles." 5. "Establishment of the Company's 2017 annual audit program. 6. Approval of the 2016 performance evaluation of directors and managers. 7. Wage/remuneration (regular pay) for directors, supervisors, and managers in 2017.	5. Unanimously approved as proposed by all attended directors. 6. Unanimously approved as proposed by all attended directors. 7. Unanimously approved as proposed by all attended directors.
March 24, 2017	Board Meeting	1. Adoption of the 2017 business plan and budget. 2. Approval of the remuneration for directors and compensation for employees in 2016. 3. Adoption of the Company's financial statements and consolidated statements for 2016. 4. Approval of the distribution of 2016 earnings. 5. Approval of issuance of new shares with 2016 earnings. 6. Amendment of the Company's "Articles of Incorporation". 7. Amendment of the Company's "Procedures for Asset Acquisition and Disposal". 8. Amendment of the Company's "Procedures for Endorsements and Guarantees". 9. Approval of the data and agenda of the 2017 annual meeting of shareholders. 10. Authorization of the Chairman to sign documents with financial institutions for account opening, loans, and financial derivatives trade on behalf of the Company. 11. Approval of appointment of the Company's President. 12. Approval of the Company's "Statement of Compliance of the Internal Control System 2016". 13. Approval of the report on distribution of compensations for managerial personnel in 2016 and estimated compensations for managerial personnel in 2017.	1. Unanimously approved as proposed by all attended directors. 2. Unanimously approved as proposed by all attended directors. 3. Unanimously approved as proposed by all attended directors. 4. Unanimously approved as proposed by all attended directors. 5. Unanimously approved as proposed by all attended directors. 6. Unanimously approved as proposed by all attended directors. 7. Unanimously approved as proposed by all attended directors. 8. Unanimously approved as proposed by all attended directors. 9. Unanimously approved by all attended directors that the annual meeting of shareholders be held on June 22, 2016. 10. Unanimously approved as proposed by all attended directors. 11. Unanimously approved as proposed by all attended directors. 12. Unanimously approved as proposed by all attended directors. 13. Unanimously approved as proposed by all attended directors.
May 5, 2016	Board Meeting	1. Appointment of Chief Executive Officer	1. Unanimously approved as proposed by all attended directors except Chairman Ter-Fung Tsao who has excused himself from the meeting due to a conflict of interest in accordance with the Company Act and Rules of Procedure for Board of Directors Meetings.

(2) Important resolutions made at the Company's 2016 general shareholders' meeting:

1) Adoption of the business report and financial statements for 2015: Approved.

2) Adoption of 2015 earnings distribution: Approved by the resolution of the annual general meeting, the beginning unappropriated retained earnings was NT$459,326,068, and after adding 2015 net income of NT$2,730,613,003, the distributable retained earnings was NT$3,122,900,581; After deducting legal reserves, the 2015 earnings will be distributed first where the share dividend was NT$1.1 per share and cash dividend was NT$1.6 per share. The ending unappropriated retained earnings was NT$709,556,979.

3) Amendment of the Articles of Incorporation: Proceeded with reference to the resolution of the meeting of shareholders and approved by the Ministry of Economic Affairs on September 1, 2016 in Letter Jing-Sho-Shang-Zi 10501215010.
4) Capital increase 2015 with retained earnings to issue new shares: Proceeded with reference to the resolution of the shareholders' meeting, where the share dividend was NT$1.1 per share, totaling NT$871,966,860 and cash dividend was NT$1.6 per share, totaling NT$1,268,315,442. Prior to the issuance, the total paid-in capital was 792,697,151 shares with face value of NT$10 per share. With the increase in paid-in capital from the issuance of 87,196,686 shares through retained earnings, the total paid-in capital was 879,893,837 shares with face value of NT$10 per share, amounting NT$8,798,938,370 whereas the rights and obligations of newly issued shares are equivalent to original common shares. (Registered capital is NT$8.8 billion with face value of NT$10 per share, totaling 880 million shares). The board set August 24, 2016 as the ex-rights and dividend date. The date of new share issuance through surplus and cash dividend distribution was on September 26, 2016. The earning distribution was approved by the Ministry of Economic Affairs on September 1, 2016 in Letter Jing-Sho-Shang-Zi 10501215010.

III.13. Summary of opinion difference in major resolutions at the board meeting between directors or supervisors in last year and by the report publishing date with written records or statements: None.

III.14. Resignation and relief of relevant roles, including the organization chairman, president, accounting officer, financial officer, chief internal auditor, and R&D officer, in last year and by the report publishing date:

Title	Name	Inauguration	Discharge	Reasons for resignation/discharge
President	Ter-Fung Tsao	Aug 6, 1986	May 1, 2017	Internal duty adjustment

IV. CPA's fees

CPA Fee Bracket

<table>
<tr><th>CPA Firm</th><th colspan="2">CPA's name</th><th>Auditing period</th><th>Remarks</th></tr>
<tr><td>Deloitte Touch Tohmatsu CPA Firm</td><td>CPA
Ting-Chen Hsu</td><td>CPA
Tse-Li Kung</td><td>January 2016-
December 2016</td><td></td></tr>
</table>

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

The Company should disclose the following items under any of the following circumstances:

(1) Disclose the amount of the audit and non-audit service fees and content of non-audit services when the amount of non-audit service fees paid to CPAs, their firms and affiliates for is over a quarter of the audit service fees:

<table>
<tr><th rowspan="2">Name of CPA firm</th><th rowspan="2" colspan="2">Name of CPA</th><th rowspan="2">Audit fee</th><th colspan="5">Non-Audit Fees</th><th rowspan="2">Audit period</th><th rowspan="2">Remarks</th></tr>
<tr><th>Policy design</th><th>License registration</th><th>Human resources</th><th>Others</th><th>Subtotal</th></tr>
<tr><td>Deloitte Touch Tohmatsu CPA Firm</td><td>Ting-Chen Hsu</td><td>Tse-Li Kung</td><td>NT$ 3,580,000</td><td>0</td><td>0</td><td>0</td><td>NT$ 844,000</td><td>NT$ 844,000</td><td>January 2016~ December 2016</td><td>Non-audit fees to others was paid for service of CSR report assurance and transfer pricing report.</td></tr>
</table>

(2) Disclose the amount and proportion reduced and reasons when there is a change of CPA firm that the audit service fee is lower than the year before the CPA change: N/A.

(3) Disclose the amount and proportion reduced and reasons when the audit service fee is fifteen percent less than last year: N/A.

V. CPA's change information:

V.1. Regarding former CPAs

<table>
<tr><td>Replacement date</td><td colspan="4">Apr 2016</td></tr>
<tr><td>Cause of replacement</td><td colspan="4">Internal duty adjustment of Deloitte Taiwan</td></tr>
<tr><td rowspan="3">Specify the reasons for replacement: Termination of appointment by the client or the CPA or rejection of appointment</td><td colspan="2">Party Concerned / Condition</td><td>CPA</td><td>Client</td></tr>
<tr><td colspan="2">Voluntary termination of appointment</td><td colspan="2" rowspan="2">N/A</td></tr>
<tr><td colspan="2">Rejection of (successive) appointment</td></tr>
<tr><td>Opinions and reasons for audit reports other than "unqualified opinion" issued within the past two years.</td><td colspan="4">N/A</td></tr>
<tr><td rowspan="7">Opinions different from the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Scope or procedure of audit</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Explanation</td></tr>
<tr><td>Other Information to Disclose
(Information to be disclosed in Items 1-4 to 1-7, Paragraph 6, Article 10 of these Regulations)</td><td colspan="4">None</td></tr>
</table>

V.2. Regarding successive CPAs

Firm	Deloitte Taiwan
CPA's name	CPA Ting-Chen Xu
	CPA Tse-Li Kung
Appointment date	April 2016
Consultation of the accounting processing method or accounting principles and potential opinion expressed for financial statements for specific transactions prior to appointment and results.	N/A
Written opinions different from the opinions expressed by former CPAs	N/A

V.3. Reply from former CPAs on items 1 and 2-3, paragraph 6, Article 10 of these Regulations: N/A.

VI. The chairman, president, and financial or accounting managers of the Company worked for the CPA or its affiliates last year: None.

VII. Share transfer and share mortgage of directors, supervisors, executives, and shareholders holding over 10% of shares in last year and by the report publishing date:

VII.1. Information on the change in shareholding of directors, supervisors, executives, and major shareholders.

Unit: Shares

Title	Name	2016		As of April 24 in the same year	
		Shares Increase (decrease)	Shares under pledge Increase (decrease)	Shares Increase (decrease)	Shares under pledge Increase (decrease)
Chairman	Mu Te Investment Co., Ltd. Representative: Ter-Fung Tsao (Date on board: June 15, 2016)	21,778,901	0	0	0
Director	Mu Te Investment Co., Ltd. Representative: Jason Hsuan (Date on board: June 15, 2016)				
Director	Mu Te Investment Co., Ltd. Representative: Wendy Tsao (Date on board: June 15, 2016)				
Director	Charng Hui Ltd. Representative: Arthur Tsao (Date on board: June 15, 2016)	635,517	0	0	0
Independent Director	Ben Chang (Date on board: June 15, 2016)	0	0	0	0
Independent Director	George Chou (Date on board: June 15, 2016)	0	0	0	0
Independent Director	Daniel Chiang (Date on board: June 15, 2016)	0	0	0	0
President	Ter-Fung Tsao	(278,776,666)	0	0	0
Vice President, Sales and Marketing	Glendy Chiang	42,090	0	0	0
Vice President of Supply Chain	Yao Steven Yi-Chun	0	0	0	0
Chief Financial Officer	Chris Hong	0	0	0	0
Director of Human Resources	Larry Fong	0	0	0	0

Audit Chief	Hui-Jun Fu	0	0	0	0
Major shareholder holding 10% or more	Mu Te Investment Co., Ltd. Trust Property Account	150,960,000	0	0	0
Major shareholder holding 10% or more	Chia Yun Investment Co., Ltd. Trust Property Account	128,005,200	0	0	0
Major shareholder holding 10% or more	Chia Chieh Investment Co., Ltd. Trust Property Account	104,229,000	0	0	0
Major shareholder holding 10% or more	H.D. Mon	(96,567,000)	0	0	0
Director	Jack Hsieh (Resignation date: June 15, 2016)	0	0	0	0
Director	Howard Tong (Resignation date: June 15, 2016)	0	0	0	0
Supervisor	Tom A. Chien (Resignation date: June 15, 2016)	0	0	0	0

VII.2. Shares transferred:

Share transfer of directors, supervisors, executives, and shareholders holding over 10% of shares

Name	Reasons for transfer	Transaction date	Recipient	Relations between recipients and directors, supervisors, and holders holding over 10% of shares	Shares	Transaction price
Ter-Fung Tsao	Trust	Mar 28, 2016	Chia Yun Investment Co., Ltd. Trust Property Account	The director of the recipient is the Chairman of this Company.	115,320,000	---
Ter-Fung Tsao	Disposal	Mar 17, 2016	Mu Te Investment Co., Ltd.	The Chairman of the recipient is the Chairman of this Company.	19,619,632	81.50
Ter-Fung Tsao	Trust	May 3, 2016	Mu Te Investment Co., Ltd. Trust Property Account	The director of the recipient is the Chairman of this Company.	136,000,000	---

VII.3. Shares mortgaged: N/A.

VIII. The relation of the top ten shareholders

April 24, 2017 Unit: Share, %

Name (Note 1)	Shares held by shareholder		Shares held by shareholder's spouse and minor		Shares held in other's names		Name and relationship of spouse or a relative who is a top-ten shareholder and is within second degree of lineal consanguinity of another top-ten shareholder. (Note 3)		Remarks
	Shares	Shareholding ratio%(Note 2)	Shares	Shareholding ratio%	Shares	Shareholding ratio%	Name	Relationship	
Mu Te Investment Co., Ltd. Trust Property Account Representative: Ter-Fung Tsao	150,960,000	17.16%	0	0	0	0	Ter-Fung Tsao	Chairman of the entity	
							Chia Yun Investment Co., Ltd. Trust Property Account	Chairman is director of this entity	
							Chia Chieh Investment Co., Ltd. Trust Property Account	Chairman is director of this entity	
							Mu Te Investment Co., Ltd.	Chairman is director of this entity	
	39,277,119	4.46%	0	0	21,780,011	2.48%	Chia Yun Investment Co., Ltd. Trust Property Account	Chairman is director of this entity	
							Chia Chieh Investment Co., Ltd. Trust Property Account	Chairman is director of this entity	
							Mu Te Investment Co., Ltd.	Chairman is director of this entity	
Chia Yun Investment Co., Ltd. Trust Property Account Representative: Yi-Ling Chen	128,005,200	14.55%	0	0	0	0	Ter-Fung Tsao	Director of the entity	
							Mu Te Investment Co., Ltd. Trust Property Account	Chairman is director of this entity	
							Chia Chieh Investment Co., Ltd. Trust Property Account	Chairman is director of this entity	
							Mu Te Investment Co., Ltd.	Chairman is director of this entity	
	10,566	0.00%	0	0	0	0	Mu Te Investment Co., Ltd. Trust	Director of the entity	

							Property Account		
							Chia Chieh Investment Co., Ltd. Trust Property Account	Director of the entity	
							Mu Te Investment Co., Ltd.	Director of the entity	
Chia Chieh Investment Co., Ltd. Trust Property Account Representative: Xiu-Zhen Hsiao	104,229,000	11.85%	0	0	0	0	Ter-Fung Tsao	Director of the entity	
							Mu Te Investment Co., Ltd. Trust Property Account	Chairman is director of this entity	
							Chia Yun Investment Co., Ltd. Trust Property Account	Chairman is director of this entity	
							Mu Te Investment Co., Ltd.	Chairman of the entity	
	5,646	0.00%	0	0	0	0	Mu Te Investment Co., Ltd. Trust Property Account	Director of the entity	
							Chia Yun Investment Co., Ltd. Trust Property Account	Director of the entity	
							Mu Te Investment Co., Ltd.	Director of the entity	
Ter-Fung Tsao	39,277,119	4.46%	0	0	21,780,011	2.48%	Mu Te Investment Co., Ltd. Trust Property Account	Chairman of the entity	
							Chia Yun Investment Co., Ltd. Trust Property Account	Director of the entity	
							Chia Chieh Investment Co., Ltd. Trust Property Account	Director of the entity	
							Mu Te Investment Co., Ltd.	Chairman of the entity	
Bilai investment Co., Ltd.	31,768,348	3.61%	0	0	0	0	-	-	
Representative: Su-Win Tseng	157,522	0.02%	0	0	0	0	-	-	

Mu Te Investment Co., Ltd. Representative: Ter-Fung Tsao	21,778,901	2.48%	0	0	0	0	Ter-Fung Tsao	Chairman of the entity	
							Mu Te Investment Co., Ltd. Trust Property Account	Chairman of the entity	
							Chia Yun Investment Co., Ltd. Trust Property Account	Chairman is director of the entity	
							Chia Chieh Investment Co., Ltd. Trust Property Account	Chairman is director of the entity	
	39,277,119	4.46%	0	0	21,780,011	2.48%	Mu Te Investment Co., Ltd. Trust Property Account	Chairman of the entity	
							Chia Yun Investment Co., Ltd. Trust Property Account	Director of the entity	
							Chia Chieh Investment Co., Ltd. Trust Property Account	Director of the entity	
Deutsche Bank Escrows FS Sub-Fund FS Asia Pacific Fund Investment Account	18,061,736	2.05%	0	0	0	0	-	-	
RBC Emerging Markets Equity Fund under the custody of HSBC	16,725,480	1.90%	0	0	0	0	-	-	
Nan Shan Life Insurance Co., Ltd.	13,006,000	1.48%	0	0	0	0	-	-	
Representative: Ying-Zhog Du	0	0.00%	0	0	0	0	-	-	
Cathay Life Insurance Co.	12,328,934	1.40%	0	0	0	0	-	-	
Representative: H. T. Tsai	0	0	0	0	0	0	-	-	

Note1: The top-ten shareholders must be stated. For institutional shareholders, the name of the institutional shareholder and representative must be listed separately.
Note2: For computing the shareholding ratio, the shareholding of the shareholders, spouse, minors, and held in other's name must be computed separately.
Note3: Disclose relations between shareholders, including legal and natural person, in the proceeding paragraphs according to "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

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

March 31, 2017; Unit: Shares

Transfer invested business (Note 1)	The Company's investment		Investment of director, supervisor, management, and the business controlled by the Company directly or indirectly		Comprehensive investment	
	Shares	Shareholding ratio %	Shares	Shareholding ratio %	Shares	Shareholding ratio %
Standard Dairy Products Taiwan Ltd.	30,000,000	100.0%	—	—	30,000,000	100.0%
Standard Beverage Co., Ltd.	7,907,000	100.0%	—	—	7,907,000	100.0%
Charng Hui Ltd.	24,100,000	100.0%	—	—	24,100,000	100.0%
Domex Technology Corporation	10,374,399	52.0%	—	—	10,374,399	52.0%
Le Bonta Wellness International Co.	N/A (Note 2)	100.0%	—	—	N/A (Note 2)	100.0%
Accession Limited	123,600,000	100.0%	—	—	123,600,000	100.0%
Dermalab S.A.	—	—	320	80.0%	320	80.0%
Shanghai Standard Foods Co.	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Shanghai Le Ben De Health Technology Co., Ltd.	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Swissderma, SL	—	—	3,000	100.0%	3,000	100.0%
Swiss Line Cosmetics China Limited	—	—	10,000	100.0%	10,000	100.0%
Inner Mongolia Ja Tai Agriculture Science and Technology Development Co.	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Standard investment (Cayman) Limited	144,939,384	100.0%	—	—	144,939,384	100.0%
Standard Corporation (Hong Kong) Ltd.	—	—	144,891,384	100.0%	144,891,384	100.0%
Standard Investment (China) Ltd.	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Standard Foods (China) Corporation	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Shanghai Dermalab Corporation	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Le Bonta Wellness Co., Ltd.	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Standard Foods (Xiamen) Co., Ltd.	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Shanghai Le Ho Industrial Co., Ltd.	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Shanghai Le Min Industrial Co., Ltd.	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%

Note1: Recorded with equity method.
Note2: It is a limited company without any shares.

Four.   Stock Subscription

I. Capital and shares

(I) History of Capitalization

Year / Month	Issuing price (NTD)	Authorized shares		Issued shares		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital (NTD)	Non-money Capital	Others
1986/06	100	50,000	5,000,000	47,883	4,788,300	Incorporation	NONE	1986.06.06 MOEA. Investment Bureau (75) Kong-Son-Tzi No. 2799
1986/06	100	50,000	5,000,000	47,884	4,788,400	Capital increased by cash NT$ 100	NONE	1986.06.27 MOEA. Investment Bureau (75) Kong-Son-Tzi No. 3149
1986/09	100	150,000	15,000,000	150,000	15,000,000	Capital increased by cash NT$ 10,211,600	NONE	1986.09.22 MOEA. Investment Bureau (75) Kong-Son-Tzi No. 4718
1988/04	100	450,000	45,000,000	450,000	45,000,000	Capitalization from retained earnings for NT$ 30,000,000	NONE	1988 04.09 MOEA. Investment Bureau (77) Kong-Son-Tzi No. 1831
1990/05	10	16,200,000	162,000,000	16,200,000	162,000,000	Capitalization from retained earnings for NT$ 117,000,000	NONE	1990.05.16 MOEA. Investment Bureau (79) Kong-Son-Tzi No. 3425
1991/07	10	19,440,000	194,400,000	19,440,000	194,400,000	Capitalization from retained earnings for NT$ 32,400,000	NONE	1991.05.15 SFE Ruling (80) Tai-Tsai-Cheng (1) No.00935
1992/03	10	30,715,200	307,152,000	30,715,200	307,152,000	Capital increased by cash NT$ 48,600,000 Capitalization from retained earnings for NT$ 64,152,000	NONE	1992.02.17 SFE Ruling (81) Tai-Tsai-Cheng (1) NO.00269
1993/07	10	43,001,280	430,012,800	43,001,280	430,012,800	Capitalization from retained earnings for NT$ 122,860,800	NONE	1993.04.13 SFE Ruling (82) Tai-Tsai-Cheng (1) No.00771
1994/02	10	60,201,792	602,017,920	60,201,792	602,017,920	Capitalization from retained earnings for NT$ 172,005,120	NONE	1994.01.14 SFE Ruling (83) Tai-Tsai-Cheng (1) No.49242
1995/03	10	84,833,857	848,338,570	84,833,857	848,338,570	Capitalization from retained earnings for NT$ 240,807,170 Capitalization from employee bonus for NT$ 5,513,480	NONE	1995.01.07 SFE Ruling (84) Tai-Tsai-Cheng (1) No.52905
1996/02	10	119,116,843	1,191,168,430	119,116,843	1,191,168,430	Capitalization from retained earnings for NT$ 339,335,420 Capitalization from employee bonus for NT$ 3,494,440	NONE	1995.12.04 SFE Ruling (84) Tai-Tsai-Cheng (1) No.62578

Year / Month	Issuing price (NTD)	Authorized shares		Issued shares		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital (NTD)	Non-money Capital	Others
1997/03	10	167,205,291	1,672,052,910	167,205,291	1,672,052,910	Capitalization from retained earnings for NT$ 476,467,380 Capitalization from employee bonus for NT$ 4,417,100	NONE	1996.12.24 SFE Ruling (85) Tai-Tsai-Cheng (1) No.74787
1998/03	10	330,000,000	3,300,000,000	209,470,236	2,094,702,360	Capitalization from retained earnings for NT$ 418,013,220 Capitalization from employee bonus for NT$ 4,636,230	NONE	1997.12.16 SFE Ruling (86) Tai-Tsai-Cheng (1) No.92147
1999/02	10	330,000,000	3,300,000,000	262,360,651	2,623,606,510	Capitalization from retained earnings for NT$ 523,675,590 Capitalization from employee bonus for NT$ 5,228,560	NONE	1998.12.28 SFE Ruling (87) Tai-Tsai-Cheng (1) No.106085
2000/02	10	330,000,000	3,300,000,000	302,264,506	3,022,645,060	Capitalization from retained earnings for NT$ 393,540,980 Capitalization from employee bonus for NT$ 5,497,570	NONE	1999.12.24 SFE Ruling (88) Tai-Tsai-Cheng (1) No.109947
2001/02	10	330,000,000	3,300,000,000	320,918,442	3,209,184,420	Capitalization from retained earnings for NT$ 181,358,710 Capitalization from employee bonus for NT$ 5,180,650	NONE	2001.01.02 SFE Ruling (90) Tai-Tsai-Cheng (1) No.103971
2009/08	10	330,000,000	3,300,000,000	322,523,034	3,225,230,340	Capitalization from retained earnings for NT$ 16,045,920	NONE	2009.07.03 FSC Far.Tzi No. 0980033057 Letter
2010/08	10	380,000,000	3,800,000,000	370,901,489	3,709,014,890	Capitalization from retained earnings for NT$ 483,784,550	NONE	2010.07.05 FSC Far.Tzi No. 0990034588 Letter
2011/08	10	480,000,000	4,800,000,000	463,626,861	4,636,268,610	Capitalization from retained earnings for NT$ 927,253,720	NONE	2011.07.04 FSC Far.Tzi No. 1000030659 Letter
2012/08	10	580,000,000	5,800,000,000	574,897,307	5,748,973,070	Capitalization from retained earnings for NT$ 1,112,704,460	NONE	2012.06.26 FSC Far.Tzi No. 1010027983 Letter
2013/07	10	680,000,000	6,800,000,000	661,131,903	6,611,319,030	Capitalization from retained earnings for NT$ 862,345,960	NONE	2013.07.02 FSC Far.Tzi No. 1020025191 Letter
2014/08	10	740,000,000	7,400,000,000	720,633,774	7,206,337,740	Capitalization from retained earnings for NT$595,018,710	NONE	2014.07.11 FSC Far.Tzi No. 1030026432 Letter
2015/08	10	800,000,000	8,000,000 ,000	792,697,151	7,926,971,510	Capitalization from retained earnings for NT$720,633,770	NONE	2015.07.29 FSC Far.Tzi No. 1040028838 Letter
2016/08	10	880,000,000	8,800,000,000	879,893,837	8,798,938,370	Capitalization from retain earning for NT$ 871,966,860	NONE	2016.09.01 JinSoSunTzi No. 10501215010

Type of Share	Authorized shares			Remarks
	Outstanding shares (Available for trading on the TWSE)	Un-issued shares	Total	
Registered common shares	879,893,837	106,163	880,000,000	

(II) Shareholder structure As of April 24, 2017

Shareholder structure QTY / Quantity	Government Agencies	Financial Institutions	Other Institutional Investors	Natural Persons	Foreign Institutions & Natural Persons	Total
Number of persons	0	14	140	30,666	408	31,228
Share Held	0	44,222,555	456,880,365	175,861,299	202,929,618	879,893,837
Shareholding ratio %	0.00%	5.03%	51.92%	19.99%	23.06%	100.00%

(III) Dispersal of shareholding NTD 10 Par value As of April 24, 2017

Classification	Number of Shareholders	Share Held	Shareholding ratio %
1-999	11,825	2, 549,104	0.29%
1,000-5,000	14,158	29,817,542	3.39%
5,001-10,000	2, 603	18,517,598	2.10%
10,001-15,000	922	11,288,340	1.28%
15,001-20,000	422	7,385,482	0.84%
20,001-30,000	446	11,015,709	1.25%
30,001-40,000	199	6, 895,071	0.78%
40,001-50,000	125	5, 613,435	0.64%
50,001-100,000	262	17,692,904	2.01%
100,001-200,000	105	14, 556,662	1.65%
200,001-400,000	60	16,914,097	1.92%
400,001-600,000	17	8,073,716	0.92%
600,001-800,000	16	11, 544,168	1.31%
800,001-1,000,000	5	4,532,471	0.52%
Over 1,000,001 shares	63	713,497,538	81.10%
Total	31,228	879,893,837	100.00%

(IV) Major shareholder

As of April 24, 2017

Name of major shareholders \ Shares	Share Held	Shareholding ratio %
Mu De Investment Co., Ltd. Trust Account	150,960,000	17.16%
Jia Yun Investment Co., Ltd. Trust Account	128,005,200	14.55%
Chia Jen Investment Co., Ltd Trust Account	104,229,000	11.85%
Ter Fung Tsao	39,277,119	4.46%
Bilai Investment Co., Ltd. Trust Account	31,768,348	3.61%
Mu De Investment Co., Ltd.	21,778,901	2.48%
Deutsche Bank Escrows FS Fund FS Asia Pacific Fund Investment Account	18,061,736	2.05%
RBC Emerging Markets Equity Fund under the custody of HSBC	16,725,480	1.90%
Nan Shan Life Insurance Co., Ltd.	13,006,000	1.48%
Cathay Life Insurance Co., Ltd.	12,328,934	1.40%

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

Item \ Fiscal year			2015	2016	As of March 31, 2017(Note 5)
Market price per share	Highest		97.30	84.50	78.50
	Lowest		63.00	74.90	75.20
	Average		78.20	78.90	76.39
Net worth per share	Before appropriation		16.91	16.28	16.56
	After appropriation		15.23	(Note 1)	(Note 1)
Earnings per share	Weighted average shares		786,919,715	873,480,884	873,480,884
	Earnings per shares before adjustment		3.47	2.98	0.68
	Earnings per shares after adjustment		3.13	(Note 1)	(Note 1)
Dividends per share	Cash dividends		1.60	(Note 1)	-
	Stock dividend	Earnings distribution	1.10	(Note 1)	-
		Capital reserve distribution	-	-	-
	Accumulated unpaid dividends		-	-	-
Analysis of return on investment	Price/Earnings Ratio (Note 2)		22.54	26.48	-
	Price/Dividend Ratio (Note 3)		48.88	(Note 1)	-
	Cash dividends yield rate (Note 4)		2.05%	(Note 1)	-

Note 1: Subject to the approval of annual shareholders' meeting.
Note 2: Profit ratio = Closing price per share of the year / Earning per share.
Note 3: Earning ratio = Closing price per share of the year / Cash dividend per share.
Note 4: Cash dividend yield rate = Cash dividend per share / Closing price per share of the year.
Note 5: The column of the net worth per share and earnings per share is the data of the latest quarter certified (or reviewed) by auditors while other columns are for the financial data of the year.

(VI) Execution of Dividend Policy

1. Dividend Policy:

   Based on the amended Company Act announced in May 2015, the distribution of stock dividends and bonus is only limited to the shareholders, employees are not included. Accordingly, we have resolved to change the profit distribution policy under the Company Chapter in the general shareholders' meeting held on June 15, 2016.

   Based on the revised policy, if there is a profit after the annual closing of books, this Company shall pay the profit-seeking enterprise annual income tax, cover losses of previous years, make 10% legal reserve, and appropriate or reverse special reserve by law. Then, this Company shall appropriate 30-100% of the remaining amount with the accumulated unappropriated earnings as dividends for shareholders. Cash dividends shall equal to 30-100% of the distributable dividend. However, for a major investment program without the possibility of obtaining other funding, the cash dividend can be reduced to 5-20% of the distributable dividend. The distribution to the shareholders shall be proposed by the Board of Director and resolved by the shareholders' meeting.

2. Proposed Distribution of Dividends:

   The Company's Board of Directors had resolved on March 24, 2017 to have stock dividend distributed at $0.4/share and cash dividend at $1.6/share; also, the proposal is to be reviewed and discussed at the annual meeting of shareholders on June 22, 2017.

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

<table>
<tr><th colspan="3">Fiscal year
Item</th><th>2017(estimated)</th></tr>
<tr><td colspan="3">Capital collected at the beginning</td><td>NT$8,798,938,370</td></tr>
<tr><td rowspan="3">Dividend distribution of the year</td><td colspan="2">Cash dividend per share(Note 1)</td><td>NT$1.6</td></tr>
<tr><td colspan="2">Stock dividend from retained earnings (Note 1)</td><td>0.4 share</td></tr>
<tr><td colspan="2">Stock dividend from capital reserve</td><td>0 share</td></tr>
<tr><td rowspan="7">Operating performance (Note 2)</td><td colspan="2">Operating income</td><td>N/A</td></tr>
<tr><td colspan="2">Operating income increase (decrease) from the year before</td><td>N/A</td></tr>
<tr><td colspan="2">Net income after taxes</td><td>N/A</td></tr>
<tr><td colspan="2">Net income increase (decrease) from the year before</td><td>N/A</td></tr>
<tr><td colspan="2">Earnings per share</td><td>N/A</td></tr>
<tr><td colspan="2">Earnings per share increase (decrease) from the year before</td><td>N/A</td></tr>
<tr><td colspan="2">Average return on investment ratio (the reciprocal of average profit ratio)</td><td>N/A</td></tr>
<tr><td rowspan="6">Pro forma earnings per share and profit ratio (Note 2)</td><td rowspan="2">Cash dividend from retained earnings</td><td>Pro forma earnings per share</td><td>N/A</td></tr>
<tr><td>Pro forma average return on investment ratio</td><td>N/A</td></tr>
<tr><td rowspan="2">Without capitalization from capital reserve</td><td>Pro forma earnings per share</td><td>N/A</td></tr>
<tr><td>Pro forma average return on investment ratio</td><td>N/A</td></tr>
<tr><td rowspan="2">Without capital reserve and all capitalization from retained earnings is distributed as cash dividend</td><td>Pro forma earnings per share</td><td>N/A</td></tr>
<tr><td>Pro forma average return on investment ratio</td><td>N/A</td></tr>
</table>

Note 1: A resolution is to be reached in the 2017 general shareholders' meeting.

Note 2: The Company is not required to publish the 2016 financial forecast in accordance with the "Rules Governing the publication of financial information by public offering companies;" therefore, it is not applicable.

(VIII)Compensations for Employees and Remunerations to Directors and Supervisors

1. Information of compensations for employee and remunerations to directors and supervisors : When there is pretax income before deducting employee profit distribution and remuneration to the board members, the company shall set aside no less than 0.5% of the figure to its employees as profit sharing. The distribution, whether in cash or stock, shall be resolved by the board. The eligible employees are subject to certain criteria. No more than 0.75% of the same base above shall be set aside as remuneration to directors. The above appropriations shall be reported in the shareholder's meeting. No such allocation shall be made before accumulated losses from previous years are made up.

2. The basis of estimating the amount of compensations for employee and remunerations to directors/supervisors for calculating the number of shares to be distributed as stock distribution and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:
   The Company's compensations payable to employee and remunerations payable to directors and supervisors for 2016 are estimated at NT$28,215,285 and NT$18,501,826, respectively. The said employee distribution and remuneration to the directors in 2016 are calculated as an amount equivalent to 0.90% and 0.59%, respectively, of the pretax income before the distribution deduction.

   If the distribution amount is changed after the date the Company's individual financial statements approved for publication, it is processed as change in accounting estimate and adjusted to the bookkeeping in the following year.

   If the distribution of stock dividend to employees is resolved by the Board of Directors, the number of stock dividend share is determined by having the bonus amount divided by the closing price on the day before the board meeting.

3. Distribution policy proposed by the Board of Directors:
   (1) The distribution of stocks as compensations for employees and remunerations to directors:
       1.1 Compensations for employees: NT$28,215,285.
       1.2 Stock compensation for employees: NT$ 0
       1.3 Remunerations to directors and supervisors: NT$18,501,826.
       The aforementioned pro forma employee bonus and remuneration to directors and proposed by the Board was in line with the estimated amount in the 2016 financial statements.
   (2) The stock compensations to employees and the ratio of the stock compensations to the total amount of net income and total remuneration to employees: N/A.

4. Actual distribution of dividends to employees and remuneration to directors and in the prior year:
   In 2015, the Company distributed cash bonuses to employees at NT$29,347,072 and remuneration to directors at NT$19,466,327. These amounts were consistent with the amount adopted in the 2015 financial statements.

(IX) Treasury stock: None.

II. Corporate bond: None.
III. Preferred stock: None.

IV. Issuance of global depository receipts

Date of the initial issuance			June 19, 1997
Place of issuance and listing			Issued in the United States and Europe and traded at Euro MTF Market of Luxembourg Stock Exchange.
Total Amount			USD29,070,000
Offering price per GDR (US$)			USD9.69
Units Issued			3,000,000 units
Underlying Securities			Common stock of Standard Foods Corporation held by the shareholders
Common Shares Represented (Shares)			15,000,000 share
Rights and Obligation of GDR Holders			Same as those of Common Share Holders
Trustee			NONE
Depository Bank			The Bank of New York Mellon Corporation
Custodian Bank			Trust Department, Mega Bank
GDRs Outstanding (Units) as of March 31, 2017			69,336.6 units
Apportionment of the expenses for the Issuance and the maintenance			All fees and expenses related to the issuance of GDRs were borne by the selling shareholders while the maintenance expenses were borne by issuer
Terms and Conditions in the Deposit Agreement and the Custody Agreement			Please see the Deposit Agreement and the Custody Agreement for details
Market price per unit (USD)	2016	Highest	13.46
		Lowest	11.15
		Average	12.25
	As of March 31, 2017	Highest	12.77
		Lowest	11.79
		Average	12.30

V. Employee stock option certificates: None.

VI. Restricted employee rights and new shares issue: None

VII. Mergers and acquisitions: None.

VIII. Fund implementation plan

(I) Plan Details

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

(II) Execution

The implementation of the aforementioned plans: N/A.

Five. Overview of Business Operations

I. Principal activities

(I) Operating Scope:

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

2. Operating ratio of current products

	2016
Product type	Business ratio
Nutritious Foods	39%
Cooking products Food	53%
Others	8%
Total	100%

(II) Industry Overview:

With the relatively low criteria required to enter the food industry, the differences between products are small and may easily be copied, thus the market is flooded with inferior brands featuring uneven quality. Moreover, due to shortsighted vendors pursuing profits, they lack intuition for food safety, and a quality control system is further absent, leading to the frequent occurrences of food hygiene and safety issues, disturbing the reputation and order of the overall food market.

In addition, the development of modern channels provides more convenient and fast marketing channels for the consumer goods market, but due to diversified charging items, the expenses have also increased for the suppliers. Along with the expansion of the channels, the development of private brand products, based on the advantage of owning private marketing channels, further threatens the survival and profit margin for the suppliers.

The main source of raw materials for the food industry is husbandry products; although the enhancement of technology increased the agricultural production efficiency, but the process of agricultural production is still inevitably influenced, to a great extent, by the natural conditions. With the increasing wealth index in each country, the demands for raw materials gradually climbs year by year, yet the global cultivable area gradually decreases due to the influential factors of climate and man-made destruction, and the production quantity for the main agricultural area is also highly unstable. Therefore, the rising prices due to the imbalance between the supply and the demand of raw materials have become a long-term trend. Moreover, environmental pollution issues such as pesticide residue and heavy metals further directly threaten the quality and safety of the raw material supply; these quality and quantity ordeals undoubtedly add extra operating cost and pressure to the proprietors.

(III) Technology Research and Development

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

Unit: NT$ Thousand

	2016	As of 5/19 of the year
Amount	137,724	20,345

2. Successfully developed technology and products with R&D expenses in last year and by the report publishing date:
   (1) Newly launched Quaker Complete Nutrition Food products:
   Quaker Complete Nutrition Food, original light was awarded with the certification of special nutrition food and launched
   Quaker Complete Nutrition Food
   PP bottled resveratrol formula was successfully launched
   (2) Released new powdered milk products
   Quaker Dream Care High Calcium Milk Supplement is imported with original package. Quaker Must Milk Powder, Quaker High Iron Nutritional Powder Supplement Quaker Super Protection and Study liquid milk were initially launched Upgraded Quaker Grow Up and Pro Care formula was launched
   (3) Developed and successfully launched Quaker new flavors (brown grains and golden nuts) for Super Herbs & Cereal Beverage.
   (4) Developed and successfully launched soybean and oat drinks, classical pre-cooked oatmeal, marigold extract noodles, Quaker single-packed grains and nuts and Quaker Super Protection HA Oatmeal Cereal.
   (5) Developed and successfully launched the Quaker Top Chicken Essence.

3. R&D Projects in the Latest Year:
   (1) Research of processed materials for milk powder
   (2) Development of milk powder for allergy prevention and high functional purpose.
   (3) Development of special supplement food with sugar-controlled formula and bone protection and refinery purpose.
   (4) Development of an application for nutritional supplements for patients
   (5) Development of health food and application.
   (6) Studies of extrusion food products.
   (7) Development of upgraded oatmeal noodle products.
   (8) Development of chicken extraction technology.
   (9) Development of the formula for eye protection drinks, pressure resilience drinks, sports glucosamine drink, and beauty drink.
   (10) Development of plastic-bottled sterilized milk products.
   (11) Research and development of instant foods.
   (12) Researches of ganoderma fermentation technology.
   (13) Research of vacuum emulsion technology.
   (14) Research of sun and oxygen resistance PET packing technology

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

Standard Foods Corporation takes health food development as the core business, in order to provide high-quality products for the country. We have always operated under the principles of being stable and pragmatic. We only concentrate on core-business operation and originate various new products through non-stop developments and scientific researches, so as to foster new product lines and enhance the brand value.

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

II.Market analysis and the conditions of sales and production

(I) Market analysis

Sales regions: For Taiwan and China only.

Market supply and demand:

Nutritious Foods:

1. Oats

(1) Market share

Our cereal products, including instant oats, three-in one cereal, canned cereal powder, package cereal powder, and Quaker oats drink, are well received among the consumers. Our brand has been seen as trustworthy by local consumers and continued to lead the cereal product market in Taiwan in 2016.

(2) Future supply and demand and market growth:

With the rise of health awareness from consumers, and demands for high food safety and quality, apart from continuously providing consumers with excelling health foods and nutritional supplements, we will put greater focus on quality and safety controls. By putting quality and safety first, we will provide trustworthy products for consumers to use without worries.

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

Our Company actively studies consumer demands force real products, catering for the balanced development of health, deliciousness, high quality and diversification. Our all-natural super herbs & cereal beverage series was launched in 2016. We will focus on promoting benefits of grains products to allow a deeper understanding among customers with all age levels, and thereby to strengthen the Company’s leading status in grain products.

For the existing instant cereal beverages, we will continue to launch the sugar free “Quaker Whole Grain Cereal” to push the whole nut cereal series. In 2017, we will continue to communicate benefits of whole grain diet to strengthen Quaker’s brand image in healthy grain products.

Looking into the future, we will continue to diversify our oatmeal product ranges to turn Quaker into the favorite brand of all ages and fulfill the health demand of different consumer groups. We will also continue to raise brand value through advertising to boost sales.

2. Herbal tonic drink

(1) Market share

According to the AC Nielsen market survey, in Taiwan Standard Foods was the number one tonic drink seller with a market share of 40%. This has proven recognition among the customers for the product.

(2) Future supply and demand and market growth:

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

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

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

This Company has devoted to providing consumers with best quality products, amongst these, the benefits of Quaker Ginseng Essential have been conveyed to consumers through advertisements after passing liver protection certification - it has been the best-selling ginseng tonic beverage on the market so far. In the mean time, the Company continues to cultivate the healthcare and nutritional product market with the brand of Tian Di Her Bu, other than the Rose Siwu Drink for the female market, our glucosamine drinks, particular for the purpose of joint protection, have been popular among the aging market and delivered superior performance for the being the market leader. To cater the high-end need, we further launched the Quaker Finest Bird's Nest drinks to provide consumers with a premium bird's nest drink gift set, and deepen the health supplement product market with highest quality products.

In the coming new year, the Company will continue our efforts to develop and promote tonic drinks to meet the demand of customers in all age groups, We will also continue to invest in advertising to seize the tonic drink market with diversified marketing and distribution activities and raise market share and popularity, so as to boost sales and to contribute to the health of modern consumers.

3. Baby food

(1) Market share

Quaker has been the most chosen brand among mothers in Taiwan for 10 consecutive years (highest in relative popularity,Note1). We are committed to providing the best nutritional formula and the best quality products starting from Taiwanese babies' first bite. Whether it's number-one Danish supplier for the baby formula, original imported-packaged growth powder (containing Lactobacillus acidophilus, Bifidobacterium, and Lactobacillus casei) or the local-made organic rice cereal, all we want to assure is a pure and nutritious first bite for every baby, and thereby a continuous recognition and support from consumers for our non-staple food, growth milk powder and children's milk powder market. R&D investments or marketing and advertising campaigns, our efforts in baby food, growth milk powder and children's milk powder have won the.

(2) Future supply and demand and market growth:

Newborns in 2016 numbered 210,000, a flat growth from the last year's figure. With the rising breastfeeding rate under the government's continuing promotion the overall market size for baby food and infant formulas has shrank. Moreover, with only one to two children per household or the trend of fewer children and change of consuming pattern of new-generation parents, we know that offering products with innovative nutrient mixes and highest quality is the future trend for the our business. We, therefore, will develop our related product lines accordingly to make sure all babies can grow healthily together with the Company from its first bite to pre-school age

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

Regardless the limited market scale, Standard Food insists importing the original-packaged milk powder for baby's growth, has won the efficiency certification for our Lactobacillus acidophilus, Bifidobacterium, and Lactobacillus casei products (for caring baby's intestines) and provided the only organic-certified non-staple foods - organic rice and oat cereal products in the local market. Moreover, the Company continues investing increasing efforts in new product development effort. Our Grow-Up liquid milk was launch in 2016 and was the only product that was awarded with a national certification for immunomodulation. The research has proven the product can strengthen baby's immunity. Also, the ready-to-drink packaging offers additional option to young parents which is better and more convenient.

To care for a mother's love to babies, we have been investing in Quake Mother Classroom and professional nutrition education services for early expectant mothers. In the mean time, with continuous innovative advert and marketing campaigns for non-staple food, baby formula for one-year old and above, and growth milk products, liquid form we have made Quaker positioned as the most popular baby food brand in Taiwan. In the future, we will keep the spirit of "striving for the best" to provide products with nutrition advice from Taiwan's DRIs and reputable international organizations through endless innovation to assure Taiwan babies will grow together with Standard Food, and maintain our current prestigious positioning in the market (Number one in relative penetration: Note 1).

[1]Source: The relative popularity of Quaker baby food in the infant food market according to the 2016 Kantar Worldpanel Baby.

Dairy products and drinks:

4. Powdered milk (for adults)

(1) Market share

This Company's adult milk powder is leader of Taiwan's skim milk powder market. According to the Kantar Worldpanel market survey, Quaker adult milk powder has been and is still the leader in the adult skim milk powder market since 2001, with over 40% of market share.

(2) Future supply and demand and market growth:
Although the adult milk powder market in Taiwan is nearly mature, this Company continues to win consumer recognition deeply with quality and multifunctional products to fulfill consumer needs, as well as constant innovative marketing strategies and comprehensive channel communication.

Looking out to the market trend and observing the demographic change and health orientation of Taiwan, the market potential of adult milk powder is still promising. According to the National Development Council, the concept of early intervention has become popular as society aging is accelerating in Taiwan, particularly for the senior group caring about health and life preservation and wishing to live longer, better, and healthier. This major consumer group of adult milk powder is more eager to invest in health, thus providing a momentum of growth for adult milk power appealing to health, functionality, and nutrition.

Since the entry to the milk powder market in 1993, Quaker has won over consumers' preference with innovative and quality products. The company's R&D team focuses on the needs for Taiwanese people to blend a collection of macrobiotic milk powder exclusive to individuals, for instance: Quaker pioneered in designing High-Calcium Non-Fat Milk Powder for over 50 year olds; launched the first High-Calcium High-Iron Milk Powder with Collagen Formula dedicated to women's beauty and health, there are further Dream Care Milk Powder designed for over 40 year olds, High-Fiber Milk Powder which is beneficial for the excretive issues, and the high-quality and additive-free Quaker Pure Milk Powder released to meet the market trend. Amongst the many outstanding products, the High Calcium Non-Fat Milk Powder with double health certificates is further the best of the best with the honor of receiving two national health food certificates. Itis capable of regulating the blood lipid and improve gastrointestinal function, and has received recognition from the consumers with the multiple functions, thereby constantly creating popular sales. We will continue to meet the needs of more consumers and continuously strengthen the Company's leadership within the skim milk powder market.

(3) Competitiveness, the advantages and disadvantages of development, and responsive strategies.
To take care of citizens' nutrition and health in all aspects, the Company continuously strives to become better. After launching the ready-to-drink "Quaker Nutri System Food" in 2007, we launched formulas for diabetes, dialysis, and cancer patients to meet the market needs. With comprehensive marketing campaigns and celebrity endorsers, we boosted continuous sales growth. Later on, we continued to launch new products meeting the market trend, such as the original flavor sugar-free, enhanced and enhanced nutrition series to fulfill the needs of different consumer groups so that consumers can "enjoy balanced nutrition in one can" and to strengthen Quaker's status in the market of medical grade nutrition supplements.

Standard Foods makes "devoted to the pursuit of good nutrition" the mission of business operations and commits to providing consumers with best quality products. Many products of Standard Foods have passed national health food certification and its brand name is recognized and trusted by consumers. It is our intention to seize the adult functional supplement market with Quaker's brand name and sales experience, our powerful R&D team and the most flexible marketing strategy, so as to create better sales performance for the Company's supplement business

5. Distribution Product (adult milk powder and cheese)

(1) Market share

According to the market survey of AC Nielsen, the market scale of adult milk powder shrank slightly in 2016. As one of the top three brands in the market, sales of Fonterra milk powder remained stable. Growth was seen in Taiwan's overall cheese market, and Chesdale cheese still takes the leading position and keeps growing. Our introduction of KAPITI, starting from June 2016 in the local Costco locations for three months (the Road Show campaign), was exceptionally successful. Therefore, starting from 2017, we will start providing ice products under the line as as regular on-shelf items in the chain to establish an in-depth relationship.

(2) Future supply/demand and market growth

It is expected that Taiwan's overall adult milk powder market will maintain or slightly shrink in 2017 as leading brands continuously release new advertisements and promotion activities

The ratio of distribution networks will maintain the same as the year before in Taiwan. Hypermarkets and public service channels will still be the major distribution channels, and little change is expected of the overall market.

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

Consumers care more about quality and choose product brands more carefully. Steady sales of the Fernleaf Full Cream Milk Powder imported from New Zealand are expected in 2017 for its pure quality brand image and comprehensive channel promotional activities.

We will reinforce advertising Anlene milk powder that has long been the consumer favorite to improve its brand image. In addition, the product has passed national certification to strengthen its skeletal care image. We will also continue channel operations while strengthening brand and product images to attract more consumers. It is expected that sales of Anlene will grow.

To cope with the price competition for whole milk powder in 2016, we had made Fernleaf Full and Anchor cream milk power as key feature products in all distribution channels for higher DM exposure and better shelving display to solidify our market.

Continuous growth is seen in Taiwan's cheese market, as witnessed by the rising number of users. We will launch comprehensive consumer and channel activities for Chesdale and commercials to improve Chesdale's healthy and nutritious image. We will also continue to educate consumers when to use cheese to secure

Chesdale's market share.

Standard Foods intends to work closely with the Fonterra Brands (Far East) Limited, Taiwan, and continuously launches powerful marketing activities and intensive network operation to steadily raise market share and maintain excellent sales.

<u>Cooking oil:</u>

6. Cooking oil

(1) Market share

Aiming to provide families in Taiwan with high quality cooking oil, we have been wholeheartedly holding the "Great Day" over the last two decades. The sun flower oil, pure olive oil, and grape seed oil, Five Treasures Oil from Great Day are all favored and supported by consumers for its healthy and quality image, making it the leading brand in Taiwan. As the leader of all varieties of cooking oil, sales of Great Day products are steady.

In China, our subsidiary distributes sunflower oil in the brand "Duo Li". Insisting on providing healthy and quality cooking oil, Duo Li has gradually become the No. 1 brand of sunflower oil in China.

(2) Future supply/demand and market growth

Due to higher concern for quality and safety, consumers now gradually shift to pure oil and imported oil; we believe sales of sunflower and olive oil will grow steadily accordingly. As the Great Day series becoming the leading cooking oil in Taiwan, we will stay in line with the trend of consumer health and continue pushing the Great Day Pure Sunflower Oil to become the first housewives' choice for its quality consistency. As the sale Great Day's imported pure olive oil grows steadily, we will continue to invest in commercials to boost sales. The Great Day Five Treasures Oil blend has passed the national health food certification and is also a popular product.

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

As the concern about cooking oil safety rises, family cooking styles also change to macrobiotic diet and healthy cooking oil. Pure sunflower oil and pure olive oil has thus become the market mainstream and the niche of stable growth for "Great Day".

In 2017, the healthy cooking oil market will expand continuously as a result of the aggressive cultivation of various brands. We, under the brand of the Great Day, will continue to cultivate the cooking oil market via our professional technology and knowhow and bring more healthy choices for the local customers to cater all the household needs.

We will continue to invest in advertisements to upgrade brand value and the image of health. Also, we will use the spirit of brand innovation to produce good edible oil, to upgrade product value and quality and to satisfy consumers in Taiwan in need of healthy edible oil. In China market, we will also continue to expand the sales network and to improve the healthy image of "Duo Li" cooking oil with nationwide promotional activities and adverts.

Others:

7. Distribution (candy)
   (1) Market share
   According to the market survey of AC Nielsen, the Taiwan's market size maintained the flat.

   (2) Future supply/demand and market growth
   Imported high-price and fun candy remained upbeat in the market. The trend of low-sugar diet has kept the candy market sales to its expectation, slightly milder than the last year. Novel promotional approaches will be launched through the main marketing channel, convenience stores. We will work together with the store events and new product promotion in order to attract consumers and stimulate purchases. This shall promote the candy sales and push the market growth further.

   (3) Competitiveness, the advantages and disadvantages of development, and responsive strategies.
   In order to cope with rising material and shipping cost, we amended the price for further enhance market share and increase the variety and reach of product lines, Mentos in 2016, particularly for single and triple pack, so as to bring up the product sales.

   In 2016, we became the official Taiwan agent of Chupa Chups lollipop to expand our candy ranges. We will combine the brand advantages of Mentos and Chupa Chups to enrich and stimulate the overall candy market and increase product exposure and brand awareness.

   Continuing the new product Pure Fresh Mints launched last year, we will launch more new flavors and more attractive new packages to provide more options for the consumers.

   For the year of 2017, we will continue to coordinate with distributors with seasonal and thematic products. For Mentos and Chupa Chups, we will continue to launch new products and seasonal packages with various flavors and colorful packaging to refresh the product lines for a higher market share, product diversity and product reach rate. We will also utilize the existing resources to revitalize the market to secure the sale and increase the market share of Mentos and Chupa Chups.

   This year, we will maintain close cooperation with our suppliers to continuously promote powerful consumer activities and intensive channel operation to steadily raise market share and continuously boost sales.

8. EMS service (Subsidiary- Domex Corp.)
   (1) Market share
   EMS is professional Electronic Manufacturing Services; at the present, the electronic products around the world are either self-produced or commissioned to EMS for manufacture; Domex Corp owns less than 1% of the EMS market

share at the moment.

(2) Future supply/demand and market growth
With the various big companies worldwide expanding their productivity through factory establishment or incorporation, the competition within the industry is afraid to become fiercer. In the future, the EMS market will advance into the era with slim margin, and along with the structural transformation of the technological industry, the EMS industry will demonstrate the trend of “the bigger the stronger”.

(3) Competitiveness, the advantages and disadvantages of development, and responsive strategies.
Since the scale of Domex Corp is not big, we are capable of providing flexibly towards the alterations of production process and product line to collaborate with the different demands from the clients, and these are the vital factors for the current competition and development for Domex Corp. However, the EMS market is an industry where the bigger the stronger, Domex Corp will use diversified strategies in the future to avoid direct competition with large OEM factories.

(II) Application and production process of major products

1. Application of major products

Main product	Product application
Nutritious Foods	High fiber grain-based foods and nutritious beverages for breakfast and health diets.
Cooking products Food product type	For cooking needs.
Other food types	For leisure foods.
EMS service (Subsidiary –Domex Corp.)	As the designated use of customers varies, most of them are medical and communications products.

2. Production Process of Major Products

Processing Flow Chart for Oat flake:

Raw material → cutting → pressing → cooling → sieving → packaging

Processing Flow Chart for Oat powder:

Raw material → foam slurry → gelatinization → drying → graining → sieving → packaging

Processing Flow Chart for Tonic Drinks:

raw material → extracting → filtering → mixing → bottling → packaging

Processing Flow Chart for Dairy Products:

Raw material → homogenization → pasteurization → refrigerating → bottling → packaging

Processing Flow Chart for Refined Oil:

Raw oil → refining, de-acidification → bleaching → deodorization → winterization → packaging

Processing Flow Chart for Three Treasure Oats:

Raw material → extrusion → drying → cooling → packaging

EMS service production process (Subsidiary –Domex Corp.):

Components → SMT → DIP → Assembly → Testing → Packaging

(III) Supply of major ingredients

Major ingredients	Sources
Oats	Imported from Australia
Sunflower Seed Oil Crude Oil	Imported from Ukraine and Argentina
Oleic Canola oil Crude Oil	Imported from Australia
Flour	Imported from Australia and domestic suppliers
Cane sugar	Taiwan Sugar Corporation
Raw milk	Domestic milk farmers
Milk powder	Suppliers in New Zealand, Australia, Europe, and Taiwan
Electronic Parts Subsidiary –Domex Corp.	Supplied by domestic dealers for international companies, as well as domestic manufacturers.

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

1. Major Customers in the past two fiscal years

Unit: NT$ Thousand

	2015				2016				As of March 31, 2017 (Note 2)			
Item	Name	Amount	Percentage of total net sale amount (%)	Relationship with the issuer	Name	Amount	Percentage of total net sale amount (%)	Relationship with the issuer	Name	Amount	Percentage of total net sale amount up to the last quarter (%)	Relationship with the issuer
1	A Company (Note 2)	3,856,592	15.1		A Company (Note 2)	4,036,721	14.9		A company	1,006,906	15.5	
	Others	21,657,994	84.9		Others	23,036,843	85.1		Others	5,485,014	84.5	
	Net sale amount	25,514,586	100.0		Net sale amount	27,073,564	100.0		Net sale amount	6,491,920	100.0	

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

Note 2: As of the date before the printing of this report. Listed companies or companies traded in brokerage shall disclose if there is any financial data for the most recent period audited and attested or reviewed by a CPA.

Note 3: No substantial change occurred in the last two years.

2. Major Suppliers in the past two fiscal years

Unit: NT$ Thousand

	2015				2016				As of March 31, 2017			
Item	Name	Amount	Percentage of net purchase amount (%)	Relationship with the issuer	Name	Amount	Percentage of net purchase amount (%)	Relationship with the issuer	Name	Amount	Net purchase amount up to the last quarter (%)	Relationship with the issuer
	Others	16,465,282	100.0		Others	19, 165,286	100.0		Others	4,190,349	100.0	
	Net purchase amount	16,465,282	100.0		Net purchase amount	19, 165,286	100.0		Net purchase amount	4,190,349	100.0	

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

Note 2: Note 2: As of the date before the printing of this report. Listed companies or companies traded in brokerage shall disclose if there is any financial data for the most recent period audited and attested or reviewed by a CPA.

Note 3: Our company has no suppliers with a stock amount of above 10% during the recent two years; therefore there is no need to disclose.

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

Unit: 1 tons / NTD Thousand

Fiscal year / QTY & Value	2015			2016		
Major Products	Capacity	Production Quantity	Production Value	Capacity	Production Quantity	Production Value
Nutritious Foods	104,976	83,223.01	6,291,355	107,204	86,370.51	6,324,996
Cooking products Food product type	296,400	240,799.45	9,711,193	502,600	272,827.80	10,312,204
Others	(Note 1)	12,925.06	276,954	(Note 1)	10,529.47	264,149
	(Note 2)	642,678 (Note 3)	729,753	(Note 2)	1,042,006 (Note 3)	1,386,560
Total	401,376	336,947.52	17,009,255	609,804	369,727.78	18,287,909
		642,678 (Note 3)			1,042,006 (Note 3)	

Note 1: Nutritious Foods production line was used for production.
Note 2: Diversified products are produced by a single production line.
Note 3: Pieces as the unit

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

Unit: 1 tons / NTD Thousand

Fiscal year / Sales Quantities and Value	2015				2016			
Major Products	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Nutritious Foods	86,098.20	10,126,386	1,179.40	95,208	47,801.50	10,313,015	1,548.10	151,800
Cooking products Food product type	24,032.20	1,870,240	207,833.10	11,643,014	23,641.80	1,861,219	237,807.30	12,430,945
Others	12,604.20	983,532	0.00	796,206	677.80	1,611,390	0.00	705,196
	0.00 (Note 1)		487,493.00 (Note 1)		0.00 (Note 1)		503,068.00 (Note 1)	
	207,747.00 (Note 2)		290,596.00 (Note 2)		499,821.00 (Note 2)		293,960.00 (Note 2)	
Total	122,735.10	12,980,158	209,012.50	12,534,428	72,121.10	13,785,624	239,355.40	13,287,940
	0.00 (Note 1)		487,493.00 (Note 1)		0.00 (Note 1)		503,068.00 (Note 1)	
	207,74700 (Note 2)		290,596.00 (Note 2)		499,821.00 (Note 2)		293,960.00 (Note 2)	

Note 1: Unit=bottle
Note 2: Unit=piece

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

Fiscal year		2015	2016	As of May 19, 2017
Number of Employees	Management & Staff	2,498	2,401	2,415
	Technicians & Laborers	636	879	946
	Total	3,134	3,280	3,361
Average Age		33.76	35.37	35.26
Average Years of Service		5.18	5.69	5.68
Education distribution	Ph. D.	6	9	12
	Masters	158	169	186
	College/ University	1,602	1,673	1,731
	Senior High School	955	1,072	1,050
	Junior	413	357	382

Note: Contracted personnel and foreign laborers are included.

IV. Expenditure on environmental protection

Standard Food has spared no effort to support the government's environmental policy. In addition to environmental management inspections and environmental protection equipment, we have a responsible team designated for the operation, repair and maintenance, and improvement of pollution fighting equipment

(I) Total losses of environmental pollution (including indemnification) and punitive fines amount incurred for Standard Food in 2016 and up to the printing of the annual report: None.

(II) Response strategy and potential expenses

1. Planned improvement actions
   (1) Improvement plan: Storm water and wastewater separation project.
   (2) Estimated environmental protection expenses in the next three years

Year	2017	2018	2019
Pollution fighting equipment or expenditure planned	Environmental protection equipment operating expense and garbage clean up expense	Environmental protection equipment operating expense and garbage clean up expense	Environmental protection equipment operating expense and garbage clean up expense
Corrective action planned	Maintain environmental protection equipment and clean up garbage	Maintain environmental protection equipment and clean up garbage	Maintain environmental protection equipment and clean up garbage
Amount	NT$11,500 thousand	NT$14,500 thousand	NT$14,500 thousand

   (3) Impact afterwards

Year	2017	2018	2019
Impact on net income	Minor	Minor	Minor
Impact on competitiveness	None	None	None

V. Employee / Employer Relations

(I) Major coordination and implementation of current labor issues

1. Employee's welfare package

Employees' welfare is arranged as follows:

(1) Labor insurance and health insurance are arranged for employees as required by law. The Company will have the employees informed automatically upon the occurrence of insurance settlements and will assist them in applying for the said settlement for their protection.

(2) The Company has group insurance for employees as a whole (including their spouses and children) including life insurance, accident insurance, medical insurance, and cancer-prevention insurance with the premium paid by the Company in full.

(3) Annual bonus and performance prize money from retained earnings are

distributed to employees.
(4) Physical check-ups for employees are arranged periodically.
(5) Gifts are distributed to employees on Moon Festival, Dragon Boat Festival, Chinese New Year, and Labor Day.

The Employee Welfare Committee will handle the employees’ welfare as follows:
(1) Gifts are distributed to employees on Moon Festival, Dragon Boat Festival, and Chinese New Year.
(2) Birthday gift money
(3) The Committee offers wedding, birth, consolation and condolence, and disability subsidies to employees.
(4) Company tour compensation.
(5) Group activity compensation.
(6) Festival celebration activities.

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

2. Retirement plan

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

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

3. Education and training

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

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

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

We provide general new employee training, freshman guidance and factory tours for new colleagues, as well as professional advanced training courses related to the posts to assist new colleagues in blending into the Company and understanding the Company within the shortest period of time, and are capable of performing their skills to work.

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

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

Moreover, various training courses are arranged according to the Company's development, so as to enhance work efficiency and develop employee's abilities; there are also opportunities to be transferred to related enterprises and overseas studying to expand the employee's international perspectives, thereby strengthening team work between different companies.

The education and training expenses of the Company in 2016 amounted to NT$16,668 thousand.

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

To protect the working environment of the factory and office and the safety of employees, the Company has all kinds of standard operating manuals and protective measures regulated in accordance with the Labor Safety and Health Act and the Labor Safety and Health Facilities Rules.

(1) Establishment of Labor Health & Safety Committee: Meetings are held annually to discuss labor health and safety and firefighting plans.
(2) Stipulation of occupational hazards prevention plan: Protect labor safety and prevent occupation hazards from occurring.
(3) Stipulation of health and safety inspection plan: Inspect machine and equipment safety automatically to prevent accidents from occurring.
(4) Stipulation of health and safety code: It is stipulated by the Labor Health & Safety Committee and the labor representative to ensure its enforcement by employees.
(5) Employee's health check-up: It includes the physical check-up and health management arranged for the contracted laborers, new recruits, and employees.
(6) Labor health and safety education and training: Labor health & safety education

and disaster prevention training are arranged periodically.

(7) Special training: Machine and equipment operators must be trained by the independent training institutions that are contracted by the government and must receive a certificate of qualification.

(8) Transportation of female workers for graveyard shifts: The Company will have transportation arranged for female workers who get off duty after 22:00 at night.

(9) Employee's dormitory: The Company has a dormitory arranged for male workers and female workers who live too far away or who work the graveyard shift.

(10) Appointment of labor health & safety personnel: The Company has labor health & safety personnel and Class A labor health & safety managers designated in accordance with laws.

(11) Designation of medical personnel: Medical personnel are arranged in the factory to care for the employees in accordance with laws.

(12) Occupational disaster investigation: Analyze the status and causes of occupational disasters and have preventive action stipulated and report the incidents to labor inspection units for the record.

(13) Subcontractor management: A review committee is organized by subcontractors and the Company to study work safety and prevent occupational disasters from occurring.

(14) Operational environment test: Inspect the noise level in the working area annually to protect worker's hearing.

(15) Substantiate control processes: Substantiate fire control processes, restrictive space processes, and firefighting system suspension process according to the standard operation procedure.

(16) Labor health & safety audit: Firefighting directors of each unit and department head are to tour the factory daily to prevent accidents from occurring and to protect the safety of life and property.

5. Employee's codes

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

(1) Employees are obligated to perform tasks responsibly and diligently, follow the reasonable instructions and supervision of the management in all levels and may not take their job responsibilities lightly or dodge and disobey work assignments. The management is obligated to guide employers in a friendly manner.

(2) Employees are expected to work hard, take care of public property, reduce losses, improve product quality, increase productivity, and to keep business and job responsibilities in confidence to the outsiders.

(3) Employees are to report for work to their direct supervisors according to the chain of command, except in an emergency.

(4) Employees without the consent of the Company may not bring in any friend or family to work for the Company.

(5) Employees may not take advantage of the position held within the Company to benefit themselves or any third party.

(6) With the written consent from the Company, employees may not work for another company that operates similar business, which would cause a breach of the employment contract.

(7) Employees may not demand entertainment or accept gifts, kickback or any illegal

gains by performing or not performing job duties.

(8) Employees may not bring ammunition, knives or guns, dangerous objects (anything that are irrelevant to their job performance, which may cause physical harm to anyone and lead to work accident, or any chemicals and flammables that are not for work purpose), illegal items by law, or any non-work associated items to the work venue.

(9) Employees may not, at will, take the property of the Company off the premises or the factory, lease the property of the Company to any outside party without authorization.

(10) The employment contract is negotiated and stipulated by both the employer and the employee by free will. The following guidelines shall be followed when the employer deem there's necessity to make adjustment:

i. For the needs of the Company's operation and not for undue motive or purpose, unless stipulated in law otherwise.

ii. No adverse changes to the employee's salary or working condition.

iii. Employee is still eligible to perform the new assignment, in both physical and skill-set terms.

iv. Employer shall give necessary assistance when the employee is relocated in a remote location.

v. Taking the welfare of employee and his/her family life for consideration.

6. Employer-employee relations

Our company elects labor representatives according to the Regulations for Implementing Labor-Management Meetings stipulated by the Council of Labor Affairs; the attendance from the management representative is nominated by the Company. The term of office for labor-management meeting representatives is three years per each term; the labor representative may renew the term of office via election, and the management representative may renew the term of office via designation. The labor-management meeting is composed of representatives from both the labor and the management parties; a labor-management meeting is called for every three months to coordinate the labor-management relationship, to stimulate labor-management collaboration, as well as to prevent all kinds of labor issues. The labor welfare affairs, labor safety and hygiene, enhancement of production efficiency and annual schedule are discussed and negotiated by the labor and the management parties during the meeting, which will then be implemented after reaching agreement to benefit both the labor and the management parties.

(II) Losses resulting from labor disputes in the most recent years and up to the printing of the annual report:

Company	Occurrence Date	Dispute	Losses	Corrective Measure
Standard Foods Investment (China) Ltd.	2016.06	Paid leave during employment suspension period due to work injury, sick leave and one-off unemployment subsidy	Pending case	Employee training and on-job performance review will be enforced in the future
	2016.09	Over-time pay and social security premium payment	Pending case	Employee training and on-job performance review will be enforced in the future
	2016.11	Paid leave during employment suspension period due to work injury and one-off unemployment subsidy	Pending case	Employee training and on-job performance review will be enforced in the future

VI.Important commitments

As of May 19, 2017

Nature of Agreement	Client	Agreement period	Content	Restrictive Clauses
Technological cooperation	Quaker Co.	1994.07-2029.07.11 (Note 1)	Quaker oatmeal and baby oatmeal powder in Taiwan	(Note 2)
Exclusive distributor	Fonterra Brands (Far East) Limited	2008.04.28-2018.04.27 (Note 3)	Exclusive sales agent in Taiwan for Fonterra brand products	(Note 3)
Supply & sales agreement	MND PX Ministry	2016.10.23-2017.10.22 (Note 4)	Welfare for military personnel and their spouses	NONE
Long-term loan	Mega International Commercial Bank	2016.3.11-2018.3.11 (Note 5)	Credit loan quota NT$300 million	NONE

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

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

Note 3: Renewal will be determined three (3) months before the expiry. A contract will in principle extend for three years each time based on the terms and conditions in the original contract.

Note 4: The Agreement shall be renewed every year.

Note 5: The contract is a long-term contract, which will be regularly reviewed and extended yearly for two years.

Six. Financial Information

I. Condensed Balance Sheet, Income Statements, CPAs and Their Opinions over the Last Five Years

(1) Condensed Balance Sheet and Comprehensive Income Statement- International Financial Reporting Standards

Condensed Balance Sheet – IFRS -Consolidated

Unit: NT$ Thousands

Item \ Fiscal year		Financial Information over the last five years (Note 1)					As of March 31, 2017 Financial Information (Note 2)
		2012	2013	2014	2015	2016	
Current Assets		10,726,585	11,644,056	13,501,577	15,391,892	15,127,876	14,965,172
Property, Plant and Equipment		2,182,934	3,085,188	3,691,574	3,783,949	4,684,441	4,887,625
Intangible Assets		18,164	5,288	7,504	166,422	144,702	140,035
Other Assets		903,055	1,167,892	940,694	1,187,011	1,862,067	1,785,514
Total Assets		13,830,738	15,902,424	18,141,349	20,529,274	21,819,086	21,778,346
Current Liabilities	Before appropriation	3,666,820	4,771,995	5,659,720	6,441,771	6,865,895	6,577,030
	After appropriation	4,816,614	5,829,806	6,812,734	7,710,086	(Note 3)	(Note 3)
Noncurrent Liabilities		196,847	286,185	378,442	584,030	535,430	531,927
Total Liabilities	Before appropriation	3,863,667	5,058,180	6,038,162	7,025,801	7,401,325	7,108,957
	After appropriation	5,013,461	6,115,991	7,191,176	8,294,116	(Note 3)	(Note 3)
Equity attributable to owners of the parent		9,828,250	10,705,823	11,955,482	13,306,157	14,217,975	14,467,344
Capital Stock		5,748,973	6,611,319	7,206,338	7,926,972	8,798,939	8,798,939
Capital Surplus		35,240	43,620	51,331	63,153	72,397	72,397
Retained Earnings	Before appropriation	4,008,642	3,832,119	4,232,457	5,022,383	5,449,618	6,039,754
	After appropriation	1,996,502	2,179,289	2,358,809	2,882,101	(Note 3)	(Note 3)
Other equity		56,577	239,947	486,538	314,831	(81,797)	(422,564)
Treasury Stock		(21,182)	(21,182)	(21,182)	(21,182)	(21,182)	(21,182)
Non-controlling interest		138,821	138,421	147,705	197,316	199,786	202,045
Total equity	Before appropriation	9,967,071	10,844,244	12,103,187	13,503,473	14,417,761	14,669,389
	After appropriation	8,817,277	9,786,433	10,950,173	12,235,158	(Note 3)	(Note 3)

Note 1: The Company has adopted international financial reporting standards since the year of 2013, together with the 2012 financial information enclosed.

Note 2: Reviewed by CPA.

Note 3: Subject to the approval of annual shareholders' meeting.

Condensed Comprehensive Income Statement - IFRS - Consolidated

Unit: NT$ Thousands, except EPS is in NT$

Item \ Fiscal year	Financial information over the last five years (Note 1)					As of March 31, 2017 Financial Information (Note. 2)
	2012	2013	2014	2015	2016	
Sales revenue	17,853,762	20,379,206	21,800,013	25,514,586	27,073,564	6,491,920
Gross Profit	5,440,171	5,655,886	6,222,406	8,040,850	8,005,049	1,871,393
Operating Income	2,406,198	1,997,306	2,457,158	3,287,048	3,011,552	785,004
Non-operating Income/expense	336,831	250,971	112,867	111,503	268,253	(52,904)
Earnings before tax	2,743,029	2,248,277	2,570,025	3,398,551	3,279,805	732,100
Net income from continuing operations	2,246,294	1,862,855	2,090,360	2,752,467	2,637,756	593,589
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	2,246,294	1,862,855	2,090,360	2,752,467	2,637,756	593,589
Other comprehensive income (net after tax)	(112,182)	159,561	223,874	(191,612)	(438,072)	(341,961)
Current comprehensive income/loss	2,134,112	2,022,416	2,314,234	2,560,855	2,199,684	251,628
Net earnings attributable to owners of the parent	2,241,130	1,859,582	2,075,851	2,730,613	2,606,544	590,136
Net earnings attributable to non-controlling interest	5,164	3,273	14,509	21,854	31,212	3,453
Comprehensive income/loss attributable to owners of the parent	2,129,157	2,018,987	2,299,759	2,538,837	2,170,889	249,369
Comprehensive income/loss attributable to non-controlling interest	4,955	3,429	14,475	22,018	28,795	2,259
Earnings per share (Note 3)	2.57	2.13	2.38	3.13	2.98	0.68

Note 1: The Company has adopted international financial reporting standards since the year of 2013, together with the 2012 financial information enclosed.

Note 2: Reviewed by CPA.

Note 3: It is calculated in accordance with the weighted average shares after the retrospective adjustment proportionally to the capitalized earnings.

Condensed Balance Sheet – IFRS -Individual

Unit: NT$ Thousand

Item \ Fiscal year		Summarized Balance Sheets of Fiscal Years 2012~2016 (Note 1)				
		2012	2013	2014	2015	2016
Current Assets		5,367,927	5,226,568	5,515,351	6,343,538	5,048,559
Property, Plant and Equipment		1,051,711	1,116,909	1,291,293	1,324,881	1,363,441
Intangible Assets		17,606	4,031	6,490	6,438	3,558
Other Assets		5,452,482	6,467,359	7,498,763	8,596,705	10,097,381
Total Assets		11,889,726	12,814,867	14,311,897	16,271,562	16,512,939
Current Liabilities	Before appropriation	1,899,358	1,882,702	2,053,387	2,599,476	1,914,283
	After appropriation	3,049,152	2,940,513	3,206,401	3,867,791	(Note 2)
Noncurrent Liabilities		162,118	226,342	303,028	365,929	380,681
Total Liabilities	Before appropriation	2,061,476	2,109,044	2,356,415	2,965,405	2,294,964
	After appropriation	3,211,270	3,166,855	3,509,429	4,233,720	(Note 2)
Capital Stock		5,748,973	6,611,319	7,206,338	7,926,972	8,798,939
Capital Surplus		35,240	43,620	51,331	63,153	72,397
Retained Earnings	Before appropriation	4,008,642	3,832,119	4,232,457	5,022,383	5,449,618
	After appropriation	1,996,502	2,179,289	2,358,809	2,882,101	(Note 2)
Other equity		56,577	239,947	486,538	314,831	(81,797)
Treasury Stock		(21,182)	(21,182)	(21,182)	(21,182)	(21,182)
Total equity	Before appropriation	9,828,250	10,705,823	11,955,482	13,306,157	14,217,975
	After appropriation	8,678,456	9,648,012	10,802,468	12,037,842	(Note 2)

Note 1: The Company has adopted international financial reporting standards since the year of 2013, together with the 2012 financial information enclosed.

Note 2: Subject to the approval of annual shareholders' meeting.

Condensed Comprehensive Income Statement - IFRS - Individual

Unit: NT$ Thousands, except EPS is in NT$

Fiscal year / Item	Financial information over the last five years (Note 1)				
	2012	2013	2014	2015	2016
Sales revenue	11,011,135	11,153,037	11,488,057	11,746,796	11,655,791
Gross Profit	3,730,380	3,616,106	3,547,802	3,895,187	3,835,072
Operating Income	2,212,572	2,020,722	2,024,934	2,283,059	2,191,994
Non-operating Income/expense	492,099	186,666	427,912	934,105	883,742
Earnings before tax	2,704,671	2,207,388	2,452,846	3,217,164	3,075,736
Net income from continuing operations	2,241,130	1,859,582	2,075,851	2,730,613	2,606,544
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	2,241,130	1,859,582	2,075,851	2,730,613	2,606,544
Other comprehensive income (net after tax)	(111,973)	159,405	223,908	(191,776)	(435,655)
Total current comprehensive income/loss	2,219,157	2,018,987	2,299,759	2,538,837	2,170,889
Earnings per share (Note 2)	2.57	2.13	2.38	3.13	2.98

Note 1: The Company has adopted international financial reporting standards since the year of 2013, together with the 2012 financial information enclosed.

Note 2: It is calculated in accordance with the weighted average shares after the retrospective adjustment proportionally to the capitalized earnings.

(2) **Condensed balance sheet and income statement - Financial Accounting Standards of the R.O.C.**

Condensed Balance Sheet – R.O.C. GAAP-Consolidated

Unit: NT$ Thousands

Item \ Fiscal year		Financial Information over the last five years				
		2012	2013	2014	2015	2016
Current Assets		10,728,265	-	-	-	-
Funds & investments		234,744	-	-	-	-
Properties		2,233,417	-	-	-	-
Intangible Assets		128,878	-	-	-	-
Other Assets		455,963	-	-	-	-
Total Assets		13,781,267	-	-	-	-
Current Liabilities	Before appropriation	3,646,985	-	-	-	-
	After appropriation	4,796,779	-	-	-	-
Long Term Liabilities		1,455	-	-	-	-
Other liabilities		74,675	-	-	-	-
Total Liabilities	Before appropriation	3,723,115	-	-	-	-
	After appropriation	4,872,909	-	-	-	-
Capital Stock		5,748,973	-	-	-	-
Capital Surplus		48,814	-	-	-	-
Retained Earnings	Before appropriation	4,062,113	-	-	-	-
	After appropriation	2,049,973	-	-	-	-
Unrealized gain or loss on financial instrument		21,665	-	-	-	-
Cumulative Translation Adjustments		34,912	-	-	-	-
Net Loss not Recognized as Pension Cost		(128)	-	-	-	-
Unrealized Revaluation Increment		23,134	-	-	-	-
Treasury Stock		(21,182)	-	-	-	-
Total equity attributable to stockholder of the parent	Before appropriation	9,918,301	-	-	-	-
	After appropriation	8,768,507	-	-	-	-
Minority interest in subsidies		139,851	-	-	-	-
Total Shareholders' Equity	Before appropriation	10,058,152	-	-	-	-
	After appropriation	8,908,358	-	-	-	-

Condensed Income Statement – R.O.C. GAAP-Consolidated

Unit: NT$ Thousands, except EPS is in NT$

Fiscal year / Item	Summarized Balance Sheets of Fiscal Years 2012~2016				
	2012	2013	2014	2015	2016
Sales revenue	20,056,118	-	-	-	-
Gross Profit	7,637,129	-	-	-	-
Operating Income	2,399,713	-	-	-	-
Non-operating Income	395,431	-	-	-	-
Non-operating Expenses and losses	55,803	-	-	-	-
Income from Continuing Operations before Tax	2,739,341	-	-	-	-
Income from Continuing Operations	2,243,217	-	-	-	-
Income from Discontinued Operations	-	-	-	-	-
Extraordinary Gain and Loss	-	-	-	-	-
Cumulative Effect of Change in Accounting Principle	-	-	-	-	-
Net Income	2,243,217	-	-	-	-
Earnings per share (Note 1)	2.57	-	-	-	-

Note 1: It is calculated in accordance with the weighted average shares after the retrospective adjustment proportionally to the capitalized earnings.

Condensed balance sheet – R.O.C. GAAP - Individual

Unit: NT$ Thousands

Item \ Fiscal year		Financial Information over the last five years				
		2012	2013	2014	2015	2016
Current Assets		5,375,229	-	-	-	-
Funds & investments		5,022,831	-	-	-	-
Properties		1,093,285	-	-	-	-
Intangible Assets		17,606	-	-	-	-
Other Assets		355,719	-	-	-	-
Total Assets		11,864,670	-	-	-	-
Current Liabilities	Before appropriation	1,888,553	-	-	-	-
	After appropriation	3,038,347	-	-	-	-
Long Term Liabilities		1,455	-	-	-	-
Other liabilities		56,361	-	-	-	-
Total Liabilities	Before appropriation	1,946,369	-	-	-	-
	After appropriation	3,096,163	-	-	-	-
Capital Stock		5,748,973	-	-	-	-
Capital Surplus		48,814	-	-	-	-
Retained Earnings	Before appropriation	4,062,113	-	-	-	-
	After appropriation	2,049,973	-	-	-	-
Unrealized gain or loss on financial instrument		21,665	-	-	-	-
Cumulative Translation Adjustments		34,912	-	-	-	-
Net Loss not Recognized as Pension Cost		(128)	-	-	-	-
Total Shareholders' Equity	Before appropriation	9,918,301	-	-	-	-
	After appropriation	8,768,507	-	-	-	-

Condensed income statement – R.O.C. GAAP - Individual

Unit: NT$ Thousands, except EPS is in NT$

Item \ Fiscal year	Financial Information over the last five years				
	2012	2013	2014	2015	2016
Sales revenue	12,162,799	-	-	-	-
Gross Profit	4,880,148	-	-	-	-
Operating Income	2,209,876	-	-	-	-
Non-operating Income	523,703	-	-	-	-
Non-operating Expenses and losses	32,424	-	-	-	-
Income from Continuing Operations before Tax	2,701,145	-	-	-	-
Income from Continuing Operations	2,238,062	-	-	-	-
Income from Discontinued Operations	-	-	-	-	-
Extraordinary Gain and Loss	-	-	-	-	-
Cumulative Effect of Change in Accounting Principle	-	-	-	-	-
Net Income	2,238,062	-	-	-	-
Earnings per share (Note 1)	2.57	-	-	-	-

Note 1: It is calculated in accordance with the weighted average shares after the retrospective adjustment proportionally to the capitalized earnings.

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

Fiscal year	CPA Firm	CPA's name	Auditing opinion
2016	Deloitte Touch Tohmatsu CPA Firm	Ting-Chen Hsu, Tse-Li Kung	Unqualified
2015	Deloitte Touch Tohmatsu CPA Firm	Ting-Chen Hsu, Hung-Hsiang Tsai	Unqualified
2014	Deloitte Touch Tohmatsu CPA Firm	Ting-Chen Hsu, Hung-Hsiang Tsai	Unqualified
2013	Deloitte Touch Tohmatsu CPA Firm	Ting-Chen Hsu, Hung-Hsiang Tsai	Unqualified
2012	Deloitte Touch Tohmatsu CPA Firm	Ting-Chen Hsu, Hung-Hsiang Tsai	Unqualified

II. Financial analysis in the past five years

(1) Financial Analysis - IFRS (consolidated)

Item (Note 1) / Fiscal year		Financial analysis over the last five years					As of March 31, 2017 (Note)
		2012	2013	2014	2015	2016	
Financial structure (%)	Ratio of liabilities to assets(%)	27.93	31.80	33.28	34.22	33.92	32.64
	Long-term capital to property, plant, and facility(%)	465.60	360.76	338.11	372.30	319.21	311.02
Solvency (%)	Current ratio(%)	292.53	244.00	238.55	238.94	220.33	227.54
	Quick ratio(%)	183.23	145.61	142.08	144.83	127.07	134.30
	(Times) interest earned ratio	391.85	128.38	108.12	147.77	62.24	35.52
Operating ability	Accounts receivable turnover (times)	5.29	5.70	5.37	5.83	5.57	5.39
	Days sales in accounts receivable	68.99	64.03	67.97	62.61	65.53	67.76
	Inventory turnover (times)	4.25	4.64	4.24	4.67	4.80	4.26
	Accounts payable turnover (times)	10.91	12.21	13.80	13.70	9.40	9.94
	Average days in sales	85.68	78.66	86.08	78.16	76.04	85.68
	Property, plant and facility turnover (times)	8.42	7.73	6.43	6.83	6.39	5.43
	Total assets turnover (times)	1.35	1.37	1.28	1.32	1.28	1.19
Profitability	Ratio of return on total assets (%)	17.08	12.62	12.39	14.33	12.67	11.22
	Ratio of return on total equities (%)	23.74	17.90	18.21	21.50	18.89	16.33
	Ratio of net income before tax to paid-in capital (%) (Note 7)	47.71	34.00	35.66	42.87	37.28	33.28
	Profit ratio (%)	12.58	9.14	9.58	10.79	9.74	9.14
	Earnings per share ($)	2.57	2.13	2.38	3.13	2.98	0.68
Cash flow	Cash flow ratio (%)	46.31	32.87	37.31	41.49	32.99	9.62
	Cash flow adequacy ratio (%)	159.77	116.39	117.18	110.34	105.11	201.72
	Cash reinvestment ratio (%)	4.59	3.08	6.89	8.89	5.41	7.21
Balance	Degree of operating leverage	1.48	2.06	1.42	1.37	1.45	1.36
	Degree of financial leverage	1.00	1.00	1.01	1.01	1.02	1.03

Root causes for the financial ratio change in the last two years:

1. Interest earned ratio declined in 2016 mainly due to increased interest expense on bank loans.
2. Accounts payable turnover decreased in 2016 mainly due to increased account payable of the subsidiary in China.
3. Cash flow ratio decreased in 2016 mainly due to lower operating net cash flow caused by increased inventory and account receivables.
4. Cash reinvestment ratio declined in 2016 mainly due to increased gross fixed assets leading to lower operating net cash flow.

Note: Reviewed by CPAs.

Financial Analysis - IFRS (Individual)

Item (Note 1) \ Fiscal year		Financial analysis over the last five years				
		2012	2013	2014	2015	2016
Financial structure (%)	Ratio of liabilities to assets(%)	17.33	16.46	16.46	18.22	13.90
	Long-term capital to property, plant, and facility%	949.91	978.78	949.32	1,031.95	1,070.72
Solvency (%)	Current ratio(%)	282.61	277.61	268.60	244.03	263.73
	Quick ratio(%)	182.22	161.81	147.27	151.70	146.95
	(Times) interest earned ratio	18,275.80	2,377.09	14,345.13	12,005.34	1,382.64
Operating ability	Accounts receivable turnover (times)	5.61	5.96	6.25	6.29	5.99
	Days sales in accounts receivable	64.94	61.13	58.40	58.03	60.93
	Inventory turnover (times)	4.29	4.24	4.08	3.87	4.02
	Accounts payable turnover (times)	8.55	8.68	8.64	8.61	9.01
	Average days in sales	85.08	85.88	89.46	94.32	90.80
	Property, plant and facility turnover (times)	10.99	10.28	9.54	8.98	8.67
	Total assets turnover (times)	0.96	0.90	0.85	0.77	0.71
Profitability	Ratio of return on total assets (%)	19.65	15.06	15.31	17.86	15.91
	Ratio of return on total equities (%)	24.05	18.11	18.32	21.62	18.94
	Ratio of net income before tax to paid-in capital (%) (Note 5)	47.04	33.38	34.04	40.59	34.96
	Profit ratio (%)	20.35	16.67	18.07	23.25	22.36
	Earnings per share ($)	2.57	2.13	2.38	3.13	2.98
Cash flow	Cash flow ratio (%)	99.64	96.44	83.91	81.02	106.59
	Cash flow adequacy ratio (%)	198.67	177.45	156.21	145.70	147.59
	Cash reinvestment ratio (%)	6.86	5.36	4.81	6.18	4.74
Balance	Degree of operating leverage	1.30	1.36	1.32	1.37	1.40
	Degree of financial leverage	1.00	1.00	1.00	1.00	1.00

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

1. Liabilities to assets ratio decreased in 2016 mainly due to repayment of loan so as to lower loan balance.
2. Interest earned ratio decreased in 2016 mainly due to increased interest expense on bank loans.
3. Cash flow ratio increased in 2016 mainly due to repayment of loan reducing the current liabilities
4. Cash reinvestment ratio decreased in 2016 mainly due to increased investment in the subsidiaries in China causing increased long-term investment.

Note 1: The following equations shall be listed at the bottom of this chart.

1. Financial structure
   (1) Ratio of debt to assets = Total debt/Total assets.
   (2) Long-term capital to fixed assets ratio＝(total equity＋non-current debt)/total net fixed assets
2. Solvency
   (1) Current ratio = Current assets / Current liability
   (2) Quick ratio = (Current assets – Inventory – Prepaid expense) / Current liabilities
   (3) Times interest earned ratio = Net income before tax and interest expense / Interest expense of the year
3. Operating ability
   (1) Accounts receivable turnover (including accounts receivable and notes receivable derived from business operation) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation).
   (2) Average collection days = 365 / Account receivable turnover
   (3) Inventory turnover = Cost of goods sold / Average inventory amount
   (4) Accounts payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation).
   (5) Average inventory turnover days = 365 / Inventory turnover
   (6) Fixed assets turnover＝Net sales / Average net fixed assets
   (7) Total assets turnover = Net sales / Total assets
4. Profitability
   (1) Return on assets = [Net income (loss) + interest expense x (1-tax rate)] / Average total assets
   (2) Return on shareholder's equity = Net income (loss) / Net average shareholders' equity
   (3) Profit ratio = Net income (loss) / Net sales
   (4) EPS = (Net earnings attributable to owners of the parent - preferred dividend) / Weighted-average shares issued. (Note 2)
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activity / Current liability
   (2) Cash flow adequacy ratio = Net cash flow from operating activities in the past five years / (Capital expenditure + Inventory increase + Cash dividend) in the past five years
   (3) Cash reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long-term investment + other assets + Working capital). (Note 3)
6. Leverage:
   (1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income (Note 4).
   (2) Degree of financial leverage = Operating income / (Operating income – interest expense).

Note 2: When analyzing EPS equation above, please note the followings

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

Note 3: When analyzing the cash flows, please note the following matters:

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

Note 4: The issuer shall divide each operation cost and expense into fixed and variable categories based on their natures, if it is done by estimation or subjective judgments, the bases shall be logical and consistent.

Note 5: If the Company's stock is without a par value or the par value is not NT$10, the calculation of paid-in capital ratio referred to above should be replaced with the equity ratio attributable to the shareholders of the parent company on the balance sheet.

(2) Financial Analysis –R.O.C. GAAP (Consolidated)

Item (Note 1)			Fiscal year: 2012	2013	2104	2015	2016
			Financial analysis over the last five years				
Financial structure (%)	Ratio of liabilities to assets(%)		27.01	-	-	-	-
	Ratio of long-term capital to fixed assets(%)		450.41	-	-	-	-
Solvency (%)	Current ratio(%)		294.16	-	-	-	-
	Quick ratio(%)		190.28	-	-	-	-
	(Times) interest earned ratio		391.33	-	-	-	-
Operating ability	Accounts receivable turnover (times)		5.99	-	-	-	-
	Days sales in accounts receivable		60.93	-	-	-	-
	Inventory turnover (times)		4.25	-	-	-	-
	Accounts payable turnover (times)		10.91	-	-	-	-
	Average days in sales		85.68	-	-	-	-
	Fixed assets turnover (times)		9.07	-	-	-	-
	Total assets turnover (times)		1.52	-	-	-	-
Profitability	Ratio of return on total assets (%)		17.13	-	-	-	-
	Return on shareholder's equity (%)		23.50	-	-	-	-
	Ratio to total paid-in capital (%)	Operating income	41.74	-	-	-	-
		Net income before tax	47.64	-	-	-	-
	Profit ratio (%)		11.18	-	-	-	-
	Earnings per share ($)		2.82	-	-	-	-
Cash flow	Cash flow ratio (%)		51.91	-	-	-	-
	Cash flow adequacy ratio (%)		162.42	-	-	-	-
	Cash reinvestment ratio (%)		5.96	-	-	-	-
Balance	Degree of operating leverage		2.63	-	-	-	-
	Degree of financial leverage		1.00	-	-	-	-

Financial Analysis –R.O.C. GAAP (Individual)

Item (Note 1)		Fiscal year	Financial analysis over the last five years				
			2012	2013	2014	2015	2016
Financial structure (%)	Ratio of liabilities to assets(%)		16.40	-	-	-	-
	Ratio of long-term capital to fixed assets(%)		907.33	-	-	-	-
Solvency (%)	Current ratio(%)		284.62	-	-	-	-
	Quick ratio(%)		193.21	-	-	-	-
	(Times) interest earned ratio		18,251.98	-	-	-	-
Operating ability	Accounts receivable turnover (times)		6.24	-	-	-	-
	Days sales in accounts receivable		58.49	-	-	-	-
	Inventory turnover (times)		4.29	-	-	-	-
	Accounts payable turnover (times)		8.55	-	-	-	-
	Average days in sales		85.08	-	-	-	-
	Fixed assets turnover (times)		11.19	-	-	-	-
	Total assets turnover (times)		1.07	-	-	-	-
Profitability	Ratio of return on total assets (%)		19.68	-	-	-	-
	Return on shareholder's equity (%)		23.81	-	-	-	-
	Ratio to total paid-in capital (%)	Operating income	38.44	-	-	-	-
		Net income before tax	46.98	-	-	-	-
	Profit ratio (%)		18.40	-	-	-	-
	Earnings per share ($)		2.82	-	-	-	-
Cash flow	Cash flow ratio (%)		121.27	-	-	-	-
	Cash flow adequacy ratio (%)		213.10	-	-	-	-
	Cash reinvestment ratio (%)		10.04	-	-	-	-
Balance	Degree of operating leverage		1.46	-	-	-	-
	Degree of financial leverage		1.00	-	-	-	-

Note1:The following equations shall be listed at the bottom of this chart.

1. Financial structure
   (1) Ratio of debt to assets = Total debt/Total assets.
   (2) Long-term capital to fixed assets ratio＝(total equity＋non-current debt) / total net fixed assets
2. Solvency
   (1) Current ratio = Current assets / Current liability
   (2) Quick ratio = (Current assets – Inventory – Prepaid expense) / Current liabilities
   (3) Times interest earned ratio = Net income before tax and interest expense / Interest expense of the year
3. Operating ability
   (1) Accounts receivable turnover (including accounts receivable and notes receivable derived from business operation) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation).
   (2) Average collection days = 365 / Account receivable turnover.
   (3) Inventory turnover = Cost of goods sold / Average inventory amount.
   (4) Accounts payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation).
   (5) Average inventory turnover days = 365 / Inventory turnover.
   (6) Fixed assets turnover＝Net sales / Average net fixed assets.
   (7) Total assets turnover = Net sales / Total assets.

4. Profitability
   (1) Return on assets = [Net income (loss) + interest expense x (1-tax rate)] / Average total assets.
   (2) Return on shareholder's equity = Net income (loss) / Net average shareholders' equity.
   (3) Profit ratio = Net income (loss) / Net sales.
   (4) EPS = (Net earnings attributable to owners of the parent - preferred dividend) / Weighted-average shares issued. (Note 2)
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activity / Current liability
   (2) Cash flow adequacy ratio = Net cash flow from operating activities in the past five years / (Capital expenditure + Inventory increase + Cash dividend) in the past five years
   (3) Cash reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long-term investment + other assets + Working capital). (Note 3)
6. Leverage:
   (1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income (Note 4).
   (2) Degree of financial leverage = Operating income / (Operating income – interest expense).

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

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

Note 4:The issuer shall divide each operation cost and expense into fixed and variable categories based on their natures, if it is done by estimation or subjective judgments, the bases shall be logical and consistent.

III. Audit Committee's Report in the Most Recent Year

Standard Foods Corporation
Audit Committee's Audit Report

The Board has submitted the Company's 2016 business report, consolidated and individual financial statements and earnings distribution proposal, where consolidated and individual financial statements have been audited by CPA Ting-Chen Hsu and CPA Tse-Li Kung of Deloitte Touch Tohmatsu through the appointment by the Board and an audit report has been issued accordingly.

The aforementioned business report, consolidated and individual financial statements and earnings distribution proposal have been audited by the undersigned and are considered in the conformity with applicable laws and regulations. Therefore, the Audit Committee's Audit Report is hereby issued in accordance with Article 14-4 of the Securities and Exchange Law and Article 219 of the Company Law.

Please kindly review and approve

To:

Standard Foods Corporation 2017 General Shareholders Meeting

Standard Foods Corporation

Audit Committee Convener: Ben Chang

March 27, 2017

IV. Financial Report of Standard Foods Corporation and Subsidiaries

Standard Foods Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 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, 2016 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

TER-FUNG TSAO
Chairman

March 24, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Standard Foods Corporation

Opinion

We have audited the accompanying consolidated financial statements of Standard Foods Corporation and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

Valuation of Inventory

The product of the Group includes mainly nutritional food, edible oil, dairy products, and beverage. To assess for the impairment of its inventory, the management had performed its assessment thereof by taking into consideration the market condition and the sales history. Refer to Notes 4, 5, and 12 to the consolidated financial statements for the assessment on the impairment loss of the inventory. Because the assessment of impairment loss of the inventory involves critical accounting estimates subject to the judgment of the management, the assessment of the impairment loss of inventory is deemed to be a key audit matter.

Our audit procedures in response to the abovementioned key audit matter were obtaining information pertaining to the lower of cost or net realizable value (LCNRV), sampling projected pricing information and the most recent sales record to assess the reasonableness of the judgment on the LCNRV, and collecting the documentations pertaining to obsolete inventory to assess the appropriateness of the methodology adopted for the calculation of the impairment loss of the inventory.

Other Matter

We have also audited the parent company only financial statements of Standard Foods Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ting-Chen Hsu and Tza-Li Gung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2017

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 2,167,550	10	$ 2,916,818	14
Available-for-sale financial assets - current (Note 8)	546,112	2	290,400	1
Debt investments with no active market - current (Note 10)	367,267	2	1,289,026	6
Notes receivable (Note 11)	123,720	1	35,362	-
Trade receivables (Note 11)	5,159,120	24	4,394,945	21
Other receivables (Note 11)	326,258	1	297,714	2
Current tax assets (Note 27)	34,299	-	87,787	1
Inventories (Note 12)	4,303,514	20	3,635,946	18
Prepayments (Note 13)	2,085,954	9	2,426,478	12
Other current assets (Notes 19 and 36)	14,082	-	17,416	-
Total current assets	15,127,876	69	15,391,892	75
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 8)	180,213	1	-	-
Financial assets measured at cost - non-current (Note 9)	95,676	-	112,929	1
Property, plant and equipment (Notes 15 and 36)	4,684,441	22	3,783,949	18
Investment properties (Notes 16 and 36)	253,920	1	256,785	1
Goodwill	25,082	-	26,100	-
Other intangible assets (Note 17)	119,620	1	140,322	1
Deferred tax assets (Note 27)	306,281	1	213,710	1
Net defined benefit assets(Note 24)	1,410	-	-	-
Long-term prepayments for lease (Note 18)	406,818	2	441,488	2
Other non-current assets (Note 19)	617,749	3	162,099	1
Total non-current assets	6,691,210	31	5,137,382	25
TOTAL	$ 21,819,086	100	$ 20,529,274	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 20)	$ 1,460,871	7	$ 1,845,627	9
Short-term bills payable (Note 20)	69,975	-	39,937	-
Notes payable (Note 21)	698,520	3	439,597	2
Trade payables (Note 21)	1,515,655	7	1,389,657	7
Trade payable to related parties (Note 35)	8,307	-	6,065	-
Other payables (Note 22)	2,339,764	11	2,018,005	10
Current tax liabilities (Note 27)	316,292	2	278,855	1
Provisions - current (Note 23)	21,420	-	27,201	-
Finance lease payables - current	543	-	126	-
Other current liabilities (Note 22)	434,548	2	396,701	2
Total current liabilities	6,865,895	32	6,441,771	31
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 27)	111,665	-	148,530	1
Finance lease payables - non-current	2,537	-	1,051	-
Net defined benefit liabilities (Note 24)	337,601	2	290,691	1
Other non-current liabilities (Note 22)	83,627	-	143,758	1
Total non-current liabilities	535,430	2	584,030	3
Total liabilities	7,401,325	34	7,025,801	34
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 25)				
Common stock	8,798,939	40	7,926,972	39
Capital surplus	72,397	-	63,153	-
Retained earnings				
Legal reserve	2,172,545	10	1,899,483	9
Unappropriated earnings	3,277,073	15	3,122,900	15
Total retained earnings	5,449,618	25	5,022,383	24
Other equity	(81,797)	-	314,831	2
Treasury share	(21,182)	-	(21,182)	-
Total equity attributable to owners of the Company	14,217,975	65	13,306,157	65
NON-CONTROLLING INTERESTS (Note 25)	199,786	1	197,316	1
Total equity	14,417,761	66	13,503,473	66
TOTAL	$ 21,819,086	100	$ 20,529,274	100

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES				
Sales	$ 27,073,564	100	$ 25,514,586	100
OPERATING COSTS (Notes 12, 26 and 35)				
Cost of goods sold	19,068,515	70	17,473,736	68
GROSS PROFIT	8,005,049	30	8,040,850	32
OPERATING EXPENSES (Note 26)				
Selling and marketing expenses	4,116,526	15	3,967,746	16
General and administrative expenses	739,247	3	683,644	3
Research and development expenses	137,724	1	102,412	-
Total operating expenses	4,993,497	19	4,753,802	19
OPERATING INCOME	3,011,552	11	3,287,048	13
NON-OPERATING INCOME AND EXPENSES (Note 26)				
Other income (Note 26)	109,660	-	101,685	-
Other gains and losses (Note 26)	212,147	1	32,973	-
Finance costs (Note 26)	(53,554)	-	(23,155)	-
Total non-operating income and expenses	268,253	1	111,503	-
PROFIT BEFORE INCOME TAX	3,279,805	12	3,398,551	13
INCOME TAX EXPENSE (Note 27)	642,049	2	646,084	2
NET PROFIT FOR THE YEAR	2,637,756	10	2,752,467	11
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 24)	(48,043)	-	(82,032)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 27)	8,209	-	14,396	-
Total items that will not be reclassified subsequently to profit or loss	(39,834)	-	(67,636)	-

(Continued)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	$ (668,267)	(3)	$ (137,477)	(1)
Unrealized gain (loss) on available-for-sale financial assets	156,698	1	(9,085)	-
Income tax relating to the items that may be reclassified subsequently to profit or loss (Note 27)	113,331	-	22,586	-
Total items that may be reclassified subsequently to profit or loss	(398,238)	(2)	(123,976)	(1)
Other comprehensive income (loss) for the year, net of income tax	(438,072)	(2)	(191,612)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,199,684	8	$ 2,560,855	10
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 2,606,544	10	$ 2,730,613	11
Non-controlling interests	31,212	-	21,854	-
	$ 2,637,756	10	$ 2,752,467	11
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 2,170,889	8	$ 2,538,837	10
Non-controlling interests	28,795	-	22,018	-
	$ 2,199,684	8	$ 2,560,855	10
EARNINGS PER SHARE (Note 28)				
Basic	$ 2.98		$ 3.13	
Diluted	$ 2.98		$ 3.12	

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company												
			Retained Earnings			Other Equity							
	Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other	Total	Treasury Stock	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2015	$ 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
Appropriation of 2015 earnings													
Legal reserve	-	-	273,062	(273,062)	-	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	(1,268,315)	(1,268,315)	-	-	-	-	-	(1,268,315)	-	(1,268,315)
Stock dividends to shareholders	871,967	-	-	(871,967)	(871,967)	-	-	-	-	-	-	-	-
Adjustment of capital surplus for the Company's cash dividends received by a subsidiary	-	9,244	-	-	-	-	-	-	-	-	9,244	-	9,244
Acquisition of interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(26,325)	(26,325)
Net profit for the year ended December 31, 2016	-	-	-	2,606,544	2,606,544	-	-	-	-	-	2,606,544	31,212	2,637,756
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	(39,027)	(39,027)	(553,326)	156,698	-	(396,628)	-	(435,655)	(2,417)	(438,072)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	2,567,517	2,567,517	(553,326)	156,698	-	(396,628)	-	2,170,889	28,795	2,199,684
BALANCE AT DECEMBER 31, 2016	$ 8,798,939	$ 72,397	$ 2,172,545	$ 3,277,073	$ 5,449,618	$ (185,556)	$ 150,729	$ (46,970)	$ (81,797)	$ (21,182)	$ 14,217,975	$ 199,786	$ 14,417,761

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,279,805	$ 3,398,551
Adjustments for:		
Depreciation expenses	367,106	353,838
Amortization expenses	60,740	49,259
Impairment loss recognized (reversal of impairment loss) on trade receivables	(3,454)	853
Net gain on fair value change of financial assets and financial liabilities at fair value through profit or loss	1,128	(21,601)
Finance costs	53,554	23,155
Interest income	(65,039)	(56,917)
Dividend income	(17,845)	(15,792)
Net loss on disposal of property, plant and equipment	1,105	7,717
Net gain on disposal of investments	(17,311)	(4,790)
Impairment loss recognized on financial assets measured at cost	4,681	5,764
Other non-cash item	117	-
Changes in operating assets and liabilities		
Financial assets held for trading	(1,128)	21,601
Notes receivable	(94,896)	5,743
Trade receivables	(963,338)	(133,325)
Other receivables	(41,259)	(134,019)
Inventories	(816,768)	239,389
Biological assets	-	51
Prepayments	161,716	(837,566)
Accrued pension assets	1,266	-
Other current assets	(3,315)	(6,866)
Notes payable	310,517	235,943
Trade payables	135,588	(289,223)
Trade payables - related parties	19,416	3,682
Other payables	402,452	128,784
Provisions	(5,686)	7,819
Other current liabilities	28,088	259,574
Accrued pension liabilities	820	1,430
Cash generated from operations	2,798,060	3,243,054
Interest received	80,590	49,596
Interest paid	(51,904)	(25,985)
Income tax paid	(561,843)	(593,660)
Net cash generated from operating activities	2,264,903	2,673,005
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(1,775,790)	(1,850,801)
Proceeds on sale of available-for-sale financial assets	1,516,981	2,051,793
Purchase of debt investments with no active market	(294,024)	(1,441,751)
Proceeds from sale of debt investments with no active market	1,187,581	1,172,345

(Continued)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
Purchase of financial assets carried at cost	$ (6,786)	$ -
Proceeds from sale of financial assets measured at cost	15,442	-
Proceeds from capital reduction of financial assets carried at cost	518	5,537
Net cash outflow on acquisition of a subsidiary	(685)	(172,418)
Payments for property, plant and equipment	(1,463,493)	(449,250)
Proceeds from disposal of property, plant and equipment	4,870	1,076
Payments for intangible assets	(6,523)	(33,195)
Increase in other financial assets	(5,501)	(56,068)
Decrease in other financial assets	3,751	37
Increase in other non-current assets	(511,277)	(50,934)
Increase in long-term prepayments for lease	(10,752)	(249,662)
Other dividend received	17,845	15,792
Other investment activity	(882)	-
Net cash used in investing activities	(1,328,725)	(1,057,499)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	(287,375)	532,425
Increase (decrease) in short-term bills payable	30,038	(60,022)
Decrease in finance lease payables	1,991	(531)
Increase in other financial liabilities	52	5,340
Decrease in other financial liabilities	(15,135)	(936)
Increase in other non-current liabilities	8,015	20,414
Dividends paid to owners of the Company	(1,259,071)	(1,144,610)
Dividends paid to non-controlling interests	(26,325)	(8,615)
Net cash used in financing activities	(1,547,810)	(656,535)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(137,636)	(33,711)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(749,268)	925,260
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,916,818	1,991,558
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,167,550	$ 2,916,818

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

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 24, 2017.

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

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

   Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Company should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the IASB and endorsed by the FSC starting from 2017.

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014

(Continued)

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New or amended 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 in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group's accounting policies, except for the following:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4"Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
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
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018

Note 1: Unless stated otherwise, the above mentioned New IFRSs are effective for the fiscal year beginning on or after their corresponding effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for the fiscal year beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for the fiscal year beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, will not have any material impact on the Group 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.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount on the date of initial application recognized in the current period and restatement of prior periods is not required.

2) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes 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

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 10 and 11 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 uncollectable, 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 uncollectable 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 remeasurement) 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. Remeasurement (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. Remeasurement 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 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

	December 31 2016	December 31 2015
Cash on hand	$ 12,463	$ 12,057
Checking accounts and demand deposits	1,174,422	1,693,965
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	950,684	1,210,796
Repurchase agreements collateralized by bonds	29,981	-
	$ 2,167,550	$ 2,916,818

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

	December 31 2016	December 31 2015
Bank deposits	0.01%-7.40%	0.08%-4.20%
Repurchase agreements collateralized by bonds	0.38%	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group entered into futures contracts during 2016 and 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, 2016, information of outstanding futures contracts held by the Group was as follows:

Financial Instrument	Type	Quantities (Metric Tons)	Contract Amount (In Thousands of RMB)	Market Price (In Thousands of RMB)	Net Gain (Loss) (In Thousands of RMB)
Soybean oil futures contracts	Sell	700	$ 4,833	$ 4,894	$ 61

As of December 31, 2015, the Group did not have outstanding futures contract.

As of December 31, 2016 and 2015, the margin deposits paid by the Group amounted to $6,604 thousand and $2,544 thousand, which had been included in other non-current assets.

The Group entered into structured time deposits during the years ended December 31, 2016 and 2015 mainly to earn from favorable fluctuations of interest rates.

As of December 31, 2016 and 2015, the Group did not have outstanding structured time deposit.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31 2016	December 31 2015
Current		
Listed shares	$ 154,065	$ 157,871
Mutual funds	392,047	132,529
	$ 546,112	$ 290,400
Non-current		
Emerging market shares	$ 180,213	$ -

9. FINANCIAL ASSETS MEASURED AT COST

	December 31 2016	December 31 2015
Non-current		
Unlisted shares	$ 56,718	$ 73,600
Mutual funds	38,958	39,329
	$ 95,676	$ 112,929
Classified according to measurement categories		
Available-for-sale	$ 95,676	$ 112,929

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:

	December 31 2016	December 31 2015
Mutual funds	$ 4,681	$ 5,764

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31 2016	December 31 2015
Current		
Time deposits with original maturity of more than 3 months	$ 367,267	$ 1,289,026

The market interest rates of the time deposits with original maturity of more than 3 months were 0.71%-2.25% and 0.48%-4.00% per annum as of December 31, 2016 and 2015, respectively.

11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2016	2015
Notes receivable		
Notes receivable - operating	$ 123,720	$ 35,362
Trade receivables		
Trade receivables	$ 5,179,965	$ 4,420,484
Less: Allowance for impairment loss	(20,845)	(25,539)
	$ 5,159,120	$ 4,394,945
Other receivables		
Accrued interest	$ 3,177	$ 18,991
Payment on behalf of others	3,446	183
Others	319,635	278,540
	$ 326,258	$ 297,714

The average credit period of receivables from sales of goods was 30-90 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 notes receivable, trade receivables and other receivables was as follows:

	December 31	
	2016	2015
Not past due	$ 5,307,854	$ 4,501,484
Past due 1-30 days	105,619	104,181
Past due 31-90 days	153,452	96,628
Past due 91-180 days	52,509	35,512
Past due Above 181 days	10,509	15,755
	$ 5,629,943	$ 4,753,560

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:

	December 31 2016	December 31 2015
Past due 1-30 days	$ 103,240	$ 93,672
Past due 31-90 days	152,690	91,058
Past due 91-180 days	43,833	17,190
Past due Above 180 days	7,520	10,410
	$ 307,283	$ 212,330

The above aging schedule was based on the past due days from end of credit term.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	$ 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	-	377	377
Balance at December 31, 2015	1,771	23,768	25,539
Add: Impairment losses recognized on receivables	360	4,949	5,309
Less: Impairment losses reversed	-	(8,763)	(8,763)
Foreign exchange translation gains and losses	-	(1,240)	(1,240)
Balance at December 31, 2016	$ 2,131	$ 18,714	$ 20,845

The notes receivable and other receivables as of December 31, 2016 and 2015 were neither past due nor impaired.

12. INVENTORIES

	December 31 2016	December 31 2015
Merchandise	$ 622,359	$ 677,538
Finished goods	1,707,861	1,650,359
Work in progress	240,260	236,541
Raw materials	1,669,492	993,965
Packing materials	63,542	77,543
	$ 4,303,514	$ 3,635,946

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2016 included $30,110 thousand loss on write-downs of inventories, $60,413 thousand loss on abandonment of inventories and $5,303 thousand of unallocated overheads. 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.

13. PREPAYMENTS

	December 31	
	2016	2015
Prepayments for supplies	$ 1,251,815	$ 1,565,825
Prepayments for rent	4,404	5,054
Prepayments for insurance	1,281	8,569
Excess business tax paid	157,751	58,705
Prepayments for advertisements	151,123	277,447
Others	519,580	510,878
	$ 2,085,954	$ 2,426,478

14. SUBSIDIARIES

Subsidiaries included in consolidated financial statements.

			Proportion of Ownership December 31		
Investor	Investee	Main Business	2016	2015	Remark
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	Accession Limited	Investing	100.0	100.0	-
The Company	Standard Investment (“Cayman”) Limited (“Cayman Standard”)	Investing	100.0	100.0	In June, October and December 2015, and January, February, February, March, April, April and June 2016, the Company respectively invested RMB5,500 thousand, US$12,000 thousand US$10,000 thousand, US$10,000 thousand, US$8,000 thousand, RMB60,000 thousand, RMB60,000 thousand, US$33 thousand, RMB28,000 thousand and RMB28,000 thousand in Cayman Standard.
The Company	Le Bonta Wellness International Corporation (“Le Bonta Wellness”)	Sale of health food	100.0	-	In March 2016, the Company purchased 100% of shares of the Le Bonta Wellness and hence Le Bonta Wellness becomes the subsidiary of the Company.
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 the division, Accession Limited still held 100.00% of the shares of Shanghai Standard Foods.
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	100.0	In July 2015, Shanghai Standard Foods divided asset US$1,000 thousand to Shanghai Le Ben De. After the division, Accession Limited still held 100.00% of the shares of Shanghai Le Ben De.
Accession Limited	Dermalab S.A. (“Dermalab”)	Development and sale of cosmetics	80.0	80.0	In April 2015, Accession Limited purchased 80% shares of Dermalab and hence Dermalab became 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	-

(Continued)

Investor	Investee	Main Business	Proportion of Ownership December 31 2016	Proportion of Ownership December 31 2015	Remark
Dermalab	Swiss Live Cosmetics China Limited ("Swiss Live")	Sale of cosmetics	100.0	100.0	Because Dermalab S.A. became the subsidiary of the Company in April 2015. Dermalab subsidiary, Swiss Live, also became the subsidiary of the Company.
Dermalab	Swissdema SL ("Swissdema")	Sale of cosmetics	100.0	100.0	Because Dermalab became the subsidiary of the Company in April 2015, Dermalab's subsidiary, Swissdema, also became the subsidiary of the Company.
Dermalab	Swissdema Line by Dermalab GmbH ("Dermalab GmbH")	Sale of cosmetics	-	-	Dermalab invested EUR25 thousand in the company in February 2016, and disposed of the company in December 2016.
Cayman Standard	Standard Corporation (Hong Kong) Limited ("Hong Kong Standard")	Investing	100.0	100.0	In June, October and December 2015, and January, February, February, March, April, April and June 2016, Cayman Standard invested RMB5,500 thousand, US$12,000 thousand, US$10,000 thousand, US$8,000 thousand, RMB60,000 thousand, RMB60,000 thousand, US$10 thousand, RMB28,000 thousand and RMB28,000 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 June, October and December 2015, and January and February 2016, Hong Kong Standard invested RMB5,500 thousand, US$12,000 thousand, US$10,000 thousand, US$10,000 thousand and US$8,000 thousand in China Standard Investment.
Hong Kong Standard	Shanghai LeHo Industrial Co., Ltd. ("Shanghai Le Ho")	Management of properties	100.0	100.0	In February, March, April and June 2016, Hong Kong Standard invested RMB37,000 thousand, RMB37,000 thousand, RMB18,000 thousand and RMB18,000 thousand in Shanghai LeHo.
Hong Kong Standard	Shanghai Le Ming Industrial Co., Ltd. ("Shanghai Le Ming")	Management of properties	100.0	100.0	In February, March, April and June 2016, Hong Kong Standard investment invested RMB23,000 thousand, RMB23,000 thousand, RMB10,000 thousand and RMB10,000 thousand in Shanghai Le Ming.
China Standard Investment	Standard Foods (China) Co., Ltd. ("China Standard Foods")	Manufacture and sale of edible oil and nutritious foods	100.0	100.0	-
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 June 2015, China Standard Investment invested 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 June 2015, China Standard Investment invested 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	100.0	In October, November and December 2015, and March and June 2016, China Standard Investment invested US$12,000 thousand, RMB10,000 thousand, RMB54,670 thousand, RMB52,000 thousand and RMB65,704 thousand in Xiamen Standard.

(Concluded)

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Other Equipment	Property in Construction	Total
Cost						
Balance at January 1, 2015	$ 702,405	$ 2,196,474	$ 3,327,461	$ 423,846	$ 425,835	$ 7,076,021
Additions	-	-	260,937	71,653	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	-	-	(325,587)	-
Effect of foreign currency exchange differences	-	(28,762)	(24,764)	-	(5,327)	(61,866)
Balance at December 31, 2015	$ 702,405	$ 2,492,521	$ 3,526,907	$ 491,116	$ 211,581	$ 7,424,530
Accumulated depreciation and impairment						
Balance at January 1, 2015	$ -	$ 853,255	$ 2,214,567	$ 316,626	$ -	$ 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	48,522	-	350,972
Effect of foreign currency exchange differences	-	(6,088)	(11,573)	(1,728)	-	(19,389)
Balance at December 31, 2015	$ -	$ 948,076	$ 2,330,417	$ 362,088	$ -	$ 3,640,581
Carrying amount at December 31, 2015	$ 702,405	$ 1,544,445	$ 1,196,490	$ 129,028	$ 211,581	$ 3,783,949
Cost						
Balance at January 1, 2016	$ 702,405	$ 2,492,521	$ 3,526,907	$ 491,116	$ 211,581	$ 7,424,530
Additions	-	6,400	73,189	18,387	1,365,517	1,463,493
Disposals	-	(3,687)	(52,208)	(13,207)	-	(69,102)
Acquisitions through business combination	-	-	-	1,277	-	1,277
Reclassified	-	86,519	108,747	15,562	(210,828)	-
Effect of foreign currency exchange differences	-	(112,786)	(92,222)	(13,730)	(52,378)	(271,116)
Balance at December 31, 2016	$ 702,405	$ 2,468,967	$ 3,564,413	$ 499,405	$ 1,313,892	$ 8,549,082
Accumulated depreciation and impairment						
Balance at January 1, 2016	$ -	$ 948,076	$ 2,330,417	$ 362,088	$ -	$ 3,640,581
Disposals	-	(3,546)	(47,463)	(12,118)	-	(63,127)
Acquisitions through business combination	-	-	-	972	-	972
Depreciation expense	-	105,430	208,470	50,341	-	364,241
Effect of foreign currency exchange differences	-	(25,650)	(43,909)	(8,467)	-	(78,026)
Balance at December 31, 2016	$ -	$ 1,024,310	$ 2,447,515	$ 392,816	$ -	$ 3,864,641
Carrying amount at December 31, 2016	$ 702,405	$ 1,444,657	$ 1,116,898	$ 106,589	$ 1,313,892	$ 4,684,441

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
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
Cost	
Balance at January 1 and December 31, 2015	$ 318,021
Accumulated depreciation and impairment	
Balance at January 1, 2015	$ 58,370
Depreciation expense	2,866
Balance at December 31, 2015	$ 61,236
Carrying amount at December 31, 2015	$ 256,785
Cost	
Balance at January 1 and December 31, 2016	$ 318,021
Accumulated depreciation and impairment	
Balance at January 1, 2016	$ 61,236
Depreciation expense	2,865
Balance at December 31, 2016	$ 64,101
Carrying amount at December 31, 2016	$ 253,920

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

Building	
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 $580,589 thousand and $630,117 thousand as of December 31, 2016 and 2015. 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. INTANGIBLE ASSETS

	Trademark	Computer Software	Other	Total
Cost				
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	$ 114,498	$ 216,935	$ 16,277	$ 347,710
Accumulated amortization and impairment				
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	$ 4,298	$ 202,819	$ 271	$ 207,388
Carrying amount at December 31, 2015	$ 110,200	$ 14,116	$ 16,006	$ 140,322
Cost				
Balance at January 1, 2016	$ 114,498	$ 216,935	$ 16,277	$ 347,710
Additions	-	6,373	150	6,523
Effect of foreign currency exchange differences	(5,711)	(2,474)	(1,563)	(9,748)
Balance at December 31, 2016	$ 108,787	$ 220,834	$ 14,864	$ 344,485
Accumulated amortization and impairment				
Balance at January 1, 2016	$ 4,298	$ 202,819	$ 271	$ 207,388
Amortization expense	5,544	13,134	1,657	20,335
Effect of foreign currency exchange differences	(474)	(1,965)	(419)	(2,858)
Balance at December 31, 2016	$ 9,368	$ 213,988	$ 1,509	$ 224,865
Carrying amount at December 31, 2016	$ 99,419	$ 6,846	$ 13,355	$ 119,620

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
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, 2016 and 2015, long-term prepayments for lease amounted to $406,818 thousand and $441,488 thousand, respectively.

19. OTHER ASSETS

	December 31	
	2016	2015
Current		
Time deposits	$ 1,004	$ 1,000
Advances to officers	12,275	14,468
Others	803	1,948
	$ 14,082	$ 17,416
Non-current		
Prepayments for equipment	$ 485,171	$ 5,249
Refundable deposits	84,904	87,911
Others	47,674	68,939
	$ 617,749	$ 162,099

20. BORROWINGS

a. Short-term borrowings

	December 31	
	2016	2015
Secured borrowings (Note 36)		
Bank loans	$ 147,000	$ 80,000
Unsecured borrowings		
Bank loans	1,313,871	1,765,627
	$ 1,460,871	$ 1,845,627

The range of weighted average effective interest rates on bank loans was 1.05%-3.92% and 1.07%-3.92% per annum as of December 31, 2016 and 2015, respectively.

b. Short-term bills payable

	December 31 2016	December 31 2015
Commercial paper	$ 70,000	$ 40,000
Less: Unamortized discount on commercial paper	(25)	(63)
	$ 69,975	$ 39,937

Outstanding short-term bills payable were as follows:

December 31, 2016

Financial Institutions	Nominal Amount	Discount Amount	Carrying Value	Interest Rate	Collateral	Carrying Value of Collateral
Commercial paper						
Mega Bills Finance Co., Ltd.	$ 40,000	$ (16)	$ 39,984	1.338%	-	$ -
International Bills Finance Corp.	30,000	(9)	29,991	1.4%	-	-
	$ 70,000	$ (25)	$ 69,975			$ -

December 31, 2015

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

21. NOTES PAYABLE AND TRADE PAYABLES

	December 31 2016	December 31 2015
Notes payable		
Notes payable - operating	$ 698,454	$ 439,535
Notes payable - non-operating	66	62
	$ 698,520	$ 439,597
Trade payables		
Trade payables	$ 1,515,655	$ 1,389,657

The average credit period of payables for purchases of goods was 30-90 days. 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

	December 31	
	2016	2015
Current		
Other payables		
Payable for salaries or bonus	$ 287,325	$ 219,747
Payable for compensation of employees	28,215	29,347
Payable for remuneration to directors and supervisors	18,502	19,466
Payable for commission and rebate	735,343	764,307
Payable for advertisement	101,659	103,629
Payable for royalties	23,351	23,073
Payable for freight	32,841	33,943
Others	1,112,528	824,493
	$ 2,339,764	$ 2,018,005
Other liabilities		
Advance receipts from customers	$ 362,685	$ 391,079
Financial liabilities of put option of equity instruments of subsidiaries disposed of	50,234	-
Others	21,629	5,622
	$ 434,548	$ 396,701
Non-current		
Other liabilities		
Guarantee deposits	$ 31,330	$ 50,325
Financial liabilities of put option of equity instruments of subsidiaries disposed of	-	47,144
Others	52,297	46,289
	$ 83,627	$ 143,758

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 $50,234 thousand and $47,144 thousand as of December 31, 2016 and 2015.

23. PROVISIONS

	December 31	
	2016	2015
Current		
Customer returns	$ 21,420	$ 27,201

	Customer Returns
Balance at January 1, 2015	$ 19,404
Addition	208,288
Usage	(200,470)
Effect of foreign currency exchange differences	(21)
Balance at December 31, 2015	27,201
Addition	209,241
Usage	(214,928)
Effect of foreign currency exchange differences	(94)
Balance at December 31, 2016	$ 21,420

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:

	December 31	
	2016	2015
Present value of funded defined benefit obligation	$ 709,634	$ 668,377
Fair value of plan assets	(373,443)	(377,686)
Net defined benefit liability	$ 336,191	$ 290,691

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2015	$ 529,572	$ (332,453)	$ 197,119
Service cost			
Current service cost	14,620	-	14,620
Past service cost	(302)	-	(302)
Others	7,088	-	7,088
Net interest expense (income)	9,975	(6,435)	3,540
Recognized in profit or loss	31,381	(6,435)	24,946
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	35,568	-	35,568
Recognized in other comprehensive income	87,039	(5,007)	82,032
Contributions from the employer	-	(23,516)	(23,516)
Contributions from plan participants	1,425	(1,425)	-
Benefits paid	(31,970)	31,970	-
Business combination	49,956	(40,034)	9,922
Exchange differences	974	(786)	188
Balance at December 31, 2015	668,377	(377,686)	290,691
Service cost			
Current service cost	12,084	-	12,084
Net interest expense (income)	9,011	(5,111)	3,900
Recognized in profit or loss	21,095	(5,111)	15,984
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,177	1,177
Actuarial loss - changes in demographic assumptions	23,607	-	23,607
Actuarial loss - changes in financial assumptions	19,660	-	19,660
Actuarial loss - experience adjustments	3,659	-	3,659
Recognized in other comprehensive income	46,866	1,177	48,043
Contributions from the employer	-	(17,784)	(17,784)
Contributions from plan participants	460	(460)	-
Benefits paid	(24,019)	24,019	-
Exchange differences	(3,145)	2,402	(743)
Balance at December 31, 2016	$ 709,634	$ (373,443)	$ 366,191

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:

	December 31	
	2016	**2015**
Discount rates	0.600%-1.500%	0.800%-1.750%
Expected rates of salary increase	0.500%-3.000%	0.500%-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:

	December 31	
	2016	**2015**
Discount rates		
0.250% increase	$ (16,066)	$ (17,557)
0.250% decrease	$ 17,151	$ 18,309
Expected rates of salary increase		
0.250% increase	$ 16,445	$ 15,880
0.250% decrease	$ (15,928)	$ (15,273)

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.

	December 31	
	2016	**2015**
The expected contributions to the plan for the next year	$ 18,334	$ 18,107
The average duration of the defined benefit obligation	4.6-15.9 years	5.5-16.0 years

25. EQUITY

a. Common stock

1) Ordinary shares

	December 31 2016	December 31 2015
Number of shares authorized (in thousands)	880,000	800,000
Shares authorized	$ 8,800,000	$ 8,000,000
Number of shares issued and fully paid (in thousands)	879,893	792,697
Shares issued	$ 8,798,939	$ 7,926,972

2) Global depositary receipts

As of December 31, 2016, a total of 346,683 Global Depositary Receipts (GDRs) (representing 69,336.6 shares of the Company's common stock), each GDR representing five shares of the Company's common stock, were traded on the Euro MTF Market of the Luxembourg Stock Exchange. Holders of the GDRs may request at any time that the shares represented by the GDRs be transferred to them.

b. Capital surplus

	December 31 2016	December 31 2015
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
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
May be used to offset a deficit		
Recognized from treasury share transactions	68,978	59,734
May not be used for any purpose		
Share options	3,418	3,418
	$ 72,397	$ 63,153

* 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

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 shareholders held their regular meeting on June 22, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be appropriated from (less any paying taxes and deficit):

1) 10% thereof as legal reserve;
2) Special reserve provided or reversed in accordance with the regulations;
3) 30% to 100% of this 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%.With any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of the compensation of employees and remuneration of directors and supervisors before and after amendment, refer to Note 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.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

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 2015 and 2014 approved in the shareholders' meetings on June 15, 2016 and June 26, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Years Ended December 31		For the Years Ended December 31	
	2015	2014	2015	2014
Legal reserve	$ 273,062	$ 207,585		
Cash dividends	1,268,315	1,153,014	$ 1.6	$ 1.6
Stock dividends	871,967	720,634	1.1	1.0

The appropriations of earnings for 2016 had been proposed by the Company's board of directors on March 24, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 260,654	
Special reserve	81,797	
Cash dividends	1,407,830	$1.6
Share dividends	351,958	0.4

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held on June 22, 2017.

d. Other equity items

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

	For the Years Ended December 31	
	2016	2015
Balance at January 1	$ 367,770	$ 482,506
Exchange differences arising on translating the financial statement of foreign operations	(666,657)	(138,238)
Related income tax	113,331	23,502
Balance at December 31	$ (185,556)	$ 367,770

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

	For the Years Ended December 31	
	2016	2015
Balance at January 1	$ (5,969)	$ 4,032
Unrealized gain (loss) on revaluation of available-for-sale financial assets	174,009	(4,295)
Related income tax	-	(1,641)
Cumulative loss reclassified to profit or loss on sale of available-for-sale financial assets	(17,311)	(4,790)
Related income tax	-	725
Balance at December 31	$ 150,729	$ (5,969)

3) Other equity items

	For the Years Ended December 31	
	2016	2015
Balance at January	$ (46,970)	$ -
Share of other equity of subsidiaries accounted for using the equity method	-	(46,970)
Balance at December 31	$ (46,970)	$ (46,970)

e. Non-controlling interests

	For the Years Ended December 31	
	2016	2015
Balance at January 1	$ 197,316	$ 147,705
Attributable to non-controlling interests:		
Share of profit for the year	31,212	21,854
Exchange difference arising on translation of foreign entities Related income tax	(1,610)	761

(Continued)

	For the Years Ended December 31	
	2016	2015
Remeasurement on defined benefit plans	$ (962)	$ (740)
Related income tax	155	143
Non-controlling interest arising from acquisition of subsidiaries	-	36,208
Cash dividends distributed by subsidiaries to non-controlling equity	(26,325)	(8,615)
Balance at December 31	$ 199,786	$ 197,316

(Concluded)

f. Treasury shares

Purpose of Buy-back	Shares Held by Subsidiaries (In Thousands of Shares)
Number of shares at January 1, 2015	5,252
Increase during the year	525
Number of shares at December 31, 2015	5,777
Increase during the year	636
Number of shares at December 31, 2016	6,413

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

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
December 31, 2016			
Chang Hui	6,413	$ 21,182	$ 491,232
December 31, 2015			
Chang Hui	5,777	$ 21,182	$ 474,327

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

26. NET PROFIT

Net profit includes:

a. Other income

	For the Years Ended December 31	
	2016	2015
Operating lease rental income		
Investment properties	$ 26,251	$ 26,977
Others	525	1,999
	26,776	28,976
Interest income		
Bank deposits	64,810	54,492
Others	229	2,425
	65,039	56,917
Dividends	17,845	15,792
	$ 109,660	$ 101,685

b. Other gains and losses

	For the Years Ended December 31	
	2016	2015
Net loss on disposal of property, plant and equipment	$ (1,105)	$ (7,717)
Net gain on disposal of available-for-sale financial assets	17,311	4,790
Net foreign exchange gains (losses)	(12,542)	(9,590)
Net gain arising on financial assets designated as at fair value through profit or loss	(1,128)	21,601
Impairment loss arising on financial assets measured at cost	(4,681)	(5,764)
Government grants	162,243	-
Others	52,049	29,653
	$ 212,147	$ 32,973

c. Finance costs

	For the Years Ended December 31	
	2016	2015
Interest on bank loans	$ 52,931	$ 22,126
Interest on short-term bills payable	540	685
Other interest expense	438	497
Total interest expense on financial liabilities measured at amortized cost	53,909	23,308
Less: Amounts included in the cost of qualifying asset	(335)	(153)
	$ 53,554	$ 23,155

Information about capitalized interest was as follows:

	For the Years Ended December 31	
	2016	2015
Capitalized interest	$ 355	$ 153
Capitalized rate	0.814%-1.115%	1.120%-1.330%

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

	For the Years Ended December 31	
	2016	2015
Trade receivables	$ (3,454)	$ 853
Financial assets measured at cost	4,681	5,764
	$ 1,227	$ 6,617

e. Depreciation and amortization

	For the Years Ended December 31	
	2016	2015
Property, plant and equipment	$ 364,241	$ 350,972
Investment property	2,865	2,866
Intangible assets (included in operating costs/operating expenses)	20,335	14,115
Others	40,405	35,144
	$ 427,846	$ 403,097
An analysis of depreciation		
Operating costs	$ 302,085	$ 288,630
Operating expenses	62,156	62,342
Non-operating revenue and expenses	2,865	2,866
	$ 367,106	$ 353,838
An analysis of amortization		
Operating costs	$ 28,774	$ 23,468
Operating expenses	31,966	25,791
	$ 60,740	$ 49,259

f. Operating expenses directly related to investment properties

	For the Years Ended December 31	
	2016	2015
Direct operating expenses of investment properties that generated rental income	$ 4,845	$ 4,832
Direct operating expenses of investment properties that did not generated rental income	549	437
	$ 5,394	$ 5,269

g. Employee benefits expense

	For the Years Ended December 31	
	2016	2015
Post-employment benefits		
Defined contribution plans	$ 95,538	$ 87,567
Defined benefit plans (see Note 24)	15,984	24,946
	111,522	112,513
Termination benefits	-	1,813
Other employee benefits	1,948,837	1,736,652
Total employee benefits expense	$ 2,060,359	$ 1,850,978
An analysis of employee benefits expense by function		
Operating costs	$ 813,218	$ 752,938
Operating expenses	1,247,141	1,098,040
	$ 2,060,359	$ 1,850,978

1) Compensation of employees and remuneration of directors and supervisors for 2016 and 2015

In compliance with the Company Act amended in May 2015 and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting in June 2016, the Company accrued compensation of employees and remuneration of directors and supervisors at the rates no less than 0.5% and no higher than 0.75%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Company's board of directors on March 24, 2017 and March 24, 2016, respectively, were as follows:

Accrual rate

	For the Years Ended December 31	
	2016	2015
Compensation of employees	0.90%	0.90%
Remuneration of directors and supervisors	0.59%	0.60%

Amount

	For the Years Ended December 31	
	2016	2015
	Cash	Cash
Compensation of employees	$ 28,215	$ 29,347
Remuneration of directors and supervisors	18,502	19,466

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2015.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2017 and 2016 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus of employees and remuneration of directors and supervisors for 2014

The bonus of employees and remuneration of directors and supervisors for 2014 approved in the shareholders' meeting on June 26, 2015 were as follows:

	For the Year Ended December 31, 2014
	Cash
Bonus of employees	$ 26,156
Remuneration of directors and supervisors	18,683

There was no difference between the amounts of the bonus of employees and the remuneration of directors and supervisors approved in the shareholders' meeting on June 26, 2015 and the amounts recognized in the financial statements for the year ended December 31, 2014.

Information on the bonus of employees and remuneration of directors and supervisors resolved by the shareholders in their meeting in 2015 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Years Ended December 31	
	2016	2015
Foreign exchange gains	$ 129,045	$ 204,976
Foreign exchange losses	(141,587)	(214,566)
Net losses	$ (12,542)	$ (9,590)

i. Impairment losses on non-financial assets

	For the Years Ended December 31	
	2016	2015
Inventories (included in operating costs)	$ 30,110	$ 64,408

27. INCOME TAXES

a. Major components of tax expense (income) recognized in profit or loss:

	For the Years Ended December 31	
	2016	2015
Current tax		
In respect of the current year	$ 628,513	$ 585,551
Income tax on unappropriated earnings	25,023	998
In respect of prior periods	(1,263)	(23,996)
	652,273	562,553
Deferred tax		
In respect of the current year	(10,224)	83,531
Income tax expense recognized in profit or loss	$ 642,049	$ 646,084

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

	For the Years Ended December 31	
	2016	2015
Profit before tax	$ 3,279,805	$ 3,398,551
Income tax expense calculated at the statutory rate	$ 724,876	$ 766,372
Nondeductible expenses in determining taxable income	19,532	8,023
Tax-exempt income	(104,040)	(77,397)
Unrealized temporary difference and loss carryforwards	10,893	(27,916)
Additional income tax on unappropriated earnings	25,023	998
Adjustments for prior years' tax	(34,235)	(23,996)
Income tax expense recognized in profit or loss	$ 642,049	$ 646,084

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 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Years Ended December 31	
	2016	2015
Deferred tax		
In respect of the current year		
Translation of foreign operations	$ (113,331)	$ (23,502)
Unrealized gains (loss) on available-for-sale financial assets	-	1,641
Remeasurement on defined benefit plans	(8,209)	(14,396)
	(121,540)	(36,257)
Arising on income and expenses reclassified from equity to profit or loss		
On disposal of available-for-sale financial assets	-	(725)
Total income tax recognized in other comprehensive expense (income)	$ (121,540)	$ (36,982)

c. Current tax assets and liabilities

	December 31	
	2016	2015
Current tax assets		
Tax refund receivable	$ 34,299	$ 87,787
Current tax liabilities		
Income tax payable	$ 316,292	$ 278,855

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, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Business Combination	Exchange Differences	Closing Balance
Deferred tax assets						
Temporary differences						
Loss on foreign investment	$ 139,814	$ (12,757)	$ -	$ -	$ -	$ 127,057
Exchange differences on foreign operations	-	-	38,005	-	-	38,005
Defined benefit plans	49,285	(253)	8,209	-	(192)	57,049
Payable for advertisement	-	59,448	-	-	(2,443)	57,005
Deferred sales return and allowance	2,630	1,842	-	-	-	4,472
Allowance for inventory loss	5,052	2,545	-	-	-	7,597
Others	16,929	(1,815)	-	-	(18)	15,096
	$ 213,710	$ 49,010	$ 46,214	$ -	$ (2,653)	$ 306,281

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Business Combination	Exchange Differences	Closing Balance
Deferred tax liabilities						
Temporary differences						
Gain on foreign investment	$ 29,729	$ 39,609	$ -	$ -	$ -	$ 69,338
Reverse for land value increment tax	33,685	-	-	-	-	33,685
Exchange differences on foreign operations	75,326	-	(75,326)	-	-	-
Defined benefit plans	-	630	-	-	-	630
Others	9,790	(1,453)	-	-	(325)	8,012
	$ 148,530	$ 38,786	$ (75,326)	$ -	$ (325)	$ 111,665

(Concluded)

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Business Combination	Exchange Differences	Closing Balance
Deferred tax assets						
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	13,690	3,239	-	-	-	16,929
	$ 249,018	$ (50,794)	$ 13,480	$ 1,985	$ 21	$ 213,710
Deferred tax liabilities						
Temporary differences						
Gain on foreign investment	$ -	$ 29,729	$ -	$ -	$ -	$ 29,729
Reverse for land value increment tax	33,685	-	-	-	-	33,685
Exchange differences on foreign operations	98,828	-	(23,502)	-	-	75,326
Others	1,786	3,008	-	4,936	60	9,790
	$ 134,299	$ 32,737	$ (23,502)	$ 4,936	$ 60	$ 148,530

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

	December 31 2016	December 31 2015
Loss carryforwards		
Expiry in 2016	$ -	$ 13,112
Expiry in 2017	741	817
Expiry in 2018	5,714	7,184

(Continued)

	December 31	
	2016	2015
Expiry in 2019	$ 2,789	$ 2,378
Expiry in 2020	16,119	19,106
Expiry in 2021	40,953	1,117
Expiry in 2023	888	888
	$ 67,204	$ 44,602
Deductible temporary differences	$ 98,688	$ 85,513

(Concluded)

f. Integrated income tax

	December 31	
	2016	2015
Unappropriated earnings		
Generated after January 1, 1998	$ 3,277,073	$ 3,122,900
Imputation credits account	$ 332,519	$ 276,060

The actual creditable ratio for distribution of the Company's earnings of 2015 was 18.04%; 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 2016 cannot be reasonably estimated.

g. 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 2014 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 24, 2016. The basic and diluted earnings per share for the year ended December 31, 2015 before and after retroactive adjustment were as follows:

Unit: NT$ Per Share

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	$ 3.47	$ 3.13
Diluted earnings per share	$ 3.47	$ 3.12

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

Net Profit for the Year

	For the Years Ended December 31	
	2016	**2015**
Profit for the period attributable to owners of the Company	$ 2,606,544	$ 2,730,613
Effect of potentially dilutive ordinary shares	-	-
Earnings used in the computation of diluted earnings per share	$ 2,606,544	$ 2,730,613

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

	For the Years Ended December 31	
	2016	**2015**
Weighted average number of ordinary shares in computation of basic earnings per share	873,481	873,481
Effect of potentially dilutive ordinary shares:		
Compensation issue to employees	508	580
Weighted average number of ordinary shares used in the computation of diluted earnings per share	873,989	874,061

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation 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. GOVERNMENT GRANTS

In November 2015, May 2016 and July 2016, the Group received government grants of $83,897 thousand, $71,559 thousand and $6,787 thousand towards its marketing, market expansion and organizational expense of subsidiary grants. The amount was recognized as deferred revenue and subsequently transferred to profit or loss when the Group recognized the marketing expenses. This policy resulted in a credit to income/decrease in depreciation charge of $162,243 thousand during 2015.

30. BUSINESS COMBINATION

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Le Bonta Wellness	Sale of health foods	March 15, 2016	100	$ 14,350
Dermalab	Development and sale for cosmetics	April 9, 2015	80	$ 218,138

Le Bonta Wellness was acquired in order to expand the Company's activities in health foods. Dermalab was acquired in order to expand the Company's activities in cosmetics.

b. Considerations transferred

	Le Bonta Wellness	Dermalab
Cash	$ 14,350	$ 185,580
Payable for investments	-	32,558
Financial liabilities of put option of equity instruments of subsidiaries disposed of	-	3,418
	$ 14,350	$ 221,556

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

	Le Bonta Wellness	Dermalab
Current assets		
Cash and cash equivalents	$ 13,665	$ 29,440
Trade receivables	10	29,720
Inventories	2,067	40,656
Current tax assets	4	2,127
Prepayments	581	-
Other current assets	10	17,606
Non-current assets		
Property, plant and equipment	305	596
Other intangible assets	-	112,329
Other non-current assets	-	27,268
Current liabilities		
Trade payables	-	(10,328)
Other payables	(2,537)	(1,817)
Other current liabilities	(14)	-
Non-current liabilities		
Other non-current liabilities	-	(26,697)
	$ 14,091	$ 220,900

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

	Le Bonta Wellness	Dermalab
Consideration transferred	$ 14,350	$ 221,556
Plus: Non-controlling interests (20% in Dermalab)	-	38,772
Less: Fair value of identifiable net assets acquired	(14,091)	(220,900)
Goodwill on acquisition of subsidiary	$ 259	$ 39,428

Goodwill was recognized in the acquisition of Le Bonta Wellness and 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. 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

	Le Bonta Wellness	Dermalab
Consideration paid in cash	$ 14,350	$ 201,858
Less: Cash and cash equivalent balances acquired	(13,665)	(29,440)
	$ 685	$ 172,418

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:

	Le Bonta Wellness
	March 15, 2016 to December 31, 2016
Revenue	$ 10,944
Profit	$ 3,146

Had the business combination been in effect at the beginning of the annual reporting period, the Group's revenue would have been $27,073,750 thousand, and the profit would have been $2,637,499 thousand for the year ended December 31, 2016. 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, 2016, nor is it intended to be a projection of future results.

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

	Dermalab
	April 9, 2015 to December 31, 2015
Revenue	$ 118,945
Profit	$ (22,223)

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 the 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.

31. NON-CASH TRANSACTIONS

For the years ended December 31, 2016 and 2015, 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; as of December 31, 2016, part of the consideration in amount of $1,606 thousand was not yet paid in cash.

The Group had invested in AsiaVest-opportunities Fund IV before AsiaVest-opportunities Fund IV's liquidation in 2015, an investment that was accounted for as the financial assets measured at cost. Upon the liquidation, the Group transferred its shares of AsiaVest-opportunities Fund IV to the shares of AsiaVest Liquidation Co. stock as a means of acquisition, a transaction that was accounted for as the financial assets measured at cost.

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:

	December 31	
	2016	2015
Not later than 1 year	$ 52,793	$ 43,698
Later than 1 year and not later than 5 years	58,259	45,179
	$ 111,052	$ 88,877

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

	For the Years Ended December 31	
	2016	2015
Minimum lease payment	$ 89,398	$ 76,695

b. The Group as lessor

Operating leases relate to the investment property owned by the Company with lease terms between 1 and 5 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:

	December 31	
	2016	2015
Not later than 1 year	$ 22,303	$ 22,087
Later than 1 year and not later than 5 years	12,511	18,883
	$ 34,814	$ 40,970

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 on a recurring basis

December 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Listed shares and emerging market shares				
Equity securities	$ 334,278	$ -	$ -	$ 334,278
Mutual funds	392,047	-	-	392,047
	$ 726,325	$ -	$ -	$ 726,325

December 31, 2015

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

There were no transfers between Levels 1 and 2 for the years ended December 31, 2016 and 2015.

b. Categories of financial instruments

	December 31	
	2016	**2015**
<u>Financial assets</u>		
Loans and receivables (1)	$ 8,228,720	$ 9,022,776
Available-for-sale financial assets (2)	822,001	403,329
<u>Financial liabilities</u>		
Amortized cost (3)	3,910,080	3,896,366

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 38.

<u>Sensitivity analysis</u>

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 of 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.

	RMB Impact		USD Impact	
	For the Years Ended December 31		For the Years Ended December 31	
	2016	2015	2016	2015
Profit or loss	$ 8,717 (i)	$ 13,633 (i)	$ 18,732 (ii)	$ 13,226 (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 decreased in RMB debt investments with no active market; and the sensitivity to USD increased during the current year mainly due to the decreased in USD bank loans.

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.

	December 31	
	2016	2015
Fair value interest rate risk		
Financial assets	$ 1,270,109	$ 2,249,863
Financial liabilities	561,119	1,880,637
Cash flow interest rate risk		
Financial assets	78,827	250,959
Financial liabilities	1,019,456	53,248

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, 2016 and 2015 would increase/(decrease) by $(9,406) thousand and $1,977 thousand, respectively.

The Group's sensitivity to interest rates increased during the current year mainly due to the increased 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, 2016 and 2015 would increase/decrease by $7,263 thousand and $2,904 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

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

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation 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 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, 2016

	Maximum Exposure to Credit Risk Mitigated by		
	Collateral	Other Credit Enhancements	Total
Receivables	$ 178,990	$ 8,275	$ 187,265

December 31, 2015

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. The Group had available unutilized bank loan facilities in the amounts of $6,356,491 thousand and $5,130,639 thousand as of December 31, 2016 and 2015, 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, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 188,568	$ 900,569	$ 1,204,704	$ 31,330
Finance lease liabilities	-	-	543	2,537
Variable interest rate liabilities	312,760	312,063	408,914	-
Fixed interest rate liabilities	-	234,790	338,993	-
	$ 501,328	$ 1,447,422	$ 1,953,154	$ 33,867

December 31, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
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	1,604	1,311,301	530,523	47,144
	$ 173,449	$ 1,754,296	$ 1,880,186	$ 98,520

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.

a. Purchases of goods

Related Party Categories	For the Years Ended December 31 2016	2015
The Company is one of the directors	$ 23,689	$ 19,005

Purchases from related parties were conducted on normal commercial terms.

b. Payables to related parties

Line Items	Related Party Categories	December 31 2016	2015
Trade payables	The Company is one of the directors	$ 8,307	$ 6,065

The outstanding trade payables from related parties were unsecured.

c. Compensation of key management personnel

	For the Years Ended December 31 2016	2015
Short-term employee benefits	$ 25,860	$ 23,565
Post-employment benefits	567	809
	$ 26,427	$ 24,374

The remuneration of directors and key executives was determined by the remuneration committee with 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 facilities:

	December 31	
	2016	2015
Time deposits (included in other current assets)	$ 1,004	$ 1,000
Properties, machinery and equipment, net	75,256	304,713
Investment properties, net	74,541	77,416
	$ 150,801	$ 383,129

37. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2016 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, 2029. 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 $84,100 thousand.

d. The cash injection to Le Bonta Wellness International Corporation with no active market was approved in the meeting of the board of directors on August 3, 2016; the Company increased $330,000 thousand of investment in Le Bonta Wellness's capital. As of December 31, 2016, the cash injection had not been executed.

e. The cash injection to Shanghai Le Ben De Technology Co., Ltd (Shanghai Le Ben De) was approved in the meeting of the board of directors on November 11, 2016; the Company increased RMB40,900 thousand of investment in Shanghai Le Ben De's capital. The Company and Standard Investment (China) Co., Ltd. respectively held 51% and 49% of the shares of Shanghai Le Ben De.

38. 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, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 13,399	32.25 (USD:NTD)	$ 432,121
USD	12,330	6.94 (USD:RMB)	397,520
RMB	62,936	4.62 (RMB:NTD)	290,573
			$ 1,120,214
Non-monetary items			
USD	1,332	32.23-32.67 (USD:NTD)	$ 43,426
USD	110	6.51 (USD:RMB)	3,327
			$ 46,753
Financial liabilities			
Monetary items			
USD	6,363	32.25 (USD:NTD)	$ 205,252
AUD	1,342	23.29 (AUD:NTD)	31,240
EUR	2,847	33.90 (EUR:NTD)	96,518
EUR	1,117	7.34 (EUR:RMB)	37,868
CHF	1,788	6.78 (CHF:RMB)	56,662
			$ 427,540

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
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)	454,433
			$ 2,065,230

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Others			
USD	$ 1,124	32.23-32.67 (USD:NTD)	$ 36,641
USD	208	6.49 (USD:RMB)	6,824
			$ 43,465
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)	83,822
			$ 1,266,888

(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:

	For the Years Ended December 31			
	2016		2015	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	$ (16,040)	1 (NTD:NTD)	$ 45,157
RMB	4.80 (RMB:NTD)	3,607	5.11 (RMB:NTD)	(53,917)
CHF	32.72 (CHF:NTD)	(109)	33.00 (CHF:NTD)	(830)
		$ (12,542)		$ (9,590)

39. SEPARATELY DISCLOSED ITEMS

a. Financings provided: See Table 1 attached.

b. Endorsement/guarantee provided: See Table 2 attached.

c. Marketable securities held (excluding investments in subsidiaries): 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: 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: See Table 5 attached.

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: See Table 6 attached.

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 7 attached.

i. Trading in derivative instruments: See Table 8 attached.

j. Others: Business relationship between parent and subsidiary companies: See Table 9 attached.

k. Information on investees (excluding investees of Mainland China): See Table 10 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: See Table 11 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: See Table 12 attached.

40. SEGMENT INFORMATION

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

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

a. Operating segment information:

For the year ended December 31, 2016	Standard Foods Segment	Standard Dairy Products Segment	China Standard Segment	Other Segments	Adjustments and Eliminations	Consolidated
Sales from external customers	$ 10,474,412	$ 2,196,975	$ 12,746,585	$ 1,655,592	$ -	$ 27,073,564
Sales among intersegments	1,181,379	655,998	18,441	1,838	(1,857,656)	-
Total sales	$ 11,655,791	$ 2,852,973	$ 12,765,026	$ 1,657,430	$ (1,857,656)	$ 27,073,564
Interest income	$ 16,555	$ 1,576	$ 41,872	$ 6,429	$ (1,393)	$ 65,039
Financial cost	$ 2,226	$ -	$ 46,335	$ 6,386	$ (1,393)	$ 53,554
Depreciation expense	$ 170,878	$ 25,308	$ 149,652	$ 21,268	$ -	$ 367,106
Amortization expense	$ 17,277	$ 4,081	$ 31,569	$ 7,813	$ -	$ 60,740
Other important non-cash items impairment loss on assets	$ -	$ -	$ -	$ 4,681	$ -	$ 4,681

(Continued)

	Standard Foods Segment	Standard Dairy Products Segment	China Standard Segment	Other Segments	Adjustments and Eliminations	Consolidated
Operating segment income	$ 2,264,359	$ 543,481	$ 424,706	$ 72,026	$ (24,767)	$ 3,279,805
Unallocated amount						-
Income before income tax						$ 3,279,805
For the year ended December 31, 2015						
Sales from external customers	$ 10,500,360	$ 1,986,371	$ 12,099,766	$ 928,089	$ -	$ 25,514,586
Sales among intersegments	1,246,436	690,834	-	5,481	(1,942,751)	-
Total sales	$ 11,746,796	$ 2,677,205	$ 12,099,766	$ 933,570	$ (1,942,751)	$ 25,514,586
Interest income	$ 25,808	$ 680	$ 22,569	$ 7,860	$ -	$ 56,917
Financial cost	$ 268	$ 165	$ 19,675	$ 3,047	$ -	$ 23,155
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

(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	
	2016	2015
Nutritious foods	$ 10,464,815	$ 10,221,594
Cooking products	14,292,164	13,513,254
Others	2,316,585	1,779,738
	$ 27,073,564	$ 25,514,586

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	
	2016	2015	2016	2015
Taiwan	$ 14,149,489	$ 13,290,993	$ 2,270,833	$ 2,271,025
Mainland China	12,820,825	12,132,064	3,695,726	2,396,917
Others	103,250	91,529	31,085	28,790
	$ 27,073,564	$ 25,514,586	$ 5,997,644	$ 4,696,732

Non-current assets exclude financial instruments, and deferred tax assets and net defined benefit assets.

d. Information about major customers:

Sales to any individual customer which exceeded 10% of consolidated net sales for the years ended December 31, 2016 and 2015 are summarized as follows:

	For the Years Ended December 31			
	2016		2015	
	Amount	% of Consolidated Net Sales	Amount	% of Consolidated Net Sales
Customer A	$ 4,036,721	14.9	$ 3,856,592	15.1

STANDARD FOODS CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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.	Loans to related parties	Y	$ 267,600	$ -	$ -	-	b.	$ -	Need for operation	$ -	-	$ -	$ 3,468,483 (Note 3)	$ 3,468,483 (Note 3)	Note 6
2	Standard Investment (China) Co., Ltd.	Shanghai Le Jiun International Trade Co., Ltd.	Loans to related parties	Y	55,788	55,788	55,788	4.35%	b.	-	Need for operation	-	-	-	3,459,905 (Note 4)	3,459,905 (Note 4)	Note 6
3	Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	Loans to related parties	Y	539,284	539,284	539,284	3.915%	b.	-	Need for operation	-	-	-	3,023,408 (Note 5)	3,023,408 (Note 5)	Note 6

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

Note 2: Reasons for financing are as follows:

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

Note 3: The total amount shall not exceed 100% of net value of Accession Limited, which was calculated to be $3,468,483 thousand (the net value per financial statements as of September 30, 2016 of $3,468,483 thousand x 100%).

Note 4: The total amount shall not exceed 100% of net value of Standard Investment (China) Co., Ltd., which was calculated to be $3,459,905 thousand (the net value per financial statements as of September 30, 2016 of $3,459,905 thousand x 100%).

Note 5: The total amount shall not exceed 100% of net value of Shanghai Standard Foods Co., Ltd., which was calculated to be $3,023,408 thousand (the net value per financial statements as of September 30, 2016 of $3,023,408 thousand x 100%).

Note 6: The amount was eliminated upon consolidation.

TABLE 2

STANDARD FOODS CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(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.	$ 10,896,366 (Note 3)	$ 167,250	$ 161,250	$ 16,000	$ -	1.18%	$ 13,620,457 (Note 4)	Y	-	-	Note 10
1	Shanghai Standard Foods Co., Ltd.	Standard Foods (Xiamen) Co., Ltd.	c.	2,418,726 (Note 5)	70,950	70,950	-	-	2.35%	3,023,408 (Note 6)	-	-	Y	Note 10
		Standard Investment (China) Co., Ltd.	c.	2,418,726 (Note 5)	713,225	713,225	232,450	-	23.59%	3,023,408 (Note 6)	-	-	Y	Note 10
		Standard Foods (China) Co., Ltd.	c.	2,418,726 (Note 5)	582,106	248,325	-	-	8.21%	3,023,408 (Note 6)	-	-	Y	Note 10
2	Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	b.	2,767,924 (Note 7)	232,450	232,450	-	-	6.72%	3,459,905 (Note 8)	-	-	Y	Note 10
		Standard Foods (Xiamen) Co., Ltd.	b.	2,767,924 (Note 7)	1,534,170	1,534,170	-	-	44.34%	3,459,905 (Note 8)	-	-	Y	Note 10
		Shanghai Standard Foods Co., Ltd.	c.	2,767,924 (Note 7)	232,450	232,450	-	-	6.72%	3,459,905 (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 $10,896,366 thousand (the net value per financial statements at September 30, 2016 of $13,620,457 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 $13,620,457 thousand (the net value per financial statements at September 30, 2016 of $13,620,457 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 $2,418,726 thousand (the net value per financial statements at September 30, 2016 of $3,023,408 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 $3,023,408 thousand (the net value per financial statements at September 30, 2016 of $3,023,408 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 $2,767,924 thousand (the net value per financial statements at September 30, 2016 of $3,459,905 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 $3,459,905 thousand (the net value per financial statements at September 30, 2016 of $3,459,905 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, 2016
(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, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note 2)	
Standard Foods Corporation	Stock							
	Far Eastern International Commercial Bank Co., Ltd.		Available-for-sale financial assets - current	1,278,574	$ 11,635	-	$ 11,635	
	Chunghwa Telecom Co., Ltd.		Available-for-sale financial assets - current	48,600	4,933	-	4,933	
	GeneFerm Biotechnology Co., Ltd	The Company is one of the directors.	Available-for-sale financial assets - non-current	2,168,110	180,213	8.7	180,213	
	Dah Chung Bills Finance Corp.		Financial assets carried at cost - non-current	1,194,249	9,600	0.3	19,446	
	Mutual funds							
	VantagePoint Communications Partners, L.P.		Financial assets carried at cost - non-current	Note 1	1,129	0.5	190	
	Walden VC 2, L.P.		Financial assets carried at cost - non-current	Note 1	34,502	2.1	10,314	
	Stock							
	Techgains Pan-Pacific Corporation		Financial assets carried at cost - non-current	500,000	1,009	0.9	1,762	
	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	8,505	
	Paradigm Venture Capital Corporation		Financial assets carried at cost - non-current	255,310	2,554	7.0	2,801	
	U-Teck Environment Corporation, Ltd.		Financial assets carried at cost - non-current	11,200	-	0.2	-	
	Octamer, Inc. - Series E Preferred Stock		Financial assets carried at cost - non-current	800,000	-	7.8	-	
	Octamer, Inc. - Series F Preferred Stock		Financial assets carried at cost - non-current	107,815	-	1.0	-	
	Fortemedia, Inc. - Series D Preferred Stock		Financial assets carried at cost - non-current	3,455	89	1.2	88	
	Fortemedia, Inc. - Series E Preferred Stock		Financial assets carried at cost - non-current	71,397	1,120	1.2	1,105	
	Fortemedia, Inc. - Series F Preferred Stock		Financial assets carried at cost - non-current	29,173	600	1.2	593	
	Fortemedia, Inc. - Series G Preferred Stock		Financial assets carried at cost - non-current	31,135	641	1.3	634	
	Fortemedia, Inc. - Series I Preferred Stock		Financial assets carried at cost - non-current	29,102	1,284	1.3	1,267	
	Fortemedia, Inc. - Series - Common Stock		Financial assets carried at cost - non-current	12,938	63	1.2	63	
	Verisilicon Holdings Co., Ltd. - Series A Preferred Stock		Financial assets carried at cost - non-current	21,393	1,971	1.3	1,945	
	Verisilicon Holdings Co., Ltd. - Series B Preferred Stock		Financial assets carried at cost - non-current	2,756	280	1.3	276	
	Verisilicon Holdings Co., Ltd. - Series C Preferred Stock		Financial assets carried at cost - non-current	2,157	261	1.3	258	
	Verisilicon Holdings Co., Ltd. - Series E Preferred Stock		Financial assets carried at cost - non-current	3,431	452	1.3	446	
	Verisilicon Holdings Co., Ltd. - Common Stock		Financial assets carried at cost - non-current	324	24	1.3	24	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note 2)	
Standard Dairy Products Taiwan Limited	Mutual funds							
	Mega Diamond Money Market Fund		Available-for-sale financial assets - current	1,242,151	$ 15,425	-	$ 15,425	
	Capital Multi-Asset Allocation FoF		Available-for-sale financial assets - current	217,598	2,914	-	2,914	
	Jih Sun Money Market		Available-for-sale financial assets - current	2,974,615	43,637	-	43,637	
Charng Hui Ltd.	Stock							
	Standard Foods Corporation	Parent of Charng Hui Ltd.	Available-for-sale financial assets - current	6,412,953	491,232	0.8	491,232	Note3
	Formosa Plastics Corporation		Available-for-sale financial assets - current	91,440	8,156	-	8,156	
	China Steel Corporation		Available-for-sale financial assets - current	803,258	19,800	-	19,800	
	Polytronics Technology Corp.	Charng Hui Ltd. is one of the directors.	Available-for-sale financial assets - current	1,596,000	93,206	2.0	93,206	
	Taiwan Semiconductor Manufacturing Co., Ltd.		Available-for-sale financial assets - current	90,000	16,335	-	16,335	
	Mutual funds							
	Jih Sun Money Market		Available-for-sale financial assets - current	639,177	9,377	-	9,377	
	Fuh Hwa Global Strategic Allocation FoF		Available-for-sale financial assets - current	1,000,000	9,730	-	9,730	
	Taishin 1699 Money Market		Available-for-sale financial assets - current	1,528,509	20,480	-	20,480	
	Franklin Templeton SinoAm Global Bd Acc		Available-for-sale financial assets - current	1,453,360	19,140	-	19,140	
	Franklin Templeton SinoAm Money Market		Available-for-sale financial assets - current	25,981,075	265,862	-	265,862	
	Stock							
	Hong Da Leasing & Finance Co., Ltd.		Financial assets carried at cost - non-current	8,297,000	-	-	-	
	CNEX Co., Ltd.	Charng Hui Ltd. is one of the directors.	Financial assets carried at cost - non-current	1,000,000	5,400	6.0	5,315	
Standard Beverage Company Limited	Mutual funds							
	Fuh Hwa Greater China Mid & Small Cap		Available-for-sale financial assets - current	225,000	1,755	-	1,755	
	Franklin Templeton SinoAm Global Bd Acc		Available-for-sale financial assets - current	282,988	3,727	-	3,727	
DOMEX Technology Corporation	Stock							
	InnoComm Mobile Technology Corp.		Financial assets carried at cost - non-current	3,600,000	26,586	13.4	17,454	
Accession Limited	Mutual funds							
	AsiaVest Liquidation Co.		Financial assets carried at cost - non-current	200	3,327	0.7	3,352	

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 $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(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	-	-	89,295,753	$ 3,003,751	45,040,100	$ 1,490,848	-	$ -	$ -	$ -	$ -	$ (140,704) (Note 1)	134,335,854	$ 4,353,895	Note 8
Standard Investment (Cayman) Limited	Standard Corporation (Hong Kong) Limited	Investments accounted for using equity method	-	-	89,270,753	3,003,507	45,017,101	1,490,101	-	-	-	-	-	(160,443) (Note 2)	134,287,854	4,333,165	Note 8
Standard Corporation (Hong Kong)	Standard Investment (China) Co., Ltd.	Investments accounted for using equity method	-	-	Note 7	3,002,609	Note 7	601,680	-	-	-	-	-	(70,940) (Note 3)	Note 7	3,533,349	Note 8
	Shanghai Le Ho Industrial Co., Ltd.	Investments accounted for using equity method	-	-	-	-	Note 7	554,928	-	-	-	-	-	(43,136) (Note 4)	Note 7	511,792	Note 8
	Shanghai Le Min Industrial Co., Ltd.	Investments accounted for using equity method	-	-	-	-	Note 7	333,168	-	-	-	-	-	(26,149) (Note 5)	Note 7	307,019	Note 8
Standard Investment (China) Co., Ltd.	Standard Foods (Xiamen) Co., Ltd.	Investments accounted for using equity method	-	-	Note 7	713,028	Note 7	586,244	-	-	-	-	-	(107,849) (Note 6)	Note 7	1,191,423	Note 8

Note 1: The recognition of $232,994 thousand increased this year was due to the equity method adopted for the accounting of the investment income. The recognition of $373,698 thousand decreased this year was due to the equity method adopted for the accounting of the translation adjustment.

Note 2: The recognition of $233,181 thousand increased this year was due to the equity method adopted for the accounting of the investment income. The recognition of $393,624 thousand decreased this year was due to the equity method adopted for the accounting of the translation adjustment.

Note 3: The recognition of $232,702 thousand increased this year was due to the equity method adopted for the accounting of the investment income. The recognition of $303,642 thousand decreased this year was due to the equity method adopted for the accounting of the translation adjustment.

Note 4: The recognition of $419 thousand increased this year was due to the equity method adopted for the accounting of the investment income. The recognition of $43,555 thousand decreased this year was due to the equity method adopted for the accounting of the translation adjustment.

Note 5: The recognition of $192 thousand increased this year was due to the equity method adopted for the accounting of the investment income. The recognition of $26,341 thousand decreased this year was due to the equity method adopted for the accounting of the translation adjustment.

Note 6: The recognition of $12,212 thousand decreased this year was due to the equity method adopted for the accounting of the investment income. The recognition of $95,637 thousand decreased this year was due to the equity method adopted for the accounting of the translation adjustment.

Note 7: This is a limited company with no issued shares.

Note 8: The amount was eliminated upon consolidation.

TABLE 5

STANDARD FOODS CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Types of Property	Transaction Date	Transaction Amount (Foreign Currencies in Thousands)	Payment	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
Shanghai Le Ho Industrial Co., Ltd.	Office building and parking space	January 27, 2016	RMB 110,384	RMB 99,345 (Note)	Shanghai Guoxing Co., Ltd.	-	-	-	-	$ -	Per appraisal report of Cushman & Wakefield (Shanghai) Co., Ltd., the building was worth RMB127,900 thousand. However, the price negotiated by Shanghai Le Ho Industrial Co., Ltd. and Shanghai Guoxing Co., Ltd. was RMB 110,384 thousand.	Business office	-
Shanghai Le Min Industrial Co.,	Office building and parking space	January 27, 2016	RMB 68,035	RMB 61,231 (Note)	Shanghai Guoxing Co., Ltd.	-	-	-	-	-	Per appraisal report of Cushman & Wakefield (Shanghai) Co., Ltd., the building was worth RMB 74,940 thousand. However, the price negotiated by Shanghai Le Min Industrial Co., Ltd. and Shanghai Guoxing Co., Ltd. was RMB 68,035 thousand	Business office	-
Standard Foods (Xiamen) Co., Ltd.	Xiamen plant equipment	May 25, 2016	RMB 137,600	RMB 94,033 (Note)	Nantong Si Jian Construction Group Co., Ltd.	-	-	-	-	-	Bidding	Building factories (still not complete)	-

Note: The amount of payment as of December 31, 2016

TABLE 6

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, 2016
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable (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	$ (1,181,379)	10.14	55 days after month end closing (Net of receivables and payables)	-	-	$ 131,147	6.55	Note
			Purchases	655,998	9.82	55 days after month end closing (Net of receivables and payables)	-	-	-	-	Note
Standard Dairy Products Taiwan Limited	Standard Foods Corporation	Parent company of Standard Dairy Products Taiwan Limited	Purchases	1,181,379	60.79	55 days after month end closing (Net of receivables and payables)	-	-	(131,147)	28.18	Note
			Sales	(655,998)	22.99	55 days after month end closing (Net of receivables and payables)	-	-	-	-	Note
Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Sales	(3,606,963)	91.90	60 days after month end closing	-	-	1,427,613	99.87	Note
Standard Investment (China) Co., Ltd.	Shanghai Standard Foods Co., Ltd.	Brother company of Standard Investment (China) Co., Ltd.	Purchases	3,606,963	36.78	60 days after month end closing	-	-	(1,427,613)	68.43	Note
Shanghai Standard Foods Co., Ltd.	Standard Foods (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Sales	(105,672)	2.69	60 days after month end closing	-	-	621	0.04	Note
Standard Foods (China) Co., Ltd.	Shanghai Standard Foods Co., Ltd.	Brother company of Standard Food (China) Co., Ltd.	Purchases	105,672	1.43	60 days after month end closing	-	-	(621)	0.07	Note
Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (China) Co., Ltd.	Sales	(6,130,543)	99.33	55 days after month end closing	-	-	656,786	95.33	Note
Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Purchases	6,130,543	62.52	55 days after month end closing	-	-	(656,786)	31.48	Note

Note: The amount was eliminated upon consolidation.

TABLE 7

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, 2016
(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	$ 131,147	9.01	$ -	-	$ 131,147 (Note 1)	$ -	Note 2
			Other receivables	2,257		-	-	2,257 (Note 1)	-	Note 2
				$ 133,404		$ -		$ 133,404 (Note 1)	$ -	
Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Trade receivables	$ 1,427,613	3.28	$ 276,749	Enhance the recovery of accounts receivable based on the adequacy of operating cash flow	$ 251,046 (Note 1)	$ -	Note 2
			Trade receivables from sale of trademark rights	127,658		-	-	- (Note 1)	-	Note 2
			Other receivables	46,480		-	-	- (Note 1)	-	Note 2
				$ 1,601,751		$ 274,749		$ 251,046 (Note 1)	$ -	
	Standard Foods (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd	Trade receivables	$ 621	0.42	$ -	-	$ 621 (Note 1)	$ -	Note 2
			Financing receivables	539,284		-	-	- (Note 1)	-	Note 2
			Other receivables	468		-	-	468 (Note 1)	-	Note 2
				$ 540,373		$ -		$ 1,089 (Note 1)	$ -	
Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (China) Co., Ltd.	Trade receivables	$ 656,786	24.34	$ -	-	$ 656,786 (Note 1)	$ -	Note 2
			Other receivables	37,432		-	-	37,432 (Note 1)	-	Note 2
				$ 694,218		$ -		$ 694,218 (Note 1)	$ -	

Note 1: Amounts received before March 24, 2017.

Note 2: The amount was eliminated upon consolidation.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

DERIVATIVES TRADING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

The Company was not engaged in derivatives trading during 2016.

Standard Investment (China) Co., Ltd. ("China Standard Investment"), and Shanghai LeBen De Health Technology Co., Ltd. ("Shanghai Le Ben De") entered into structured time deposits in 2016 mainly to earn from favorable effects on fluctuations of interest rates.

Shanghai Standard Foods Co., Ltd. ("Shanghai Standard Foods") entered into futures contracts during 2016 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, 2016, China Standard Investment and Shanghai Le Ben De did not have outstanding structured time deposit.

As of December 31, 2016, Shanghai Standard Foods had outstanding futures contract as follows:

	December 31, 2016				
Financial Instruments	**Type**	**Quantities (Metric Tons)**	**Contract Amount (In Thousands of RMB)**	**Market Price (In Thousands of RMB)**	**Net Gain (Loss) (In Thousands of RMB)**
Soybean oil futures contracts	Sell	7,00	$ 4,833	$ 4,894	$ 61

As of December 31, 2016, the amount of the margin deposits paid by Shanghai Standard Foods was RMB1,421 thousand, which had been included in other non-current assets.

The net loss from derivative transactions at Mercantile Exchange for Shanghai Standard Foods, China Standard Investment and Shanghai Le Ben De was RMB241 thousand in 2016.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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	$ 131,147	According to the general conditions	0.6
		Standard Dairy Products Taiwan Limited	a.	Other receivables - related parties	2,257	According to the general conditions	-
		Standard Dairy Products Taiwan Limited	a.	Sales	1,181,379	According to the general conditions	4.4
		Standard Dairy Products Taiwan Limited	a.	Purchases	655,998	According to the general conditions	2.4
		Standard Dairy Products Taiwan Limited	a.	Other revenue (royalty revenue)	7,169	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	1,731	According to the general conditions	-
		Charng Hui Company Limited	a.	Purchases	2,511	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	a.	Purchases	18,081	According to the general conditions	0.1
		Standard Foods (China) Co., Ltd.	a.	Trade payables - related parties	17,174	According to the general conditions	0.1
		Le Bonta Wellness International Corporation.	a.	Rent revenue	14	According to the general conditions	-
		Le Bonta Wellness International Corporation.	a.	Other receivables - related parties	998	According to the general conditions	-
1	Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	c.	Trade receivables - related parties	1,427,613	According to the general conditions	6.5
		Standard Investment (China) Co., Ltd.	c.	Other receivables from sale of trademark rights	127,658	According to the general conditions	0.6
		Standard Investment (China) Co., Ltd.	c.	Other receivables - related parties	46,480	According to the general conditions	0.2
		Standard Investment (China) Co., Ltd.	c.	Trade payables - related parties	106	According to the general conditions	-
		Standard Investment (China) Co., Ltd.	c.	Sales	3,606,963	According to the general conditions	13.3
		Standard Investment (China) Co., Ltd.	c.	Purchases	2,121	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	c.	Trade receivables - related parties	621	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	c.	Other receivables - related parties	468	According to the general conditions	2.5
		Standard Foods (China) Co., Ltd.	c.	Trade payables - related parties	15,199	According to the general conditions	0.1
		Standard Foods (China) Co., Ltd.	c.	Sales	105,672	According to the general conditions	0.4
		Standard Foods (China) Co., Ltd.	c.	Purchases	22,181	According to the general conditions	0.1
		Standard Foods (China) Co., Ltd.	c.	Other payables - related parties	539,351	According to the general conditions	2.5
		Standard Foods (China) Co., Ltd.	c.	Financial intermediation receivable- related parties	539,284	Rate 3.915%	2.5
		Standard Foods (China) Co., Ltd.	c.	Interest revenue	468	Rate 3.915%	-
2	Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	c.	Trade payables - related parties	656,786	According to the general conditions	3.0
		Standard Foods (China) Co., Ltd.	c.	Other payables - related parties	37,432	According to the general conditions	0.2
		Standard Foods (China) Co., Ltd.	c.	Sales	389	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	c.	Purchases	6,130,543	According to the general conditions	22.6
		Shanghai Dermalab Corporation	c.	Other receivables - related parties	1,393	According to the general conditions	-
		Shanghai Dermalab Corporation	c.	Financial intermediation receivable- related parties	55,788	Rate 4.35%	0.3
		Shanghai Dermalab Corporation	c.	Other expense	107	According to the general conditions	-
		Shanghai Dermalab Corporation	c.	Interest revenue	1,393	Rate 4.35%	-

(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)
3	Standard Foods (China) Co., Ltd.	Shanghai Le Ben Tuo Health Technology Co., Ltd.	c.	Other receivables - related parties	$ 110	According to the general conditions	-
		Shanghai Le Ben Tuo Health Technology Co., Ltd.	c.	Sales	4	According to the general conditions	-
		Shanghai Dermalab Corporation	c.	Sales	355	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	c.	Other payables - related parties	12	According to the general conditions	-
4	Shanghai Dermalab Corporation	Dermalab	c.	Trade payables - related parties	5,793	According to the general conditions	-
		Dermalab	c.	Purchases	30,539	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 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)

TABLE 10

STANDARD FOODS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2016			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	%	Carrying Amount			
Standard Foods Corporation	Accession Limited	Tortola, British Virgin Islands	Investment business	$ 3,936,267	$ 3,936,267	123,600,000	100	$ 3,450,223	$ 73,518	$ 70,751 (Note 1)	Subsidiary (Note 5)
	Standard Investment (Cayman) Limited	Grand Cayman, Cayman Islands	Investment business	4,230,611	2,739,763	134,335,854	100	4,353,895	232,944	232,994	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	844,228	452,542	458,008 (Note 2)	Subsidiary (Note 5)
	Charng Hui Ltd.	Taipei, Taiwan	Investment business	530,000	530,000	54,100,000	100	548,163	11,645	2,401	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	192,794	81,572	42,425	Subsidiary (Note 5)
	Standard Beverage Company Limited	Taipei, Taiwan	Manufacture and sale of beverages	79,072	79,072	7,907,000	100	79,022	1,276	1,653 (Note 3)	Subsidiary (Note 5)
	Le Bonta Wellness International Corporation	Yilan, Taiwan	Sale of health foods	14,350	-	Note 4	100	14,096	2,632	3,146	Subsidiary (Note 5)
Accession Limited	Dermalab S.A.	Switzerland	Development and sale of cosmetics	206,905	206,905	320	80	34,859	(34,139)	(34,139)	Indirect subsidiary (Note 5)
Dermalab S.A.	Swiss Line Cosmetics China Limited	Hong Kong	Sale of cosmetics	39	39	10,000	100	-	-	-	Indirect subsidiary (Note 5)
	Swissderma SL	Spain	Sale of cosmetics	96	96	3,000	100	-	-	-	Indirect subsidiary (Note 5)
Standard Investment (Cayman) Limited	Standard Corporation (Hong Kong) Limited	Hong Kong	Investment business	4,229,114	2,739,013	134,287,854	100	4,333,165	233,181	233,181	Indirect subsidiary (Note 5)

Note 1: This amount was the share of profit of investee of $73,158 thousand minus the unrealized gain on sidestream transaction of $2,407 thousand.

Note 2: This amount was the share of profit of investee of $452,542 thousand plus the realized gain on upstream transaction of $5,466 thousand.

Note 3: This amount was the share of profit of investee of $1,276 thousand plus the realized gain on upstream transaction of $377 thousand.

Note 4: This is a limited company with no issued shares.

Note 5: The amount was eliminated upon consolidation.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 2016	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016	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)	$ 91,341	100	$ 91,341 (Note 10)	$ 3,022,996	$ -	Note 12
Inner Mongolia Jiatai Agriculture Technology Co., Ltd.	Production of sunflower	92,235	c. (Note 5)	- (Note 5)	-	-	- (Note 5)	11	100	11 (Note 10)	3,097	-	Note 12
Standard Investment (China) Co., Ltd.	Investment and sales of edible oil products and nutritional food	3,334,336	b. (Note 6)	2,732,656	601,680	-	3,334,336 (Note 6)	232,702	100	232,702 (Note 10)	3,533,349	-	Note 12
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)	60,827	100	38,527 (Note 10)	1,672,305	-	Note 12
Shanghai Dermalab Corporation.	Sale of nutritional food and international trading	29,949	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	(18,837)	100	(18,837) (Note 10)	(2,606)	-	Note 12
Shanghai Le Ben Tuo Health Technology Co.	Sale of nutritional food, cosmetics and international trading	199,370	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	(10,494)	100	(10,494) (Note 10)	172,253	-	Note 12
Guangzhou Swissland Trade Co., Ltd.	Sale of cosmetics	2,359	c. (Note 8)	- (Note 8)	-	-	- (Note 8)	-	20	-	-	-	Note 12
Shanghai Le Ben De Health Technology Co., Ltd.	Sale of nutritional food and international trading	31,220	c. (Notes 4 and 9)	31,220 (Note 4)	-	-	31,220 (Note 4)	405	100	405 (Note 10)	28,986	-	Note 12
Standard Foods (Xiamen) Co., Ltd.	Manufacture and sale of edible oil products and nutritional food	1,307,582	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	(12,212)	100	(12,212) (Note 10)	1,191,423	-	Note 12
Shanghai Le Ho Industrial Co., Ltd.	Management of properties	554,928	b. (Note 6)	-	554,928	-	554,928	419	100	(419) (Note 10)	511,792	-	Note 12
Shanghai Le Min Industrial Co., Ltd.	Management of properties	331,168	b. (Note 6)	-	333,168	-	333,168	192	100	(192) (Note 10)	307,019	-	Note 12

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 8,256,506	$ 8,769,476	Unlimited amount of investment (Note 11)

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

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

(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: Accession Limited is the investor company in third region.

Note 4: There was no difference between the beginning balance and the ending balance of the accumulated amount invested from Taiwan for the year ended December 31, 2016; the investment remained at $4,034,074 thousand. Of the $4,034,074 thousand, $53,279 thousand has been retained in Accession Limited. The remaining balance of thereof, amounting to $3,980,795 thousand, was originally the outward remittance of the investment to Shanghai Standard Foods Co., Ltd. in 2015. However, as of July 2015, of the $3,980,795 thousand, $31,220 thousand was invested in Shanghai Le Ben De Health Technology Co., Ltd. by Shanghai Standard Foods Co., Ltd. In the aggregate, the outward remittance of the investments to 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 reinvested through company registered in Mainland China was Shanghai Standard Foods Co., Ltd.

Note 6: Standard Corporation (Hong Kong) Limited is the investor company in third region.

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

Note 8: This company was invested in by Dermalab S.A. that was acquired by Dermalab S.A. the investor company in third region.

Note 9: This company was spun off from Shanghai Standard Foods Co., Ltd; it is the investor company in third region.

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

Note 11: The Industrial Development Bureau of the MOEA issued the proofing document of operational headquarters to the Company; the document was still valid within the audit period. Hence, according to the Investment Commission of the MOEA, there was no upper limit on the amount of investment.

Note 12: The amount was eliminated upon consolidation.

(Concluded)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Purchases

Investee Company	Company in Third Area	Transaction Details		Comparison with Normal Transaction	Purchases		Notes/Accounts Payable as of December 31, 2016		Note
		Price	Payment Term		Amount	%	Ending Balance	%	
Standard Foods (China) Co., Ltd.	-	According to normal commercial terms	45 days after the bill of lading	Normal	$ 18,801	0.3	$ 17,174	1.4	-

V.Financial Report of Standard Foods Corporation

Standard Foods Corporation

Financial Statements for the
Years Ended December 31, 2016 and 2015 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Standard Foods Corporation

Opinion

We have audited the accompanying financial statements of Standard Foods Corporation (the Company), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements for the year ended December 31, 2016 are stated as follows:

Valuation of Inventory

The product of the Company includes mainly nutritional food, edible oil, dairy products, and beverage. To assess for the impairment of its inventory, the management had performed its assessment thereof by taking into consideration the market condition and the sales history. Refer to Notes 4, 5 and 11 to the financial statements for the assessment on the impairment loss of the inventory. Because the assessment of impairment loss of the inventory involves critical accounting estimates subject to the judgment of the management, the assessment of the impairment loss of inventory is deemed to be a key audit matter.

Our audit procedures in response to the abovementioned key audit matter were obtaining information pertaining to the lower of cost or net realizable value (LCNRV), sampling projected pricing information and the most recent sales record to assess the reasonableness of the judgment on the LCNRV, and collecting the documentations pertaining to obsolete inventory to assess the appropriateness of the methodology adopted for the calculation of the impairment loss of the inventory.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ting-Chen Hsu and Tza-Li Gung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2017

<u>Notice to Readers</u>

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

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

STANDARD FOODS CORPORATION

BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 682,861	4	$ 1,171,261	7
Available-for-sale financial assets - current (Note 7)	16,568	-	23,891	-
Debt investments with no active market - current (Note 9)	58,500	1	786,615	5
Notes receivable (Note 10)	3,078	-	1,464	-
Trade receivables from unrelated parties (Note 10)	1,865,957	12	1,755,890	11
Trade receivables from related parties (Note 31)	131,147	1	131,096	1
Other receivables (Note 10)	20,134	-	25,303	-
Other receivables from related parties (Note 31)	3,370	-	2,054	-
Current tax assets (Note 25)	31,500	-	31,500	-
Inventories (Note 11)	1,849,901	11	2,040,725	13
Prepayments (Note 12)	373,660	2	359,422	2
Other current assets (Note 17)	11,883	-	14,317	-
Total current assets	5,048,559	31	6,343,538	39
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 7)	180,213	1	-	-
Financial assets measured at cost - non-current (Note 8)	60,363	-	72,645	1
Investments accounted for using equity method (Note 13)	9,482,421	58	8,172,404	50
Property, plant and equipment (Notes 14 and 32)	1,363,441	8	1,324,881	8
Investment properties (Note 15)	126,681	1	127,096	1
Other intangible assets (Note 16)	3,558	-	6,438	-
Deferred tax assets (Note 25)	227,594	1	197,741	1
Other non-current assets (Note 17)	20,109	-	26,819	-
Total non-current assets	11,464,380	69	9,928,024	61
TOTAL	$ 16,512,939	100	$ 16,271,562	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 32)	$ -	-	$ 639,000	4
Notes payable (Note 19)	3,757	-	993	-
Trade payables (Note 19)	854,312	5	845,640	5
Trade payables to related parties (Note 31)	25,481	-	6,065	-
Other payables (Note 20)	808,702	5	833,508	5
Other payables to related parties (Note 31)	-	-	33,119	-
Current tax liabilities (Note 25)	210,103	2	221,211	2
Provisions - current (Note 21)	9,197	-	10,271	-
Finance lease payables - current	-	-	126	-
Other current liabilities (Note 20)	2,731	-	9,543	-
Total current liabilities	1,914,283	12	2,599,476	16
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 25)	106,330	-	140,806	1
Net defined benefit liabilities (Note 22)	273,346	2	224,163	1
Other non-current liabilities (Note 20)	1,005	-	960	-
Total non-current liabilities	380,681	2	365,929	2
Total liabilities	2,294,964	14	2,965,405	18
EQUITY (Note 23)				
Common stock	8,798,939	53	7,926,972	49
Capital surplus	72,397	-	63,153	-
Retained earnings				
Legal reserve	2,172,545	13	1,899,483	12
Unappropriated earnings	3,277,073	20	3,122,900	19
Total retained earnings	5,449,618	33	5,022,383	31
Other equity	(81,797)	-	314,831	2
Treasury shares	(21,182)	-	(21,182)	-
Total equity	14,217,975	86	13,306,157	82
TOTAL	$ 16,512,939	100	$ 16,271,562	100

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

STANDARD FOODS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES				
Sales (Note 31)	$ 11,655,791	100	$ 11,746,796	100
OPERATING COSTS (Notes 11, 24 and 31)				
Cost of goods sold	7,820,719	67	7,851,609	67
GROSS PROFIT	3,835,072	33	3,895,187	33
OPERATING EXPENSES (Note 24)				
Selling and marketing expenses	1,241,747	11	1,226,576	10
General and administrative expenses	273,004	2	292,148	3
Research and development expenses	128,327	1	93,404	1
Total operating expenses	1,643,078	14	1,612,128	14
OPERATING INCOME	2,191,994	19	2,283,059	19
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 24)	29,310	-	36,773	-
Other gains and losses (Note 24)	45,281	1	67,364	1
Finance costs (Note 24)	(2,226)	-	(268)	-
Share of the profit or loss of subsidiaries	811,377	7	830,236	7
Total non-operating income and expenses	883,742	8	934,105	8
PROFIT BEFORE INCOME TAX	3,075,736	27	3,217,164	27
INCOME TAX EXPENSE (Note 25)	469,192	4	486,551	4
NET PROFIT FOR THE YEAR	2,606,544	23	2,730,613	23
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 22)	(48,688)	-	(48,502)	-
Share of the other comprehensive income of subsidiaries accounted for using the equity method	1,351	-	(27,137)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 25)	8,310	-	8,600	-
Total items that will not be reclassified subsequently to profit or loss	(39,027)	-	(67,039)	-

(Continued)

STANDARD FOODS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	$ (666,657)	(6)	$ (138,238)	(1)
Unrealized gain (loss) on available-for-sale financial assets	160,734	1	(365)	-
Share of the other comprehensive income of subsidiaries accounted for using the equity method	(4,036)	-	(8,720)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 25)	113,331	1	22,586	-
Total items that may be reclassified subsequently to profit or loss	(396,628)	(4)	(124,737)	(1)
Other comprehensive income (loss) for the year, net of income tax	(435,655)	(4)	(191,776)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,170,889	19	$ 2,538,837	22
EARNINGS PER SHARE (Note 26)				
Basic	$ 2.98		$ 3.13	
Diluted	$ 2.98		$ 3.12	

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

STANDARD FOODS CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity					
	Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other	Total	Treasury Stock	Total Equity
BALANCE AT JANUARY 1, 2015	$ 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
Appropriation of 2014 earnings											
Legal reserve	-	-	207,585	(207,585)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	(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
Changes in percentage of ownership interest in subsidiaries	-	3,418	-	-	-	-	-	(46,970)	(46,970)	-	(43,552)
Net profit for the year ended December 31, 2015	-	-	-	2,730,613	2,730,613	-	-	-	-	-	2,730,613
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)
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
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
Appropriation of 2015 earnings											
Legal reserve	-	-	273,062	(273,062)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	(1,268,315)	(1,268,315)	-	-	-	-	-	(1,268,315)
Stock dividends to shareholders	871,967	-	-	(871,967)	(871,967)	-	-	-	-	-	-
Adjustment of capital surplus for the Company's cash dividends received by a subsidiary	-	9,244	-	-	-	-	-	-	-	-	9,244
Net profit for the year ended December 31, 2016	-	-	-	2,606,544	2,606,544	-	-	-	-	-	2,606,544
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	(39,027)	(39,027)	(553,326)	156,698	-	(396,628)	-	(435,655)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	2,567,517	2,567,517	(553,326)	156,698	-	(396,628)	-	2,170,889
BALANCE AT DECEMBER 31, 2016	$ 8,798,939	$ 72,397	$ 2,172,545	$ 3,277,073	$ 5,449,618	$ (185,556)	$ 150,729	$ (46,970)	$ (81,797)	$ (21,182)	$ 14,217,975

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

STANDARD FOODS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,075,736	$ 3,217,164
Adjustments for:		
Depreciation expenses	170,878	155,596
Amortization expenses	17,277	19,945
Impairment loss recognized on trade receivables	6	102
Finance costs	2,226	268
Interest income	(16,555)	(25,808)
Dividend income	(9,711)	(7,725)
Share of the profit of subsidiaries	(811,377)	(830,236)
Net loss on disposal of property, plant and equipment	423	2,281
Net gain on disposal of investments	(16,564)	(60)
Impairment loss recognized on financial assets measured at cost	-	658
Changes in operating assets and liabilities		
Notes receivable	(1,614)	(152)
Trade receivables	(110,073)	(41,692)
Trade receivables from related parties	(51)	2,844
Other receivables	(8,606)	1,804
Other receivables from related parties	(1,316)	688
Inventories	190,824	(22,411)
Prepayments	(14,238)	113,609
Other current assets	2,434	(8,037)
Notes payable	2,764	(2,177)
Trade payables	8,672	(119,825)
Trade payables to related parties	19,416	3,682
Other payables	(24,625)	(48,334)
Other payables to related parties	(33,119)	33,119
Provisions	(1,074)	1,678
Other current liabilities	(6,812)	1,336
Net defined benefit liabilities	495	8,018
Cash generated from operations	2,435,416	2,456,335
Interest received	30,330	18,724
Interest paid	(2,407)	(87)
Income tax paid	(422,988)	(368,980)
Net cash generated from operating activities	2,040,351	2,105,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(255,000)	(349,000)
Proceeds on sale of available-for-sale financial assets	262,515	349,059
Purchase of debt investments with no active market	(58,500)	(1,044,055)
Proceeds from sale of debt investments with no active market	786,615	854,885
Purchase of financial assets measured at cost	(6,786)	-
Proceeds from sale of financial assets measured at cost	15,443	-
Proceeds from capital reduction of financial assets measured at cost	518	2,851

(Continued)

STANDARD FOODS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
Payments for property, plant and equipment	$ (209,578)	$ (154,917)
Proceeds from disposal of property, plant and equipment	132	139
Payments for intangible assets	(6,144)	(8,256)
Increase in other financial assets	-	(977)
Decrease in other financial assets	2,611	-
Increase in other non-current assets	(4,154)	(11,700)
Dividend received from subsidiaries	346,460	191,229
Other dividend received	9,711	7,725
Net cash generated from/(used in) investing activities	883,843	(163,017)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(639,000)	639,000
Decrease in finance lease payables	(126)	(531)
Increase in other financial liabilities	45	-
Dividends paid to owners of the Company	(1,268,315)	(1,153,014)
Acquisition of interest in subsidiaries	(1,505,198)	(749,378)
Net cash used in financing activities	(3,412,594)	(1,263,923)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(488,400)	679,052
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,171,261	492,209
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 682,861	$ 1,171,261

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

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 24, 2017.

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

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Company should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the IASB and endorsed by the FSC starting from 2017.

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
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 or amended 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 in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group's accounting policies, except for the following:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Company has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Company's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company's financial position and financial performance, and will disclose these other impacts when the assessment is completed

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

The Company has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
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
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018

Note 1: Unless stated otherwise, the above mentioned New IFRSs are effective for the fiscal year beginning on or after their corresponding effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for the fiscal year beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for the fiscal year beginning on or after January 1, 2018.

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collection of contractual cash flows and the sale 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 rate method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

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

Impairment of financial assets

IFRS 9 requires 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 Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount on the date of initial application recognized in the current period and restatement of prior periods is not required.

2) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2018.

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

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

When IFRS 15 and related amendment are effective, an entity 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 on the date of the 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 Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company 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 statements of comprehensive income, the Company 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 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 Company as lessor.

When IFRS 16 becomes effective, the Company 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 on the date of initial application.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of presentation

The financial statements have been prepared on the historical cost basis except for the financial instruments that 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.

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting period or before the financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

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

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

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

For the purpose of presenting 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 - for the followings: 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.

On the disposal of a foreign operation (i.e. a disposal of the Company'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 are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but 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.

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity that is controlled by the Company.

Under the equity method, investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

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

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary on the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the financial statements taken as a whole of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value on the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment on the date when control is lost is recognized as a gain or loss in profit or loss. In addition, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. 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.

h. 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.

i. 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) 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.

j. Impairment of tangible and intangible assets other than goodwill

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Available-for-sale financial assets, and loans and receivables.

i. Available-for-sale financial assets

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

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

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

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

ii. 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, are assessed for impairment on a collective basis even if they were individually assessed and deemed to be not impaired. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment on 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 notes receivables and trade receivables are considered uncollectable, 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 uncollectable notes receivable and trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

l. Provisions

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

m. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Royalty arrangements that are based on sales are recognized by reference to the underlying arrangement.

3) Dividend and interest income

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

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

n. Leasing

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

1) The Company as lessor

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

2) The Company as lessee

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

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.

o. Borrowing costs

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

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

p. 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 remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement (comprising actuarial gains and losses, changes in asset ceiling and return on plan assets (excluding interest) is recognized in other comprehensive income in the period in which they occur. Remeasurement 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 Company’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 Company can no longer withdraw the offer of the termination benefit or when the Company recognizes any related restructuring costs.

q. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of trade receivables

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

b. Write-down of inventory

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

c. Recognition and measurement of defined benefit plans

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

	December 31	
	2016	**2015**
Cash on hand	$ 1,384	$ 1,419
Checking accounts and demand deposits	68,372	449,617
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	583,124	720,225
Repurchase agreements collateralized by bonds	29,981	-
	$ 682,861	$ 1,171,261

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

	December 31	
	2016	**2015**
Bank deposits	0.01%-7.40%	0.08%-4.20%
Repurchase agreements collateralized by bonds	0.38%	-

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Current		
Listed shares	$ 16,568	$ 17,088
Mutual funds	-	6,803
	$ 16,568	$ 23,891
Non- Current		
Emerging market shares	$ 180,213	$ -

8. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2016	2015
Non-current		
Unlisted shares - common stock	$ 18,034	$ 37,014
Unlisted shares - preferred stock	6,698	-
Mutual funds	35,631	35,631
	$ 60,363	$ 72,645
Classified according to measurement categories		
Available-for-sale	$ 60,363	$ 72,645

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

The Company recognized impairment loss on financial assets measured at cost as follows:

	December 31	
	2016	2015
Unlisted shares	$ -	$ 658

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2016	2015
Current		
Time deposits with original maturity of more than 3 months	$ 58,500	$ 786,615

The market interest rates of the time deposits with original maturity of more than 3 months were 1.06%-1.21% and 0.48%-4.00% per annum as of December 31, 2016 and 2015, respectively.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2016	2015
Notes receivable		
Operating	$ 3,078	$ 1,464
Trade receivables		
Trade receivables	$ 1,868,229	$ 1,758,156
Less: Allowance for impairment loss	(2,272)	(2,266)
	$ 1,865,957	$ 1,755,890
Other receivables		
Accrued interest	$ 1,038	$ 14,813
Payment on behalf of others	3,446	183
Others	15,650	10,307
	$ 20,134	$ 25,303

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

The aging of notes receivable, trade receivables and other receivables was as follows:

	December 31	
	2016	2015
Not past due	$ 1,889,166	$ 1,782,657
Past due 1-30 days	955	637
Past due 31-90 days	887	165
Past due 91-180 days	252	60
Past due above 181 days	181	1,404
	$ 1,891,441	$ 1,784,923

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:

	December 31	
	2016	2015
Past due 1-30 days	$ 3	$ -

The above aging schedule was based on the past due days from end of credit term.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	$ 2,164	$ -	$ 2,164
Add: Impairment losses recognized on receivables	-	495	495
Less: Impairment losses reversed	(393)	-	(393)
Balance at December 31, 2015	1,771	495	2,266
Add: Impairment losses recognized on receivables	360	-	360
Less: Impairment losses reversed	-	(354)	(354)
Balance at December 31, 2016	$ 2,131	$ 141	$ 2,272

The notes receivable and other receivables as of December 31, 2016 and 2015 were neither past due nor impaired.

11. INVENTORIES

	December 31	
	2016	2015
Merchandise	$ 532,332	$ 565,586
Finished goods	798,611	781,049
Work in progress	99,079	170,553
Raw materials	385,618	479,920
Packing materials	34,261	43,617
	$ 1,849,901	$ 2,040,725

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2016 included $12,310 thousand loss on write-downs of inventories, $13,720 thousand loss on abandonment of inventories and $469 thousand of unallocated overheads. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2015 included $23,779 thousand loss on write-downs of inventories, $10,658 thousand loss on abandonment of inventories and $1,168 thousand of unallocated overheads.

12. PREPAYMENTS

	December 31	
	2016	2015
Prepayments for supplies	$ 238,496	$ 237,484
Prepayments for equipment parts	17,993	15,704
Prepayments for fuel oil	4,688	6,829
Prepayments for insurance	772	6,684
Prepayments for advertisements	1,543	11,036
Others	110,168	81,685
	$ 373,660	$ 359,422

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2016	2015
Investments in subsidiaries	$ 9,482,421	$ 8,172,404
Unlisted companies		
Accession Limited	$ 3,450,223	$ 3,672,625
Standard Investment (Cayman) Limited (Cayman Standard)	4,353,895	3,003,751
Standard Dairy Products Taiwan Limited (Standard Dairy Products)	844,228	671,420
Charng Hui Ltd. (Charng Hui)	548,163	564,074
Domex Technology Corporation (Domex Technology)	192,794	179,721
Standard Beverage Company Limited (Standard Beverage)	79,022	80,813
Le Bonta Wellness International Corporation (Le Bonta Wellness)	14,096	-
	$ 9,482,421	$ 8,172,404

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	**2016**	**2015**
Accession Limited	100.0%	100.0%
Cayman Standard	100.0%	100.0%
Standard Dairy Products	100.0%	100.0%
Charng Hui	100.0%	100.0%
Domex Technology	52.0%	52.0%
Standard Beverage	100.0%	100.0%
Le Bonta Wellness (Note 27)	100.0%	-

Refer to Note 30 to the consolidated financial statements for the year ended December 31, 2016 for the disclosures of the Company's acquisition of Le Bonta Wellness. Refer to Note 35 for the details of the subsidiaries indirectly held by the Company.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Leased Assets	Other Equipment	Property in Construction	Total
Cost							
Balance at January 1, 2015	$ 396,356	$ 762,828	$ 1,815,574	$ 926	$ 180,617	$ 82,155	$ 3,238,456
Additions	-	-	95,103	-	14,896	44,918	154,917
Disposals	-	(634)	(30,868)	-	(2,848)	-	(34,350)
Transferred from prepayments for equipment	-	-	36,272	-	-	-	36,272
Reclassified	-	20,945	-	(926)	926	(20,945)	-
Balance at December 31, 2015	$ 396,356	$ 783,139	$ 1,916,081	$ -	$ 193,591	$ 106,128	$ 3,395,295

(Continued)

	Freehold Land	Buildings	Equipment	Leased Assets	Other Equipment	Property in Construction	Total
Accumulated depreciation and impairment							
Balance at January 1, 2015	$ -	$ 462,857	$ 1,342,376	$ 736	$ 141,194	$ -	$ 1,947,163
Disposals	-	(364)	(28,975)	-	(2,591)	-	(31,930)
Depreciation expense	-	34,620	105,010	30	15,521	-	155,181
Reclassified	-	-	-	(766)	766	-	-
Balance at December 31, 2015	$ -	$ 497,113	$ 1,418,411	$ -	$ 154,890	$ -	$ 2,070,414
Carrying amount at December 31, 2015	$ 396,356	$ 286,026	$ 497,670	$ -	$ 38,701	$ 106,128	$ 1,324,881
Cost							
Balance at January 1, 2016	$ 396,356	$ 783,139	$ 1,916,081	$ -	$ 193,591	$ 106,128	$ 3,395,295
Additions	-	951	-	-	458	208,169	209,578
Disposals	-	(3,687)	(5,343)	-	(7,615)	-	(16,645)
Reclassified	-	86,519	108,747	-	15,562	(210,828)	-
Balance at December 31, 2016	$ 396,356	$ 866,922	$ 2,019,485	$ -	$ 201,996	$ 103,469	$ 3,588,228
Accumulated depreciation and impairment							
Balance at January 1, 2016	$ -	$ 497,113	$ 1,418,411	$ -	$ 154,890	$ -	$ 2,070,414
Disposals	-	(3,546)	(5,330)	-	(7,214)	-	(16,090)
Depreciation expense	-	39,478	114,855	-	16,130	-	170,463
Balance at December 31, 2016	$ -	$ 533,045	$ 1,527,936	$ -	$ 163,806	$ -	$ 2,224,787
Carrying amount at December 31, 2016	$ 396,356	$ 333,877	$ 491,549	$ -	$ 38,190	$ 103,469	$ 1,363,441

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

Refer to Note 32 for the carrying amount of property, plant and equipment pledged by the Company to secure general banking facilities granted to the Company.

15. INVESTMENT PROPERTIES

	Completed Investment Property
Cost	
Balance at January 1 and December 31, 2015	$ 141,150
Accumulated depreciation and impairment	
Balance at January 1, 2015	$ 13,639
Depreciation expense	415
Balance at December 31, 2015	$ 14,054
Carrying amount at December 31, 2015	$ 127,096
Cost	
Balance at January 1 and December 31, 2016	$ 141,150
Accumulated depreciation and impairment	
Balance at January 1, 2016	$ 14,054
Depreciation expense	415
Balance at December 31, 2016	$ 14,469
Carrying amount at December 31, 2016	$ 126,681

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

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

The fair value of the investment properties was $330,259 thousand and $373,635 thousand as of December 31, 2016 and 2015. The management of the Company arrived at the fair value amounts by reference to market evidence of transaction prices for similar properties.

The Company has freehold interest in all of its investment property.

16. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2015	$ 175,777
Additions	8,256
Balance at December 31, 2015	$ 184,033
Accumulated amortization and impairment	
Balance at January 1, 2015	$ 169,287
Amortization expense	8,308
Balance at December 31, 2015	$ 177,595
Carrying amount at December 31, 2015	$ 6,438
Cost	
Balance at January 1, 2016	$ 184,033
Additions	6,144
Balance at December 31, 2016	$ 190,177
Accumulated amortization and impairment	
Balance at January 1, 2016	$ 177,595
Amortization expense	9,024
Balance at December 31, 2016	$ 186,619
Carrying amount at December 31, 2016	$ 3,558

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

Computer software	2-3 years

17. OTHER ASSETS

	December 31	
	2016	2015
Current		
Advances to officers	$ 11,883	$ 14,317
Non-current		
Refundable deposits	$ 14,022	$ 16,633
Others	6,087	10,186
	$ 20,109	$ 26,819

18. BORROWINGS

Short-term Borrowings

	December 31	
	2016	2015
Unsecured borrowings		
Bank loans	$ -	$ 639,000

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

19. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2016	2015
Notes payable		
Notes payable - operating	$ 3,757	$ 993
Trade payables		
Trade payables	$ 854,312	$ 854,640

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

20. OTHER LIABILITIES

	December 31	
	2016	2015
Current		
Other payables		
Payable for salaries or bonus	$ 125,475	$ 114,127
Payable for compensation of employees	28,215	29,347
Payable for remuneration of directors and supervisors	18,502	19,466
Payable for commission and rebate	372,603	382,036
Payable for advertisement	92,801	90,867
Payable for royalties	23,351	23,073
Payable for freight	6,987	6,602
Payable for labor and health insurance	12,365	12,677
Payable for green recycle fee	10,634	7,246
Others	117,769	148,067
	$ 808,702	$ 833,508

(Continued)

	December 31	
	2016	2015
Other liabilities		
Advance receipts from customers	$ 2,614	$ 7,687
Others	117	1,856
	$ 2,731	$ 9,543
Non-current		
Other liabilities		
Guarantee deposits	$ 1,005	$ 960

(Concluded)

21. PROVISIONS

	December 31	
	2016	2015
Current		
Customer returns	$ 9,197	$ 10,271

	Customer Returns
Balance at January 1, 2015	$ 8,593
Addition	108,206
Usage	(106,528)
Balance at December 31, 2015	10,271
Addition	111,265
Usage	(112,339)
Balance at December 31, 2016	$ 9,197

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.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan of the Company is 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 makes monthly contributions to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

Before the end of each year, the Company 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 Company 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 Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plan were as follows:

	December 31	
	2016	**2015**
Present value of defined benefit obligation	$ 510,410	$ 486,670
Fair value of plan assets	(237,064)	(262,507)
Net defined benefit liability	$ 273,346	$ 224,163

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

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2015	$ 431,685	$ (264,042)	$ 167,643
Service cost			
Current service cost	6,315	-	6,315
Others	7,088	-	7,088
Net interest expense (income)	7,554	(4,683)	2,871
Recognized in profit or loss	20,957	(4,683)	16,274
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,316)	(2,316)
Actuarial loss - changes in demographic assumptions	23,211	-	23,211
Actuarial loss - changes in financial assumptions	16,753	-	16,753
Actuarial loss - experience adjustments	10,854	-	10,854
Recognized in other comprehensive income	50,818	(2,316)	48,502
Contributions from the employer	-	(8,256)	(8,256)
Benefits paid	(16,790)	16,790	-
Balance at December 31, 2015	486,670	(262,507)	224,163
Service cost			
Current service cost	5,594	-	5,594
Net interest expense (income)	6,569	(3,546)	3,023
Recognized in profit or loss	12,163	(3,546)	8,617

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ 1,866	$ 1,866
Actuarial loss - changes in demographic assumptions	14,062	-	14,062
Actuarial loss - changes in financial assumptions	12,489	-	12,489
Actuarial loss - experience adjustments	20,271	-	20,271
Recognized in other comprehensive income	46,822	1,866	48,688
Contributions from the employer	-	(8,122)	(8,122)
Benefits paid	(35,245)	35,245	-
Balance at December 31, 2016	$ 510,410	$ 237,064	$ 273,346

(Concluded)

Through the defined benefit plan under the Labor Standards Law, the Company 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:

	December 31	
	2016	2015
Discount rate	1.125%	1.375%
Expected rate of salary increase	3.000%	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:

	December 31	
	2016	2015
Discount rate		
0.250% increase	$ (12,491)	$ (12,051)
0.250% decrease	$ 13,424	$ 12,497
Expected rate of salary increase		
0.250% increase	$ 12,923	$ 12,043
0.250% decrease	$ (12,527)	$ (11,676)

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.

	December 31	
	2016	2015
The expected contributions to the plan for the next year	$ 8,341	$ 8,627
The average duration of the defined benefit obligation	10.4 years	10.1 years

23. EQUITY

a. Common stock

1) Ordinary shares

	December 31	
	2016	2015
Number of shares authorized (in thousands)	880,000	800,000
Shares authorized	$ 8,800,000	$ 8,000,000
Number of shares issued and fully paid (in thousands)	879,893	792,697
Shares issued	$ 8,798,939	$ 7,926,972

2) Global depositary receipts

As of December 31, 2016, a total of 346,683 Global Depositary Receipts (GDRs) (representing 69,336.6 shares of the Company's common stock), each GDR representing five shares of the Company's common stock, were traded on the Euro MTF Market of the Luxembourg Stock Exchange. Holders of the GDRs may request at any time that the shares represented by the GDRs be transferred to them.

b. Capital surplus

	December 31	
	2016	**2015**
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
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 be used to offset a deficit</u>		
Recognized from treasury share transactions	68,978	59,734
<u>May not be used for any purpose</u>		
Share options	3,418	3,418
	$ 72,397	$ 63,153

* 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

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 shareholders held their regular meeting on June 22, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be appropriated from (less any paying taxes and deficit):

1) 10% thereof as legal reserve;

2) Special reserve provided or reversed in accordance with the regulations;

3) 30% to 100% of this 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%. The distribution plan will be proposed by the Company's board of directors and approved by the shareholders' meeting, with any undistributed retained earnings be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of the compensation of employees and remuneration of directors and supervisors before and after amendment, refer to Note 24, 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.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

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 2015 and 2014 approved in the shareholders' meetings on June 15, 2016 and June 26, 2015, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Years Ended December 31		**For the Years Ended December 31**	
	2015	**2014**	**2015**	**2014**
Legal reserve	$ 273,062	$ 207,585		
Cash dividends	1,268,315	1,153,014	$ 1.6	$ 1.6
Stock dividends	871,967	720,634	1.1	1.0

The appropriations of earnings for 2016 had been proposed by the Company's board of directors on March 24, 2017. The appropriations and dividends per share were as follows:

	December 31	
	2016	**2015**
Legal reserve	$ 260,654	
Special reserve	81,797	
Cash dividends	1,407,830	$1.6
Stock dividends	351,958	0.4

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held on June 22, 2017.

d. Other equity items

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

	For the Years Ended December 31	
	2016	**2015**
Balance at January 1	$ 367,770	$ 482,506
Exchange differences arising on translating the financial statement of foreign operations	(666,657)	(138,238)
Related income tax	113,331	23,502
Balance at December 31	$ (185,556)	$ 367,770

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

	For the Years Ended December 31	
	2016	2015
Balance at January 1	$ (5,969)	$ 4,032
Unrealized gain (loss) on revaluation of available-for-sale financial assets	177,298	(305)
Cumulative (gain) loss reclassified to profit or loss on sale of available-for-sale financial assets	(16,564)	(60)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of subsidiaries accounted for using the equity method	(4,036)	(8,720)
Related income tax	-	(916)
Balance at December 31	$ 150,729	$ (5,969)

3) Other equity items

	For the Years Ended December 31	
	2016	2015
Balance at January 1	$ (46,970)	$ -
Share of other equity of subsidiaries accounted for using the equity method	-	(46,970)
Balance at December 31	$ (46,970)	$ (46,970)

e. Treasury shares

Purpose of Buy-back	Shares Held by Subsidiaries (In Thousands of Shares)
Number of shares at January 1, 2015	5,252
Increase during the year	525
Number of shares at December 31, 2015	5,777
Increase during the year	636
Number of shares at December 31, 2016	6,413

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

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
December 31, 2016			
Chang Hui	6,413	$ 21,182	$ 491,232
December 31, 2015			
Chang Hui	5,777	$ 21,182	$ 474,327

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

24. NET PROFIT

Net Profit

a. Other income

	For the Years Ended December 31	
	2016	2015
Operating lease rental income		
Investment properties	$ 3,044	$ 3,240
Interest income		
Bank deposits	16,330	23,491
Others	225	2,317
	16,555	25,808
Dividends	9,711	7,725
	$ 29,310	$ 36,773

b. Other gains and losses

	For the Years Ended December 31	
	2016	2015
Net loss on disposal of property, plant and equipment	$ (423)	$ (2,281)
Net gain on disposal of available-for-sale financial assets	16,564	60
Net foreign exchange gains/(losses)	(12,499)	34,803
Impairment loss arising on financial assets measured at cost	-	(658)
Others	41,639	35,440
	$ 45,281	$ 67,364

c. Finance costs

	For the Years Ended December 31	
	2016	2015
Interest on bank loans	$ 2,580	$ 394
Other interest expense	1	27
Total interest expense on financial liabilities measured at amortized cost	2,581	421
Less: Amounts included in the cost of qualifying assets	(355)	(153)
	$ 2,226	$ 268

Information about capitalized interest was as follows:

	For the Years Ended December 31	
	2016	2015
Capitalized interest	$ 355	$ 153
Capitalization rate	0.814%-1.115%	1.120%-1.330%

d. Impairment loss on financial assets

	For the Years Ended December 31	
	2016	2015
Trade receivables	$ 6	$ 102
Financial assets measured at cost	-	658
	$ 6	$ 760

e. Depreciation and amortization

	For the Years Ended December 31	
	2016	2015
Property, plant and equipment	$ 170,463	$ 155,181
Investment properties	415	415
Intangible assets	9,024	8,308
Others	8,253	11,637
	$ 188,155	$ 175,541
An analysis of depreciation by function		
Operating costs	$ 128,467	$ 115,199
Operating expenses	41,996	39,982
Non-operating income and expenses	415	415
	$ 170,878	$ 155,596

(Continued)

	For the Years Ended December 31	
	2016	2015
An analysis of amortization by function		
Operating costs	$ 7,069	$ 6,847
Operating expenses	10,208	13,098
	$ 17,277	$ 19,945

(Concluded)

f. Operating expenses directly related to investment properties

	For the Years Ended December 31	
	2016	2015
Direct operating expenses of investment properties that generated rental income	$ 415	$ 415

g. Employee benefits expense

	For the Years Ended December 31	
	2016	2015
Post-employment benefits (see Note 22)		
Defined contribution plans	$ 26,068	$ 25,087
Defined benefit plans (see Note 22)	8,617	16,274
	34,685	41,361
Termination benefits	-	91
Other employee benefits	888,651	864,899
Total employee benefits expense	$ 923,336	$ 906,351
An analysis of employee benefits expense by function		
Operating costs	$ 449,809	$ 440,053
Operating expenses	473,527	466,298
	$ 923,336	$ 906,351

1) Compensation of employees and remuneration of directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the shareholders in their June 2016 meeting, the Company accrued compensation of employees and remuneration of directors and supervisors at the rates no less than 0.5% and no higher than 0.75%, respectively, of net profit before paying income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Company's board of directors on March 24, 2017 and March 24, 2016, respectively, were as follows:

Accrual rate

	For the Years Ended December 31	
	2016	**2015**
Compensation of employees	0.90%	0.90%
Remuneration of directors and supervisors	0.59%	0.60%

Amount

	For the Years Ended December 31	
	2016	**2015**
	Cash	**Cash**
Compensation of employees	$ 28,215	$ 29,347
Remuneration of directors and supervisors	18,502	19,466

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences will be recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2015.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus of employees and remuneration of directors and supervisors for 2014

The bonus of employees and remuneration of directors and supervisors for 2014 approved in the shareholders' meeting on June 26, 2015 were as follows:

	For the Year Ended December 31, 2014
	Cash
Bonus of employees	$ 26,156
Remuneration of directors and supervisors	18,683

There was no difference between the amounts of the bonus of employees and the remuneration of directors and supervisors approved in the shareholders' meeting on June 26, 2015 and the amounts recognized in the financial statements for the year ended December 31, 2014.

Information on the bonus of employees and remuneration of directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Years Ended December 31	
	2016	**2015**
Foreign exchange gains	$ 99,647	$ 131,882
Foreign exchange losses	(112,146)	(97,079)
Net gains/(losses)	$ (12,499)	$ 34,803

i. Impairment losses on non-financial assets

	For the Years Ended December 31	
	2016	**2015**
Inventories (included in operating costs)	$ 12,310	$ 23,779

25. INCOME TAXES

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

	For the Years Ended December 31	
	2016	**2015**
Current tax		
In respect of the current year	$ 389,677	$ 404,442
Income tax on unappropriated earnings	25,023	-
In respect of prior periods	(2,820)	2,372
	411,880	406,814
Deferred tax		
In respect of the current year	57,312	79,737
Income tax expense recognized in profit or loss	$ 469,192	$ 486,551

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

	For the Years Ended December 31	
	2016	2015
Profit before tax	$ 3,075,736	$ 3,217,164
Income tax expense calculated at the statutory rate	$ 522,875	$ 546,918
Nondeductible expenses in determining taxable income	13,419	5,775
Tax-exempt income	(89,305)	(68,514)
Income tax on unappropriated earnings	25,023	-
Adjustments for prior years' tax	(2,820)	2,372
Income tax expense recognized in profit or loss	$ 469,192	$ 486,551

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

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Years Ended December 31	
	2016	2015
Deferred tax		
In respect of the current year		
Translation of foreign operations	$ (113,331)	$ (23,502)
Remeasurement on defined benefit plans	(8,277)	(8,245)
Share of other comprehensive income (loss) of subsidiaries	(33)	561
Total income tax recognized in other comprehensive expense (income)	$ (121,641)	$ (31,186)

c. Current tax assets and liabilities

	December 31	
	2016	2015
Current tax assets		
Tax refund receivable	$ 31,500	$ 31,500
Current tax liabilities		
Income tax payable	$ 210,103	$ 221,211

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, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Loss on foreign investment	$ 139,814	$ (12,757)	$ -	$ 127,057
Exchange differences on foreign operations	-	-	38,005	38,005
Defined benefit plans	36,577	49	8,310	44,936
Deferred sales return and allowance	2,019	596	-	2,615
Allowance for inventory loss	4,995	(1,197)	-	3,798
Others	14,336	(3,153)	-	11,183
	$ 197,741	$ (16,462)	$ 46,315	$ 227,594
Deferred tax liabilities				
Temporary differences				
Gain on foreign investment	$ 29,729	$ 39,609	$ -	$ 69,338
Reverse for land value increment tax	33,685	-	-	33,685
Exchange differences on foreign operations	75,326	-	(75,326)	-
Others	2,066	1,241	-	3,307
	$ 140,806	$ 40,850	$ (75,326)	$ 106,330

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Loss on foreign investment	$ 189,967	$ (50,153)	$ -	$ 139,814
Defined benefit plans	27,858	119	8,600	36,577
Deferred sales return and allowance	5,387	(3,368)	-	2,019
Allowance for inventory loss	5,009	(14)	-	4,995
Available-for-sale financial assets	916	-	(916)	-
Others	10,648	3,688	-	14,336
	$ 239,785	$ (49,728)	$ 7,684	$ 197,741

(Continued)

Deferred tax liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Gain on foreign investment	$ -	$ 29,729	$ -	$ 29,729
Reverse for land value increment tax	33,685	-	-	33,685
Exchange differences on foreign operations	98,828	-	(23,502)	75,326
Others	1,786	280	-	2,066
	$ 134,299	$ 30,009	$ (23,502)	$ 140,806

(Concluded)

e. Integrated income tax

	December 31 2016	December 31 2015
Unappropriated earnings Generated after January 1, 1998	$ 3,277,073	$ 3,122,900
Imputation credits account	$ 332,519	$ 276,060

The actual creditable ratio for distribution of the Company's earnings of 2015 was 18.04%; 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 2016 cannot be reasonably estimated.

f. Income tax assessments

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

26. 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 24, 2016. The basic and diluted earnings per share for the year ended December 31, 2015 before and after retroactive adjustment were as follows:

Unit: NT$ Per Share

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	$ 3.47	$ 3.13
Diluted earnings per share	$ 3.47	$ 3.12

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

Net Profit for the Year

	For the Years Ended December 31	
	2016	**2015**
Profit for the period attributable to owners of the Company	$ 2,606,544	$ 2,730,613
Effect of potentially dilutive ordinary share	-	-
Earnings used in the computation of diluted earnings per share	$ 2,606,544	$ 2,730,613

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

	For the Years Ended December 31	
	2016	**2015**
Weighted average number of ordinary shares in computation of basic earnings per share	873,481	873,481
Effect of potentially dilutive ordinary shares:		
Compensation issue to employees	508	580
Weighted average number of ordinary shares used in the computation of diluted earnings per share	873,989	874,061

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation 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.

27. ACQUISITION OF A SUBSIDIARY - WITH OBTAINED CONTROL

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Le Bonta Wellness	Sale of health foods	March 15, 2016	100%	$ 14,350

Le Bonta Wellness Limited was acquired in order to expand the Company's activities in health foods. For details about the acquisition of Le Bonta Wellness, refer to Note 30 to the consolidated financial statements for the year ended December 31, 2016.

28. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Operating leases relate to leases of buildings with lease terms between 1 and 10 years. The Company does not have a bargain purchase option to acquire the leased office and parking lot at the expiration of the lease periods.

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

	December 31	
	2016	**2015**
Not later than 1 year	$ 22,354	$ 21,692
Later than 1 year and not later than 5 years	20,612	3,082
	$ 42,966	$ 24,774

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

	For the Years Ended December 31	
	2016	**2015**
Minimum lease payment	$ 35,236	$ 32,009

b. The Company as lessor

Operating leases relate to the investment property owned by the Company with lease terms for 5 years. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

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

	December 31	
	2016	**2015**
Not later than 1 year	$ 3,420	$ 1,080
Later than 1 year and not later than 5 years	12,511	-
	$ 15,931	$ 1,080

29. CAPITAL MANAGEMENT

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

30. FINANCIAL INSTRUMENTS

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

Fair value hierarchy

December 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Listed shares and emerging market shares				
Equity securities	$ 196,781	$ -	$ -	$ 196,781

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Listed shares				
Equity securities	$ 17,088	$ -	$ -	$ 17,088
Mutual funds	6,803	-	-	6,803
	$ 23,891	$ -	$ -	$ 23,891

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2016 and 2015.

b. Categories of financial instruments

	December 31	
	2016	2015
Financial assets		
Loans and receivables (1)	$ 2,779,069	$ 3,890,316
Available-for-sale financial assets (2)	257,144	96,536
Financial liabilities		
Amortized cost (3)	924,469	1,578,285

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

c. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 34.

<u>Sensitivity analysis</u>

The Company was mainly exposed to the RMB and USD.

The following table details the Company's sensitivity to a 3% increase or decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. A change of 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis 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 New Taiwan dollars weakening 3% against the relevant currency. For a 3% strengthening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	RMB Impact		**USD Impact**	
	For the Years Ended December 31		**For the Years Ended December 31**	
	2016	**2015**	**2016**	**2015**
Profit or loss	$ 8,717 (i)	$ 13,633 (i)	$ 5,640 (ii)	$ 31,504 (ii)

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

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

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

b) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at fixed interest rates. The Company pays attention to the fluctuations of exchange rates in the market, and takes appropriate actions to manage the exchange rate risk.

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

	December 31	
	2016	**2015**
Fair value interest rate risk		
Financial assets	$ 617,605	$ 1,368,757
Financial liabilities	-	639,126
Cash flow interest rate risk		
Financial assets	54,000	138,083

Sensitivity analysis

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

If interest rates had been 1% basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2016 and 2015 would decrease/increase by $540 thousand and $1,381 thousand, respectively.

The Company's sensitivity to interest rates decreased in the current year was mainly due to the decrease in variable rate debt investments with no active market.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2016 and 2015 would increase/decrease by $1,968 thousand and $239 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

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

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and due to financial guarantees provided by the Company could arise from:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheet; and

b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

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

The Company's concentration of credit risk of 78% and 79% in total trade receivables as of December 31, 2016 and 2015, respectively, was related to the Company'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 Company's balance sheet:

December 31, 2016

	Maximum Exposure to Credit Risk Mitigated by		
	Collateral	**Other Credit Enhancements**	**Total**
Receivables	$ 21,043	$ 3,075	$ 24,118

December 31, 2015

	Maximum Exposure to Credit Risk Mitigated by		
	Collateral	**Other Credit Enhancements**	**Total**
Receivables	$ 12,536	$ 6,028	$ 18,564

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2016 and 2015 the Company had available unutilized bank loan facilities in the amounts of $2,827,438 thousand and $1,846,700 thousand, respectively.

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

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 74,832	$ 175,145	$ 673,487	$ 1,005

December 31, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 108,527	$ 150,817	$ 678,674	$ 960
Finance lease liabilities	43	85	-	-
Fixed interest rate liabilities	630	640,171	-	-
	$ 109,200	$ 791,073	$ 678,674	$ 960

31. TRANSACTIONS WITH RELATED PARTIES

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

a. Sales of goods

Line Items	Related Party Categories	For the Years Ended December 31 2016	2015
Sales	Subsidiaries	$ 1,181,379	$ 1,246,436

Sales to related parties were conducted on normal commercial terms.

b. Purchases of goods

Related Party Categories	For the Years Ended December 31	
	2016	2015
Subsidiaries	$ 678,321	$ 697,462
The company is one of the directors	23,689	19,005
	$ 702,010	$ 716,467

Purchases from related parties were conducted on normal commercial terms.

c. Receivables from related parties

Line Items	Related Party Categories	December 31	
		2016	2015
Trade receivables	Subsidiaries	$ 131,147	$ 131,096
Other receivables	Subsidiaries	3,370	2,054
		$ 134,517	$ 133,150

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2016 and 2015, no impairment loss was recognized on receivables from related parties.

d. Payables from related parties

Line Items	Related Party Categories	December 31	
		2016	2015
Trade payables	Subsidiaries	$ 17,174	$ -
	The company is one of the directors	8,307	6,065
Other payables	Subsidiaries	-	33,119
		$ 25,481	$ 39,184

The outstanding payables from related parties are unsecured.

e. Property, plant and equipment acquired

Related Party Categories	Price For the Years Ended December 31	
	2016	2015
Subsidiaries	$ -	$ 307

f. Other transactions with related parties

Line Items	Related Party Categories	For the Years Ended December 31 2016	2015
Royalty revenue	Subsidiaries	$ 7,169	$ 5,211
Service revenue	Subsidiaries	1,320	1,320
Rental revenue	Subsidiaries	14	-
		$ 8,503	$ 6,531

g. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Categories	December 31 2016	2015
Subsidiaries		
Amount endorsed	$ 161,250	$ 164,125
Amount utilized	16,000	27,000

h. Compensation of key management personnel

	For the Years Ended December 31 2016	2015
Short-term employee benefits	$ 25,212	$ 23,565
Post-employment benefits	567	809
	$ 25,779	$ 24,374

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

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings facilities:

	December 31 2016	2015
Properties, plant and equipment	$ -	$ 228,031

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2016 were as follows:

a. The Company has entered into a license agreement with The Quaker Oats Company ("Quaker") for a period ending July 11, 2029. 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$2,000 thousand.

c. Commitments for purchase of properties of approximately $49,000 thousand.

d. The cash injection to Le Bonta Wellness International Corporation with no active market was approved in the meeting of the board of directors on August 3, 2016, the Company increase $330,000 thousand investment Le Bonta Wellness's capital. As of December 31, 2016, the cash injection had not been executed.

e. The cash injection to Shanghai Le Ben De Technology Co., Ltd (Shanghai Le Ben De) was approved in the meeting of the board of directors on November 11, 2016, the Company increase RMB40,900 thousand investment Shanghai Le Ben De's capital. The Company and Standard Investment (China) Co., Ltd. respectively hold 51% and 49% of the shares of Shanghai Le Ben De.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company 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, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 10,691	32.25 (USD:NTD)	$ 344,771
RMB	62,935	4.617 (RMB:NTD)	290,570
			$ 635,341
Non-monetary items			
Investments accounted for using equity method			
RMB	1,684,269	4.649 (RMB:NTD)	$ 7,830,168
Other			
USD	1,332	32.23-32.67 (USD:NTD)	43,426
			$ 7,873,594

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 4,859	32.25 (USD:NTD)	$ 156,758
EUR	2,847	33.90 (EUR:NTD)	96,518
AUD	1,342	23.29 (AUD:NTD)	31,240
			$ 284,516

(Concluded)

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 33,258	32.83 (USD:NTD)	$ 1,091,683
RMB	90,976	5.00 (RMB:NTD)	454,426
			$ 1,546,109
Non-monetary items			
Investments accounted for using equity method			
RMB	1,325,302	5.06 (RMB:NTD)	$ 6,699,400
Other			
USD	1,124	32.23-32.62 (USD:NTD)	36,641
			$ 6,736,041
Financial liabilities			
Monetary items			
USD	1,265	32.83 (USD:NTD)	$ 41,541
EUR	153	35.88 (EUR:NTD)	5,503
AUD	452	23.99 (AUD:NTD)	10,836
			$ 57,880

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Years Ended December 31			
	2016		2015	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	32.25 (USD:NTD)	$ 17,798	32.83 (USD:NTD)	$ 13,417
RMB	5.05 (RMB:NTD)	364	5.00 (RMB:NTD)	(1,549)
EUR	33.90 (EUR:NTD)	927	35.88 (EUR:NTD)	159
AUD	23.29 (AUD:NTD)	364	23.99 (AUD:NTD)	122
Other		(3)		2
		$ 19,450		$ 12,151

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financings provided: See Table 1 attached.

2) Endorsement/guarantee provided: See Table 2 attached.

3) Marketable securities held (excluding investments in subsidiaries): See Table 3 attached.

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: See Table 4 attached.

5) Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: See Table 5 attached.

6) Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: See Table 6 attached.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 7 attached.

9) Trading in derivative instruments: See Table 8 attached.

10) Information on investees (excluding investees of Mainland China): See Table 9 attached.

b. 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: 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: See Table 11 attached.

TABLE 1

STANDARD FOODS CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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.	Loans to related parties	Y	$ 267,600	$ -	$ -	-	b.	$ -	Need for operation	$ -	-	$ -	$ 3,468,483 (Note 3)	$ 3,468,483 (Note 3)	
2	Standard Investment (China) Co., Ltd.	Shanghai Le Jiun International Trade Co., Ltd.	Loans to related parties	Y	55,788	55,788	55,788	4.35%	b.	-	Need for operation	-	-	-	3,459,905 (Note 4)	3,459,905 (Note 4)	
3	Shanghai Standard Foods Co., Ltd.	Standard Foods (China) Co., Ltd.	Loans to related parties	Y	539,284	539,284	539,284	3.915%	b.	-	Need for operation	-	-	-	3,023,408 (Note 5)	3,023,408 (Note 5)	

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

Note 2: Reasons for financing are as follows:

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

Note 3: The total amount shall not exceed 100% of net value of Accession Limited, which was calculated to be $3,468,483 thousand (the net value per financial statements at September 30, 2016 of $3,468,483 thousand x 100%).

Note 4: The total amount shall not exceed 100% of net value of Standard Investment (China) Co., Ltd., which was calculated to be $3,459,905 thousand (the net value per financial statements as of September 30, 2016 of $3,459,905 thousand x 100%).

Note 5: The total amount shall not exceed 100% of net value of Shanghai Standard Foods Co., Ltd., which was calculated to be $3,023,408 thousand (the net value per financial statements as of September 30, 2016 of $3,023,408 thousand x 100%).

STANDARD FOODS CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(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.	$ 10,896,366 (Note 3)	$ 167,250	$ 161,250	$ 16,000	$ -	1.18%	$ 13,620,457 (Note 4)	Y	-	-	
1	Shanghai Standard Foods Co., Ltd.	Standard Foods (Xiamen) Co., Ltd.	c.	2,418,726 (Note 5)	70,950	70,950	-	-	2.35%	3,023,408 (Note 6)	-	-	Y	
		Standard Investment (China) Co., Ltd.	c.	2,418,726 (Note 5)	713,225	713,225	232,450	-	23.59%	3,023,408 (Note 6)	-	-	Y	
		Standard Foods (China) Co., Ltd.	c.	2,418,726 (Note 5)	582,106	248,325	-	-	8.21%	3,023,408 (Note 6)	-	-	Y	
2	Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	b.	2,767,924 (Note 7)	232,450	232,450	-	-	6.72%	3,459,905 (Note 8)	-	-	Y	
		Standard Foods (Xiamen) Co., Ltd.	b.	2,767,924 (Note 7)	1,534,170	1,534,170	-	-	44.34%	3,459,905 (Note 8)	-	-	Y	
		Shanghai Standard Foods Co., Ltd.	c.	2,767,924 (Note 7)	232,450	232,450	-	-	6.72%	3,459,905 (Note 8)	-	-	Y	

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

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

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

Note 3: The total amount shall not exceed 80% of the net value in the financial statements of Standard Foods Corporation; amount was calculated at $10,896,366 thousand (the net value per financial statements at September 30, 2016 of $13,620,457 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 $13,620,457 thousand (the net value per financial statements at September 30, 2016 of $13,620,457 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 $2,418,726 thousand (the net value per financial statements at September 30, 2016 of $3,023,408 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 $3,023,408 thousand (the net value per financial statements at September 30, 2016 of $3,023,408 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 $2,767,924 thousand (the net value per financial statements at September 30, 2016 of $3,459,905 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 $3,459,905 thousand (the net value per financial statements at September 30, 2016 of $3,459,905 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".

STANDARD FOODS CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(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, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note 2)	
Standard Foods Corporation	Stock							
	Far Eastern International Commercial Bank Co., Ltd.		Available-for-sale financial assets - current	1,278,574	$ 11,635	-	$ 11,635	
	Chunghwa Telecom Co., Ltd.		Available-for-sale financial assets - current	48,600	4,933	-	4,933	
	GeneFerm Biotechnology Co., Ltd	The Company is one of the directors	Available-for-sale financial assets - non-current	2,168,110	180,213	8.7	180,213	
	Dah Chung Bills Finance Corp.		Financial assets carried at cost - non-current	1,194,249	9,600	0.3	19,446	
	Mutual funds							
	VantagePoint Communications Partners, L.P.		Financial assets carried at cost - non-current	Note 1	1,129	0.5	190	
	Walden VC 2, L.P.		Financial assets carried at cost - non-current	Note 1	34,502	2.1	10,314	
	Stock							
	Techgains Pan-Pacific Corporation		Financial assets carried at cost - non-current	500,000	1,009	0.9	1,762	
	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	8,505	
	Paradigm Venture Capital Corporation		Financial assets carried at cost - non-current	255,310	2,554	7.0	2,801	
	U-Teck Environment Corporation, Ltd.		Financial assets carried at cost - non-current	11,200	-	0.2	-	
	Octamer, Inc. - Series E Preferred Stock		Financial assets carried at cost - non-current	800,000	-	7.8	-	
	Octamer, Inc. - Series F Preferred Stock		Financial assets carried at cost - non-current	107,815	-	1.0	-	
	Fortemedia, Inc. - Series D Preferred Stock		Financial assets carried at cost - non-current	3,455	89	1.2	88	
	Fortemedia, Inc. - Series E Preferred Stock		Financial assets carried at cost - non-current	71,397	1,120	1.2	1,105	
	Fortemedia, Inc. - Series F Preferred Stock		Financial assets carried at cost - non-current	29,173	600	1.2	593	
	Fortemedia, Inc. - Series G Preferred Stock		Financial assets carried at cost - non-current	31,135	641	1.3	634	
	Fortemedia, Inc. - Series I Preferred Stock		Financial assets carried at cost - non-current	29,102	1,284	1.3	1,267	
	Fortemedia, Inc. - Series - Common Stock		Financial assets carried at cost - non-current	12,938	63	1.2	63	
	Verisilicon Holdings Co., Ltd. - Series A Preferred Stock		Financial assets carried at cost - non-current	21,393	1,971	1.3	1,945	
	Verisilicon Holdings Co., Ltd. - Series B Preferred Stock		Financial assets carried at cost - non-current	2,756	280	1.3	276	
	Verisilicon Holdings Co., Ltd. - Series C Preferred Stock		Financial assets carried at cost - non-current	2,157	261	1.3	258	
	Verisilicon Holdings Co., Ltd. - Series E Preferred Stock		Financial assets carried at cost - non-current	3,431	452	1.3	446	
	Verisilicon Holdings Co., Ltd. - common stock		Financial assets carried at cost - non-current	324	24	1.3	24	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note 2)	
Standard Dairy Products Taiwan Limited	Mutual funds							
	Mega Diamond Money Market Fund		Available-for-sale financial assets - current	1,242,151	$ 15,425		$ 15,425	
	Capital Multi-Asset Allocation FOF		Available-for-sale financial assets - current	217,598	2,914		2,914	
	Jih Sun Money Market		Available-for-sale financial assets - current	2,974,615	43,637		43,637	
Charng Hui Ltd.	Stock							
	Standard Foods Corporation	Parent of Charng Hui Ltd	Available-for-sale financial assets - current	6,412,953	491,232	0.8	491,232	
	Formosa Plastics Corporation		Available-for-sale financial assets - current	91,440	8,156		8,156	
	China Steel Corporation		Available-for-sale financial assets - current	803,258	19,800		19,800	
	Polytronics Technology Corp.	Charng Hui Ltd. is one of the directors	Available-for-sale financial assets - current	1,596,000	93,206	2.0	93,206	
	Taiwan Semiconductor Manufacturing Co., Ltd.		Available-for-sale financial assets - current	90,000	16,335		16,335	
	Mutual funds							
	Jih Sun Money Market		Available-for-sale financial assets - current	639,177	9,377		9,377	
	Fuh Hwa Global Strategic Allocation FoF		Available-for-sale financial assets - current	1,000,000	9,730		9,730	
	Taishin 1699 Money Market		Available-for-sale financial assets - current	1,528,509	20,480		20,480	
	Franklin Templeton SinoAm Global Bd Acc		Available-for-sale financial assets - current	1,453,360	19,140		19,140	
	Franklin Templeton SinoAm Money Market		Available-for-sale financial assets - current	25,981,075	265,862		265,862	
	Stock							
	Hong Da Leasing & Finance Co., Ltd.		Financial assets carried at cost - non-current	8,297,000	-		-	
	CNEX Co., Ltd.	Charng Hui Ltd. is one of the directors	Financial assets carried at cost - non-current	1,000,000	5,400	6.0	5,315	
Standard Beverage Company Limited	Mutual funds							
	Fuh Hwa Greater China Mid & Small Cap		Available-for-sale financial assets - current	225,000	1,755		1,755	
	Franklin Templeton SinoAm Global Bd Acc		Available-for-sale financial assets - current	282,988	3,727		3,727	
DOMEX Technology Corporation	Stock							
	InnoComm Mobile Technology Corp.		Financial assets carried at cost - non-current	3,600,000	26,586	13.4	17,454	
Accession Limited	Mutual funds							
	AsiaVest Liquidation Co.		Financial assets carried at cost - non-current	200	3,327	0.7	3,352	

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.

(Concluded)

STANDARD FOODS CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(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	-	-	89,295,753	$ 3,003,751	45,040,100	$ 1,490,848	-	$ -	$ -	$ -	$ -	$ (140,704) (Note 1)	134,335,854	$ 4,353,895	
Standard Investment (Cayman) Limited	Standard Corporation (Hong Kong) Limited	Investments accounted for using equity method	-	-	89,270,753	3,003,507	45,017,101	1,490,101	-	-	-	-	-	(160,443) (Note 2)	134,287,854	4,333,165	
Standard Corporation (Hong Kong)	Standard Investment (China) Co., Ltd.	Investments accounted for using equity method	-	-	Note 7	3,002,609	Note 7	601,680	-	-	-	-	-	(70,940) (Note 3)	Note 7	3,533,349	
	Shanghai Le Ho Industrial Co., Ltd.	Investments accounted for using equity method	-	-	-	-	Note 7	554,928	-	-	-	-	-	(43,136) (Note 4)	Note 7	511,792	
	Shanghai Le Min Industrial Co., Ltd.	Investments accounted for using equity method	-	-	-	-	Note 7	333,168	-	-	-	-	-	(26,149) (Note 5)	Note 7	307,019	
Standard Investment (China) Co., Ltd.	Standard Foods (Xiamen) Co., Ltd.	Investments accounted for using equity method	-	-	Note 7	713,028	Note 7	586,244	-	-	-	-	-	(107,849) (Note 4)	Note 7	1,191,423	

Note 1: The recognition of $232,994 thousand increased this year was due to the equity method adopted for the accounting of the investment income. The recognition of $373,698 thousand decreased this year was due to the equity method adopted for the accounting of the translation adjustment.

Note 2: The recognition of $233,181 thousand increased this year was due to the equity method adopted for the accounting of the investment income. The recognition of $393,624 thousand decreased this year was due to the equity method adopted for the accounting of the translation adjustment.

Note 3: The recognition of $232,702 thousand increased this year was due to the equity method adopted for the accounting of the investment income. The recognition of $303,642 thousand decreased this year was due to the equity method adopted for the accounting of the translation adjustment.

Note 4: The recognition of $419 thousand increased this year was due to the equity method adopted for the accounting of the investment income. The recognition of $43,555 thousand decreased this year was due to the equity method adopted for the accounting of the translation adjustment.

Note 5: The recognition of $192 thousand increased this year was due to the equity method adopted for the accounting of the investment income. The recognition of $26,341 thousand decreased this year was due to the equity method adopted for the accounting of the translation adjustment.

Note 6: The recognition of $12,212 thousand decreased this year was due to the equity method adopted for the accounting of the investment income. The recognition of $95,637 thousand decreased this year was due to the equity method adopted for the accounting of the translation adjustment.

Note 7: This is a limited company with no issued shares.

STANDARD FOODS CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Types of Property	Transaction Date	Transaction Amount (Foreign Currencies in Thousands)	Payment	Counter-party	Nature of Relationships	Prior Transaction with Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
Shanghai Le Ho Industrial Co., Ltd.	Office building and parking space	January 27, 2016	RMB 110,384 thousand	RMB 99,345 thousand (Note)	Shanghai Guoxing Co., Ltd.	-	-	-	-	$ -	Per appraisal report of Cushman & Wakefield (Shanghai) Co., Ltd., the building is worth RMB127,900 thousand. However, the price negotiated by Shanghai Le Ho Industrial Co., Ltd. and Shanghai Guoxing Co., Ltd. is RMB110,384 thousand.	Business office	-
Shanghai Le Min Industrial Co., Ltd.	Office building and parking space	January 27, 2016	RMB 68,035 thousand	RMB 61,231 thousand (Note)	Shanghai Guoxing Co., Ltd.	-	-	-	-	-	Per appraisal report of Cushman & Wakefield (Shanghai) Co., Ltd., the building is worth RMB74,940 thousand. However, the price negotiated by Shanghai Le Min Industrial Co., Ltd. and Shanghai Guoxing Co., Ltd. is RMB68,035 thousand	Business office	-
Standard Foods (Xiamen) Co., Ltd.	Xiamen plant equipment	May 25, 2016	RMB 137,600 thousand	RMB 94,033 thousand (Note)	Nantong Si Jian Construction Group Co., Ltd.	-	-	-	-	-	Bidding	Building factories (still not complete)	-

Note: The amount of payment as of December 31, 2016.

TABLE 6

STANDARD FOODS CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable (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	$ (1,181,379)	10.14	55 days after month end closing (net of receivables and payables)	-	-	$ 131,147	6.55	
			Purchases	655,998	9.82	55 days after month end closing (net of receivables and payables)	-	-	-	-	
Standard Dairy Products Taiwan Limited	Standard Foods Corporation	Parent company of Standard Dairy Products Taiwan Limited	Purchases	1,181,379	60.79	55 days after month end closing (net of receivables and payables)	-	-	(131,147)	28.18	
			Sales	(655,998)	22.99	55 days after month end closing (net of receivables and payables)	-	-	-	-	
Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Sales	(3,606,963)	91.90	60 days after month end closing	-	-	1,427,613	99.87	
Standard Investment (China) Co., Ltd.	Shanghai Standard Foods Co., Ltd.	Brother company of Standard Investment (China) Co., Ltd.	Purchases	3,606,963	36.78	60 days after month end closing	-	-	(1,427,613)	68.43	
Shanghai Standard Foods Co., Ltd.	Standard Foods (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Sales	(105,672)	2.69	60 days after month end closing	-	-	621	0.04	
Standard Foods (China) Co., Ltd.	Shanghai Standard Foods Co., Ltd.	Brother company of Standard Foods (China) Co., Ltd.	Purchases	105,672	1.43	60 days after month end closing	-	-	(621)	0.07	
Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (China) Co., Ltd.	Sales	(6,130,543)	99.33	55 days after month end closing	-	-	656,786	95.33	
Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Purchases	6,130,543	62.52	55 days after month end closing	-	-	(656,786)	31.48	

STANDARD FOODS CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2016
(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	$ 131,147	9.01	$ -	-	$ 131,147	(Note 1)	$ -	
			Other receivables	2,257		-	-	2,257	(Note 1)	-	
				$ 133,404		$ -		$ 133,404	(Note 1)	$ -	
Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Trade receivables	$ 1,427,613	3.28	$ 276,749	Enhance the recovery of accounts receivable based on the adequacy of operating cash flow	$ 251,046	(Note 1)	$ -	
			Trade receivables from sale of trademark rights	127,658		-	-	-	(Note 1)	-	
			Other receivables	46,480		-	-	-	(Note 1)	-	
				$ 1,601,751		$ 276,749		$ 251,046	(Note 1)	$ -	
	Standard Foods (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Trade receivables	$ 621	0.42	$ -	-	$ 621	(Note 1)	$ -	
			Financing receivables	539,284		-	-	-	(Note 1)	-	
			Other receivables	468		-	-	468	(Note 1)	-	
				$ 540,373		$ -		$ 1,089	(Note 1)	$ -	
Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (China) Co., Ltd.	Trade receivables	$ 656,786	24.34	$ -	-	$ 656,786	(Note 1)	$ -	
			Other receivables	37,432		-	-	37,432	(Note 1)	-	
				$ 694,218		$ -		$ 694,218	(Note 1)	$ -	

Note 1: Amounts received before March 24, 2017.

STANDARD FOODS CORPORATION

DERIVATIVES TRADING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

The Company was not engaged in derivatives trading during 2016.

Standard Investment (China) Co., Ltd. ("China Standard Investment") and Shanghai LeBen De Health Technology Co., Ltd. ("Shanghai Le Ben De") entered into structured time deposits in 2016 mainly to earn from favorable effects on fluctuations of interest rates.

Shanghai Standard Foods Co., Ltd. (Shanghai Standard Foods) entered into futures contracts during 2016 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, 2016, China Standard Investment and Shanghai Le Ben De did not have outstanding structured time deposit.

As of December 31, 2016, Shanghai Standard Foods had outstanding futures contract as follows:

	December 31, 2016				
Financial Instruments	**Type**	**Quantities (Metric Tons)**	**Contract Amount (In Thousands of RMB)**	**Market Price (In Thousands of RMB)**	**Net Gain (Loss) (In Thousands of RMB)**
Soybean oil futures contracts	Sell	700	$ 4,833	$ 4,894	$ 61

As of December 31, 2016, the amount of the margin deposits paid by Shanghai Standard Foods was RMB1,421 thousand, which had been included in other non-current assets.

The net loss from derivative transactions at Mercantile Exchange for Shanghai Standard Foods, China Standard Investment and Shanghai Le Ben De was RMB241 thousand in 2016.

STANDARD FOODS CORPORATION

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2016			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	%	Carrying Amount			
Standard Foods Corporation	Accession Limited	Tortola, British Virgin Islands	Investment business	$ 3,936,267	$ 3,936,267	123,600,000	100	$ 3,450,223	$ 73,518	$ 70,750 (Note 1)	Subsidiary
	Standard Investment (Cayman) Limited	Grand Cayman, Cayman Islands	Investment business	4,230,611	2,739,763	134,335,854	100	4,353,895	232,944	232,994	Subsidiary
	Standard Dairy Products Taiwan Limited	Taipei, Taiwan	Manufacture and sale of dairy products and beverages	300,853	300,853	30,000,000	100	844,228	452,542	458,008 (Note 2)	Subsidiary
	Charng Hui Ltd.	Taipei, Taiwan	Investment business	530,000	530,000	54,100,000	100	548,163	11,645	2,401	Subsidiary
	DOMEX Technology Corporation	Hsinchu, Taiwan	Manufacture and sale of computer peripherals and computer and information products	114,116	114,116	10,374,399	52	192,794	81,572	42,425	Subsidiary
	Standard Beverage Company Limited	Taipei, Taiwan	Manufacture and sale of beverages	79,072	79,072	7,907,000	100	79,022	1,276	1,653 (Note 3)	Subsidiary
	Le Bonta Wellness International Corporation	Yilan, Taiwan	Sale of health foods	14,350	-	Note 4	100	14,096	2,632	3,146	Subsidiary
Accession Limited	Dermalab S.A.	Switzerland	Development and sale of cosmetics	206,905	206,905	320	80	34,859	(34,139)	(34,139)	Indirect subsidiary
Dermalab S.A.	Swiss Line Cosmetics China Limited	Hong Kong	Sale of cosmetics	39	39	10,000	100	-	-	-	Indirect subsidiary
	Swissderma SL	Spain	Sale of cosmetics	96	96	3,000	100	-	-	-	Indirect subsidiary
Standard Investment (Cayman) Limited	Standard Corporation (Hong Kong) Limited	Hong Kong	Investment business	4,229,114	2,739,013	134,287,854	100	4,333,165	233,181	233,181	Indirect subsidiary

Note 1: This amount was the share of profit of investee of $73,158 thousand minus the unrealized gain on sidestream transaction of $2,407 thousand.

Note 2: This amount was the share of profit of investee of $452,542 thousand plus the realized gain on upstream transaction of $5,466 thousand.

Note 3: This amount was the share of profit of investee of $1,276 thousand plus the realized gain on upstream transaction of $377 thousand.

Note 4: This is a limited company with no issued shares.

STANDARD FOODS CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 2016	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016	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)	$ 91,341	100	$ 91,341 (Note 10)	$ 3,022,996	$ -	
Inner Mongolia Jiatai Agriculture Technology Co., Ltd.	Production of sunflower	92,235	c. (Note 5)	- (Note 5)	-	-	- (Note 5)	11	100	11 (Note 10)	3,097	-	
Standard Investment (China) Co., Ltd.	Investment and sales of edible oil products and nutritional food	3,334,336	b. (Note 6)	2,732,656	601,680	-	3,334,336 (Note 6)	232,702	100	232,702 (Note 10)	3,533,349	-	
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)	60,827	100	38,527 (Note 10)	1,672,305	-	
Shanghai Dermalab Corporation.	Sale of nutritional food, cosmetics and international trading	29,949	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	(18,837)	100	(18,837) (Note 10)	(2,606)	-	
Shanghai Le Ben tuo Health Technology Co.	Sale of nutritional food and international trading	199,370	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	(10,494)	100	(10,494) (Note 10)	172,253	-	
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)	31,220 (Note 4)	-	-	31,220 (Note 4)	405	100	405 (Note 10)	28,986	-	
Standard Foods (Xiamen) Co., Ltd.	Manufacture and sale of edible oil products and nutritional food	1,307,582	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	(12,212)	100	(12,212) (Note 10)	1,191,423	-	
Shanghai Le Ho Industrial Co., Ltd.	Property management	554,928	b. (Note 6)	-	554,928	-	554,928	419	100	419 (Note 10)	511,792	-	
Shanghai Le Min Industrial Co., Ltd.	Property management	331,168	b. (Note 6)	-	333,168	-	333,168	192	100	192 (Note 10)	307,019	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 8,256,506	$ 8,769,476	Unlimited amount of investment (Note 11)

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

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

(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: Accession Limited is the investor company in third region.

Note 4: There was no difference between the beginning balance and the ending balance of the accumulated amount invested from Taiwan for the year ended December 31, 2016; the investment remained at $4,034,074 thousand. Of the $4,034,074 thousand, $53,279 thousand has been retained in Accession Limited. The remaining balance of thereof, amounting to $3,980,795 thousand, was originally the outward remittance of the investment of Shanghai Standard Foods Co., Ltd. in 2015. However, as of July 2015, of the $3,980,795 thousand, $31,220 thousand was invested in Shanghai Le Ben De Health Technology Co., Ltd. by Shanghai Standard Foods Co., Ltd. In the aggregate, the outward remittance of the investments 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 reinvested through company registered in Mainland China was Shanghai Standard Foods Co., Ltd.

Note 6: Standard Corporation (Hong Kong) Limited is the investor company in third region.

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

Note 8: This company was invested in by Dermalab S.A. that was acquired by Dermalab S.A. is the investor company in third region.

Note 9: This company was spun off from Shanghai Standard Foods Co., Ltd; it is the investor company in third region.

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

Note 11: The Industrial Development Bureau of the MOEA issued the proofing document of operational headquarters to the Company; the document is still valid within the audit period. Hence, according to the Investment Commission of the MOEA, there is no upper limit on the amount of investment.

(Concluded)

STANDARD FOODS CORPORATION

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Purchases

Investee Company	Company in Third Area	Transaction Details		Comparison with Normal Transaction	Purchases		Notes/Accounts Payable as of December 31, 2016		Note
		Price	Payment Term		Amount	%	Ending Balance	%	
Standard Foods (China) Co., Ltd.	-	According to normal commercial terms	45 days after the bill of lading	Normal	$ 18,801	0.3	$ 17,174	1.4	-

STANDARD FOODS CORPORATION

THE CONTENTS OF SCHEDULES OF MAJOR ACCOUNTING ITEMS

STANDARD FOODS CORPORATION

SCHEDULE OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Interest Rate	Amount
Cash on hand			$ 1,384
Cash in banks			
Checking account deposits			27,923
Demand deposits		0.01%-0.08%	374
Foreign currency demand deposits	Including RMB5 thousand @4.617, EUR7 thousand @33.90 and US$1,235 thousand @32.25	0.13%-0.40%	40,075
			68,372
Cash equivalents			
Foreign time deposits	Including US$9,100 thousand @32.25, expired by January 2017, and RMB62,735 thousand @4.617, expired by February 2017	0.7%-7.4%	583,124
Repurchase agreements collateralized by bonds	Expired by January 2017	0.38%	29,981
			613,105
			$ 682,861

STANDARD FOODS CORPORATION

SCHEDULE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Shares/ Units	Par Value (NT$)	Total Amount	Cost	Accumulated Impairment	Unit Cost (NT$)	Total Amount
Listed shares							
Far Eastern International Commercial Bank Co., Ltd.	1,278,574	10	$ 12,786	$ 17,114	$ -	9.10	$ 11,635
Chunghwa Telecom Co., Ltd.	48,600	10	486	4,063	-	101.50	4,933
				$ 21,177	$ -		$ 16,568

STANDARD FOODS CORPORATION

SCHEDULE OF DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Description	Number	Par Value	Total Amount	Annual Interest Rate	Book Value	Remark
Taishin International Bank time deposit	Expired by January 2017, maturity interest	1	4,500	$ 4,500	1.205%	$ 4,500	Fixed
Far Eastern International Bank time deposit	Expired by October 2017, maturity interest	5	2,900	14,500	1.055%	14,500	Floating
Far Eastern International Bank time deposit	Expired by November 2017, maturity interest	5	2,900	14,500	1.055%	14,500	Floating
Far Eastern International Bank time deposit	Expired by November 2017, maturity interest	4	2,500	10,000	1.055%	10,000	Floating
Far Eastern International Bank time deposit	Expired by December 2017, maturity interest	6	2,500	15,000	1.055%	15,000	Floating
				$ 58,500		$ 58,500	

STANDARD FOODS CORPORATION

SCHEDULE OF TRADE RECEIVABLES
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
Company A	$ 615,942
Company B	352,565
Company C	215,382
Company D	274,655
Others (Note)	409,685
	1,868,229
Less: Allowance for impairment loss	(2,272)
	$ 1,865,957
Related party	
Standard Dairy Products Taiwan Limited	$ 131,147

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

STANDARD FOODS CORPORATION

SCHEDULE OF INVENTORIES
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

	Amount	
Item	Cost	Net Realizable Value
Merchandise	$ 532,332	$ 765,418
Finished goods	798,611	1,406,122
Work in progress	99,079	183,754
Raw materials	385,618	631,140
Packaging materials	34,261	49,902
	$ 1,849,901	$ 3,036,336

STANDARD FOODS CORPORATION

AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Item	Balance January 1, 2016		Addition		Deduction		Unrealized	Balance, December 31, 2016			
	Shares	Fair Value	Shares	Amount	Shares	Amount	Gain/(Loss)	Shares	Fair Value	Collateral	Remark
Emerging market shares											
GeneFerm Biotechnology Co., Ltd	-	$ -	2,168,110	$ 17,156	-	$ -	$ 163,057	2,168,110	$ 180,213	Nil	Note

Note: The number of shares increased this year was due to the reclassification from financial assets measured at cost - non-current

STANDARD FOODS CORPORATION

SCHEDULE OF CHANGES IN FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2016		Addition		Deduction		Accumulated Reversal of Impairment Loss	Balance, December 31, 2016		Collateral	Accumulated Impairment	Remark
	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount		Shares/Units	Amount			
Walden VC II L.P.	-	$ 34,502	-	$ -	-	$ -	$ -	-	$ 34,502	Nil	$ 82,801	Note 1
Authenex, Inc.	2,424,242	-	-	-	-	-	-	2,424,242	-	Nil	67,580	-
Global Strategic Investment Co., Ltd.	850,500	4,784	-	-	-	-	-	850,500	4,784	Nil	3,721	-
VantagePoint Communications Partners, L.P.	-	1,129	-	-	-	-	-	-	1,129	Nil	23,516	Note 1
GeneFerm Biotechnology Co., Ltd.	2,344,110	18,549	-	-	2,344,110	18,549	-	-	-	Nil	-	Note 2
Paradigm Venture Capital Corporation	307,125	3,072	-	-	51,815	518	-	255,310	2,554	Nil	-	Note 3
Dah Chung Bills Finance Corporation	1,194,249	9,600	-	-	-	-	-	1,194,249	9,600	Nil	-	-
Techgains Pan-Pacific Corporation	500,000	1,009	-	-	-	-	-	500,000	1,009	Nil	9,185	-
U-Teck Environment Corporation, Ltd.	11,200	-	-	-	-	-	-	11,200	-	Nil	1,362	-
Octamer, Inc. - Series E preferred stock	800,000	-	-	-	-	-	-	800,000	-	Nil	16,607	-
Octamer, Inc. - Series F preferred stock	107,815	-	-	-	-	-	-	107,815	-	Nil	3,536	-
ForteMedia, Inc. - Series D preferred stock	-	-	3,455	89	-	-	-	3,455	89	Nil	-	Note 4
ForteMedia, Inc. - Series E preferred stock	-	-	71,397	1,120	-	-	-	71,397	1,120	Nil	-	Note 4
ForteMedia, Inc. - Series F preferred stock	-	-	29,173	600	-	-	-	29,173	600	Nil	-	Note 4
ForteMedia, Inc. - Series G preferred stock	-	-	31,135	641	-	-	-	31,135	641	Nil	-	Note 4
ForteMedia, Inc. - Series I preferred stock	-	-	29,102	1,284	-	-	-	29,102	1,284	Nil	-	Note 4
ForteMedia - common stock	-	-	12,938	63	-	-	-	12,938	63	Nil	-	Note 4
Verisilicon Holdings Co., Ltd. - series A preferred stock	-	-	21,393	1,971	-	-	-	21,393	1,971	Nil	-	Note 4
Verisilicon Holdings Co., Ltd. - series B preferred stock	-	-	2,756	280	-	-	-	2,756	280	Nil	-	Note 4
Verisilicon Holdings Co., Ltd. - series C preferred stock	-	-	2,157	261	-	-	-	2,157	261	Nil	-	Note 4
Verisilicon Holdings Co., Ltd. - series E preferred stock	-	-	3,431	452	-	-	-	3,431	452	Nil	-	Note 4
Verisilicon Holdings Co., Ltd. - common stock	-	-	324	24	-	-	-	324	24	Nil	-	Note 4
		$ 72,645		$ 6,785		$ 19,067	$ -		$ 60,363			

(Continued)

Note 1: Unit is not applicable.

Note 2: The number of shares decreased this year was due to sale of 176,000 shares and reclassification of 2,168,110 shares to available-for-sale financial assets - non-current. The amounts decreased this year were due to sale of $1,393 thousand and the reclassification of $17,156 thousand to available-for-sale financial assets - non-current.

Note 3: The number of shares reduced this year was due to the investee's reduction in capital; the amount already invested in the investee decreased because of the investee's return of investment in cash.

Note 4: The increases in both the number of shares and the amount were due to the liquidation of iGlobe Partners Fund L.P. and the distribution of its holding of the shares of other companies.

(Concluded)

STANDARD FOODS CORPORATION

SCHEDULE OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2016		Addition		Decrease		Balance, December 31, 2016			Net Assets Value		Collateral	Remark
	Shares/Unit	Amount	Shares/Unit	Amount	Shares/Unit	Amount	Shares/Unit	%	Amount	Unit Price (NT$)	Total Price		
Accession Limited	123,600,000	$ 3,672,625	-	$ 70,750	-	$ 293,152	123,600,000	100.00	$ 3,450,223	28.2	$ 3,475,655	Nil	Note 1
Standard Dairy Products Taiwan Limited	30,000,000	671,420	-	460,208	-	287,400	30,000,000	100.00	844,228	28.7	858,386	Nil	Note 2
Charng Hui Ltd.	54,100,000	564,074	-	11,645	-	27,556	54,100,000	100.00	548,163	19.3	1,039,395	Nil	Note 3
DOMEX Technology Corporation	10,374,399	179,721	-	42,425	-	29,352	10,374,399	52.00	192,794	18.5	192,199	Nil	Note 4
Standard Beverage Company Limited	7,907,000	80,813	-	1,653	-	3,444	7,907,000	100.00	79,022	10	78,915	Nil	Note 5
Standard Investment (Cayman) Limited	89,295,753	3,003,751	45,040,100	1,723,842	-	373,698	134,335,853	100.00	4,353,895	32.3	4,353,895	Nil	Note 6
Le Bonta Wellness International Corporation	-	-	-	17,496	-	3,400	-	100.00	14,096		13,837	Nil	Notes 7 and 8
		$ 8,172,404		$ 2,328,019		$ 1,018,002			$ 9,482,421		$ 10,012,282		

Note 1: The recognition of the amount increased this year was due to the equity method adopted for the accounting of the investment income of $70,750 thousand. The recognition of $293,152 thousand decreased this year was due to the equity method adopted for the accounting of the translation adjustment of $292,959 thousand and of other comprehensive income of $193 thousand.

Note 2: The recognition of $460,208 thousand increased this year was due to the equity method adopted for the accounting of the investment income of $458,008 thousand and of other comprehensive income of $2,200 thousand. The recognition of 287,400 thousand decreased was due to the receipt of the cash dividend of $287,400 thousand issued by the investee.

Note 3: This is a subsidiary of the Company, and because it held the share of the Company and received cash division from the Company. Therefore, the increase in the aggregate was $11,645 thousand of which $9,244 was the adjustment to the capital surplus and $2,401 was the investment income accounted for under the equity method.

Note 4: The recognition of the amount increased this year was due to the equity method adopted for the accounting of the investment income of $42,425 thousand. The recognition of $29,352 thousand decreased this year was due to the receipt of the cash dividend of $28,530 thousand issued by the investee and of other comprehensive income of $822 thousand.

Note 5: The recognition of the amount increased this year was due to the equity method adopted for the accounting of the investment income of $1,653 thousand. The recognition of $3,444 thousand decreased this year was due to the receipt of the cash dividend of $3,109 thousand issued by the investee and of other comprehensive income of $335 thousand.

Note 6: The increase in the shares held is due to the increase in the investment. The total amount increased was $1,723,842 of which $1,490,848 thousand was the investment thereof and of which $232,994 was the investment income accounted for under the equity method. The recognition of $373,698 decreased this year was due to the equity method adopted for the accounting of the translation adjustment.

Note 7: The total amount increased was $17,496 of which $14,350 thousand was the investment thereof and of which $3,146 was the investment income accounted for under the equity method. The recognition of the amount decreased this year was due to the receipt of the cash dividend of $3,400 thousand issued by the investee

Note 8: This is a limited company with no issued shares.

STANDARD FOODS CORPORATION

SCHEDULE OF TRADE PAYABLES
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Unrelated parties	
Company A	$ 114,051
Company B	84,101
Others (Note)	656,160
	$ 854,312
Related parties	
Standard Foods (China) Co., Ltd.	$ 17,174
GeneFerm Biotechnology Co., Ltd.	8,307
	$ 25,481

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

STANDARD FOODS CORPORATION

SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Item	Quantity (Tons)	Amount
Nutritious foods	83,192	$ 10,965,568
Cooking products	23,854	2,101,557
Others	10,114	341,693
Total sales		13,408,818
Less: Sales returns		(105,965)
Sales allowances		(1,647,062)
Net sales		$ 11,655,791

STANDARD FOODS CORPORATION

SCHEDULE OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of goods sold - finished goods	
Raw materials, beginning of year	$ 523,537
Add: Raw materials purchased	4,490,302
Transferred from other accounts	12,342
Less: Sales of raw materials	(59,719)
Other use	(5,283)
Raw materials scrapped	(4,204)
Loss on physical inventory of raw materials	(3,634)
Raw materials, end of year	(419,879)
Raw materials consumed	4,533,462
Direct labor	228,255
Manufacturing expenses	798,531
Manufacturing costs	5,560,248
Work in progress, beginning of year	170,553
Add: Gain on physical inventory of work in progress	30
Less: Transferred to other accounts	(35,189)
Work in progress scrapped	(3,601)
Work in progress, end of year	(99,079)
Cost of finished goods	5,592,962
Finished goods, beginning of year	781,049
Less: Transferred to other accounts	(73,880)
Finished goods scrapped	(4,438)
Loss on physical inventory of finished goods	(32)
Finished goods, end of year	(798,611)
Cost of goods sold - finished goods	5,497,050
Cost of goods sold - merchandise	
Merchandise, beginning of year	565,586
Add: Merchandise purchased	2,220,464
Less: Other use	(6,116)
Merchandise scrapped	(1,477)
Loss on physical inventory of merchandise	(26)
Merchandise, end of year	(532,332)
Cost of goods sold - merchandise	2,246,099
Cost of sales of raw materials	59,719
Unallocated fixed manufacturing expenses	469
Loss on physical inventory	3,662
Inventory scrap losses	13,720
	$ 7,820,719

STANDARD FOODS CORPORATION

SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Amount
Advertising expenses	$ 737,992	$ -	$ -	$ 737,992
Salaries and pensions	210,664	183,126	26,768	420,558
Freight expenses	95,364	-	-	95,364
Taxes	15,620	511	17	16,148
Professional service fees	1,658	18,326	872	20,856
Rental	13,526	11,283	69	24,878
Insurance premiums	21,446	11,950	2,421	35,817
Amortization	2,626	7,308	274	10,208
Depreciation	12,915	8,609	20,472	41,996
Traveling expenses	18,185	2,985	603	21,773
Repair and maintenance expenses	15,487	935	1,494	17,916
Computer expenses	404	16,433	234	17,071
Meal expenses	6,073	1,995	565	8,633
Postage and telephone charges	1,408	1,021	361	2,790
Entertainment expenses	1,946	8,521	308	10,775
Employee welfare	8,679	3,135	776	12,590
Utilities	5,221	1,815	670	7,706
Donations	3,408	21,188	-	24,596
Others	39,408	36,030	70,233	145,671
Cost-sharing sectors (Note)	29,717	(62,167)	2,190	(30,260) (Note)
	$ 1,241,747	$ 273,004	$ 128,327	$ 1,643,078

Note: Transferred to the manufacturing expenses.

STANDARD FOODS CORPORATION

SCHEDULE OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

	Year Ended December 31, 2016				Year Ended December 31, 2015			
Item	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Expense	Total
Labor cost								
Salary and bonus	$ 367,310	$ 399,737	$ -	$ 767,047	$ 359,810	$ 387,362	$ -	$ 747,172
Labor and health insurance	33,144	29,583	-	62,727	33,270	29,766	-	63,036
Pension	16,567	18,118	-	34,685	16,449	24,912	-	41,361
Others	32,788	26,089	-	58,877	30,524	24,258	-	54,782
	$ 449,809	$ 473,527	$ -	$ 923,336	$ 440,053	$ 466,298	$ -	$ 906,351
Depreciation	$ 128,467	$ 41,996	$ 415	$ 170,878	$ 115,199	$ 39,982	$ 415	$ 155,596
Amortization	$ 7,069	$ 10,208	$ -	$ 17,277	$ 6,847	$ 13,098	$ -	$ 19,945

As of December 31, 2016 and 2015, the Company had 876 and 877 employees, respectively.

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

Seven. Review of Financial Position, Financial Performance, and Risk Management

I. Financial position

Comparative financial analysis Unit: NTD Thousand

Item \ Date	As of December 31, 2015	As of December 31, 2016	Difference	
			Amount	%
Current Assets	15,391,892	15,127,876	(264,016)	(1.72%)
Property, Plant and Equipment	3,783,949	4,684,441	900,492	23.80%
Intangible Assets	166,422	144,702	(21,720)	(13.05%)
Other Assets	1,187,011	1,862,067	675,056	56.87%
Total Assets	20,529,274	21,819,086	1,289,812	6.28%
Current Liabilities	6,441,771	6,865,895	424,124	6.58%
Noncurrent Liabilities	584,030	535,430	(48,600)	(8.32%)
Total Liabilities	7,025,801	7,401,325	375,524	5.34%
Equity attributable to owners of the parent	13,306,157	14,217,975	911,818	6.85%
Capital Stock	7,926,972	8,798,939	871,967	11.00%
Capital Surplus	63,153	72,397	9,244	14.64%
Retained Earnings	5,022,383	5,449,618	427,235	8.51%
Other equity	314,831	(81,797)	(396,628)	(125.98%)
Treasury Stock	(21,182)	(21,182)	0	0.00%
Non-controlling interest	197,316	199,786	2,470	1.25%
Total equity	13,503,473	14,417,761	914,288	6.77%

Remark:

1. Increase in property, plant and equipment in 2016 was mainly because of the plant construction in progress from Standard Food (Xiamen) Co., Ltd.
2. Increase in other assets in 2016 was mainly from the plant construction in progress from Standard Food (Xiamen) Co., Ltd.
3. The decrease in other equity in 2016 was due to lower currency translation difference from the financial statements of overseas business units, which was mainly caused by the depreciation of exchange rate of RMB and USD against NT dollar.

II. Financial performance

(I) Comparative analysis of operational results

Unit: NT$ Thousand

Fiscal year / Item	2015	2016	Increase (decrease) amount	Increase (decrease)
Sales revenue	25,514,586	27,073,564	1,558,978	6
Gross Profit	8,040,850	8,005,049	(35,801)	-
Operating Income	3,287,048	3,011,552	(275,496)	(8)
Non-operating Income/expense	111,503	268,253	156,750	141
Earnings before tax	3,398,551	3,279,805	(118,746)	(3)
Income tax expense	646,084	642,049	(4,035)	(1)
Net income from continuing operations	2,752,467	2,637,756	(114,711)	(4)
Loss from discontinued operations	-	-	-	-
Net income (loss)	2,752,467	2,637,756	(114,711)	(4)
Other comprehensive profit and loss for the period(Net amount after tax)	(191,612)	(438,072)	(246,460)	129
Current comprehensive income/loss	2,560,855	2,199,684	(361,171)	(14)

Analysis of financial ratio change:

1. The increase in non-operating income in 2016 was due to a government subsidy recognized by Standard Investment (China) Ltd.
2. The decrease in other comprehensive income for the year was mainly because of the depreciation of RMB and USD against NTD, causing a lower currency translation difference from the financial statements of overseas business units.

(II) Potential impact on and significant change of the future business operations of the Company: None.

III. Analysis of Cash Flows

(I) Cash Flow Analysis of the Current Year

Unit: NT$ Thousand

Cash and Cash Equivalents Beginning of the Year (1)	Net Cash Inflows From Operating Activities during the year (2)	Other Cash Outflows (3)(Note)	Cash Surplus (Deficit) (1)+(2) - (3)	Remedy for Cash Shortfall	
				Investing Plans	Financing Plans
2,916,818	2,264,903	3,014,171	2,167,550	N/A	N/A

1. Operating activities: Current Net cash inflow was NT$2,264,903 thousand mainly due to an increase in operating profit.
2. Investing activities: The current net cash outflow was NT$1,328,725 thousand mainly due to the purchase of real estate, factory buildings, and equipment.
3. The net cash outflow was NT$1,547,810 thousand mainly due to the payment of cash dividends and short-term debt repayment.

Note: It includes the effect of exchange rate on cash and cash equivalents.

(II) Corrective action for insufficient liquidity and liquidity analysis

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

Fiscal year / Item	2015(1)	2016(2)	Increase (decrease) (2)-(1) / (1)
Cash flow ratio	41.49	32.99	-20.49%
Cash flow adequacy ratio	110.34	105.11	-4.74%
Cash reinvestment ratio	8.89	5.41	-39.15%

Analysis of financial ratio change:

1. A lower cash flow ratio in 2016 was due to a lower net cash inflow from operation activities, caused by increase in inventory and account payable levels.
2. Cash re-investments decreased in 2016 was mainly due to a higher level in total fixed assets, which lowered the net cash inflow from operation activities.

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

Unit: NT$ Thousand

Cash and Cash Equivalents Beginning of the Year (1)	Net Cash Inflows From Operating Activities during the year (2)	Other Cash Outflows (3)	Cash Surplus (Deficit) (1)＋(2) - (3)	Remedy for Cash Shortfall	
				Investing Plans	Financing Plans
2,167,550	1,836,065	2,158,000	1,845,615	N/A	N/A

1. **Cash Flow Analysis for the Next Fiscal Year**
   (1) **Sales activities:** Estimated cash inflows were the results of estimated operating profit.
   (2) **Investment activities:** It was mainly due to the increase of property, plant and equipment.
   (3) **Investment activities:** Mainly due to cash dividend distribution.
2. **Corrective action for insufficient cash liquidity and liquidity analysis:** N/A.

IV. Impact of major capital expenditure on finance and business in the current year.

(I) Major capital expenditure and the funding sources of the year

Unit: NT$ Thousand

Projects Item	Actual or Expected Sources of Capital	Actual or Expected Dates of Completion	Total Capital Needed	Actual or expected capital expenditures				
				2016	2017	2018	2019	2020
Procurement of machinery, transportation and office equipment and computer software; betterment projects for premises and buildings and land use	Self-sufficient capital	2017	1,850,000	1,100,000	750,000	-	-	-

(II) Expected effectiveness from expansion plans:

1. **Expected increase in production and sales volume, value and gross profit:** Annual production increased by 11%, annual sales increased by 10%, and annual gross profit by 9%.
2. **Other effects:** Increase capacity to reduce outsourcing, enhance self-production rate and utilization rate, and fulfill market demand nearby to reduce logistics cost and increase overall profit.

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

Unit: NT$ Thousand

Remark / Item	2016 income (loss) amount	Policies	Reasons for gain or loss	Remedial plans	Investment plan in one year
Shanghai Standard Foods Co.	91,341	Investment had been mainly focusing on the food-related industry and has shifted to production for the group’s cooking oil brands in China in recent years.	Increased market demand and rising capacity utilization.	Work with the team together to integrate all resources.	Will be based on future market development.
Standard Dairy Products Taiwan Ltd.	452,542	Focus on the product development and sales of food-related industry for increasing market share and generating profits.	Stable sales growth and high production capacity utilization.	Grasp the pulse of the market, continue to develop new products to meet customer needs with innovative ideas, and manage costs and expenses to maintain profits.	No defined investment plan is made so far.
Standard Investment (China) Ltd.	232,702	Established as Standard Food Group's investment and sales head office in China to expand sales from the local market and generate profits.	Steady sales growth and rising capacity utilization.	Initiates focused marketing by market segmentation, optimizing product structure, and expanding marginal contribution.	Depends on future changes in market demand to enhance multi-channel development and improve competitive advantages.
Standard Foods (China) Ltd.	60,827	Establish as the production base for edible oil and nutritious food products.	Increased market demand and rising capacity utilization.	Expand product lines to fully utilize production capacity and reduce fixed cost amortization.	Continue to implement relevant product expansion plans.
Dermalab S.A.	(34,139)	Plan all-rounded development and products to cater the change of market structure and consumer habits.	Going under development planning and market expanding stage.	Actively expand the market reach and strengthen internal control mechanism.	Continue to develop the beauty and cosmetic market.

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

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

1. Interest rate: Interest rate risk arises primarily from bank loans. The 2016 bank loan interest expense amounted to 1.61% of the net income before tax; therefore, interest rate changes have little effect on Standard Foods's profit or loss. In prospect, the Company will continue to monitor the movement of interest rates and will reduce interest rate risk by adjusting the position of assets and liabilities.

2. Exchange rate: As most ingredients were imported overseas, any change in the exchange rate will affect profitability. In addition to establishing defined operational strategies and strict risk control processes, Standard Food swill cope with changes in the spot exchange rate to reduce exchange volatility risk.

3. Inflation: The Directorate-General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan announced on February 15, 2017 the 2016 CPI forecast at 1.08%; on the other hand, the target figure is 3% (or close to the 10-year average)for China, announced by the local government on March 05, 2017. These suggest that inflation factors will bring insignificant impact on the Standard Foods' profitability and business operations.

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

The Company did not engage in any high-risk and high-leverage investment in 2016 and up to the printing of this report. However, the subsidiaries in China had used futures contract to hedge risk that was resulted from price fluctuation of raw material. Commodity futures contract is applied to hedge the risk arising from price fluctuations of raw material, but it cannot completely eliminate the risk of price fluctuations.

Loaning of company funds in 2016 and up to the printing of this report all went to subsidiaries directly or indirectly owned by the Company as revolving capital. No company fund was lent to non-affiliates of Standard Foods.

In 2016 and up to the printing of this report, the endorsement and guarantee was the loan guarantee that Standard Foods provided to 100%-owned, directly or indirectly, subsidiaries, or guarantee among them.

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

Research projects	Completion	Expected research expenditure in the future	Expected completion time	Major factors to impact future success
The research and development of health foods	Completed 21%	NT$11,840 thousand	Q4 2017	Product development and clinical test result

(IV) The impact of changes in domestic and foreign policy and law on the Company's financial operations and the response measures:

The Legislative Yuan passed on

January 20, 2015 the Act Governing Food Safety and Sanitation to specify that food businesses shall voluntarily accept the audit of third-party verification authorities. Moreover, the Ministry of Health and Welfare of Executive Yuan announced, on July 31, 2015, a list of operators that shall create the food traceability system to promote the system's implementation. According to the announcement, the required operators must upload the tracing data to the "Food Traceability System" The Company will be kept abreast with the development of the food regulation, domestically and internationally, to make the necessary adjustment and uphold its "quality and safety" commitment to continuously control the quality of each part of food production processes and optimize supply chain management to prioritize food health for consumers.

(V) **The impact of technological change on the Company's financial operations and the response measures:** Standard Foods values the importance of technological development and industrial changes; also, has always been committed to the use of information technology, such as, introducing ERP, setting up the Group's video conferencing systems, setting up network telephone and the Group's employee internet management systems, and human resources management system in order to reduce cost and enhance the competitiveness of the Company with a positive and effective use of information technology.

(VI) **Impact of changes in corporate image on business crisis management and response measures:** Standard Foods believes in repaying society in multiple ways, in addition to making donations or sponsoring the activities of educational, charitable and minority groups from time to time, product quality and safety are also closely monitored. The Company has obtained GMP Good Manufacturing Practice, CAS Premium Agricultural Products and ISO 22000 Food Safety and Health Certification, and the long-lasting trust of consumers.

(VII) **Expected benefits or risks and responsive measures associated with merger and acquisition plans:** The Company acquired 100% equity of Le Bonta Wellness International Co. to meet the diversification need for the group and to add positive impact to the sales. No operation shall be affected due to the acquisition price paid.

(VIII) **The expected effect and possible risk of plant expansion and the response measures:** The Company is mainly to continue having the existing old product line and equipment replaced with new ones in order to improve productivity and quality. Standard Foods (Xiamen) Co., Ltd., a subsidiary, is conducting the planned production lines expansion for taking advantage of the convenient geographic proximity to have the regional resources integrated in order to reduce product and transportation cost. The construction of other product lines will be promoted subsequently in response to the sales demand of Standards Foods in China, to further expand sales scale, and to improve operational performance in China; therefore, there should be no risk expected.

(IX) **Risk of centralized purchase or sales, and the response measures:** The major individual vendor of Standard Foods is for less than 10% of the total purchase amount in 2016. In addition, Company A was the major sales customer for 14.9% of the net sales. The rest of the sales customers were for less than 10% of the total sales; therefore, there was no centralized purchase or sales.

(X) **The impact, risk and response measures of material shares transfers or conversions by directors, supervisors, or major shareholders with over 10% shareholdings:** A lower shareholding from the Company's CEO is the result of the personal financial arrangement and the purpose of business continuity which would require shares to be transferred under the trust. Such transfer shall not make impact to the Company's operation.

(XI) The impact of changes in the company's operation rights, risk and response measures: None, as shares transferred from the Chairman(CEO) are held under trust; therefore, no operation rights are impacted.

(XII) The risk of the finalized or pending major litigation, non-litigation, or administrative disputes involving the company and its directors, supervisors, President, person-in-charge, shareholders with over 10% shareholdings, and subsidiaries significantly affecting shareholder equity or security price: None.

(XIII) Other important risks and responsive measures:

1. Risk management policy:
   Standard Foods' risk management policy is to establish risk identification, to measure, monitor and control risk management mechanisms, to structure an overall risk management system, and promote an appropriate risk management-oriented business model in order to achieve business goals and enhance shareholder value.
   For the risks of business marketing, production operations, human resources planning, new product development and financial accounting controls faced by Standard Foods' operations, in addition to the original specification of the system and process, the Company has also developed advanced supervision, assessment and risk control procedures and standards. These take into account safety and efficiency and establish a more cost-effective business model, strengthening the establishment of information systems and enhancing monitoring capabilities.

2. Organizational structure for risk management:
   Standard Foods has a risk response organization setup that is stratified according to organizational units and managed by the President, with the responsible unit of each center designated to promote business risk management.
   (1) Financial risk, liquidity risk, credit risk, and legal risk: The Finance & Accounting and Compliance units are responsible for strategy formation and enforcement. In addition, they analyze and assess the responsive measures adopted for changes in laws, policies, and market development, which are audited and monitored though the risk assessment by the auditing unit.
   (2) Market risk: The department heads of Standard Foods are to have strategies formed and enforced in accordance with the job responsibilities. In addition, they analyze and assess the responsive measures for changes in laws, policies, and market development.
   (3) Internal Auditing unit: It is under the direct administration of the Board of Directors. It regulates the Company's risk assessment and control operating procedures to help complete the overall risk management action plans. In addition, it also applies a risk assessment and audit model to examine high risk items that affect the goal achievement of the Company and affiliated companies; also manages an internal control system to increase the value of the organization and improve management and operational risk.

VII. Other Important Matters: None.

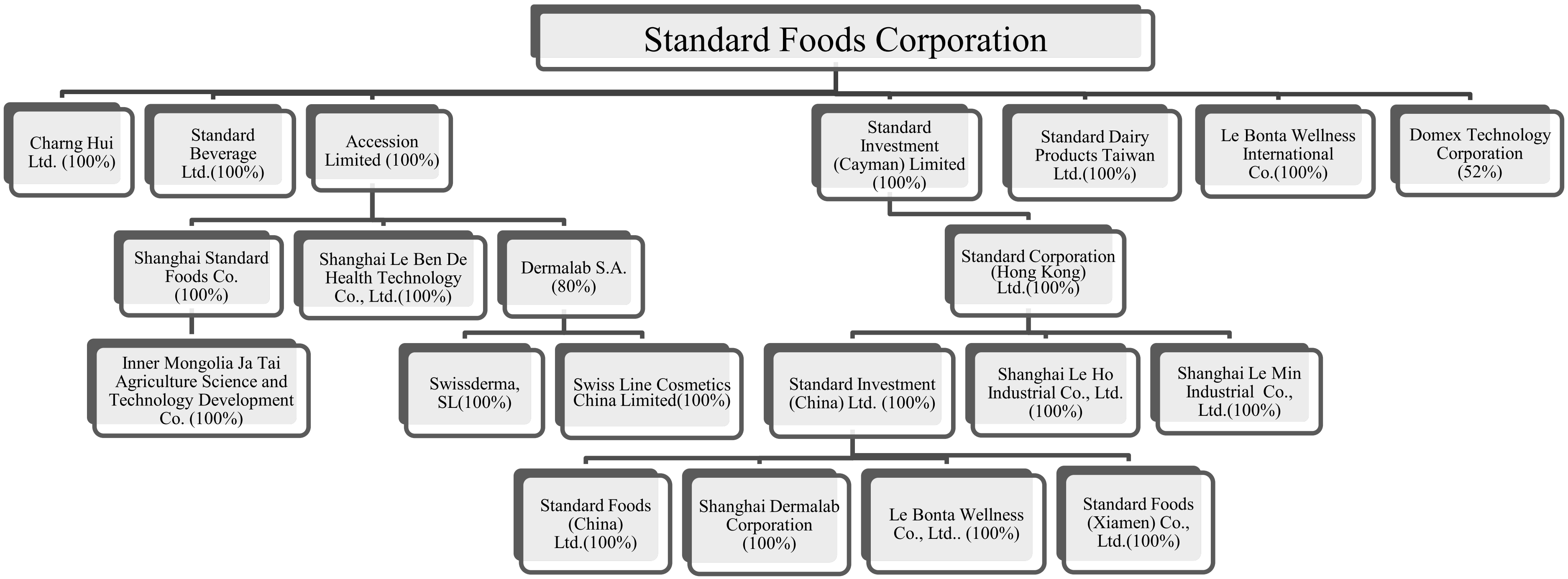
Eight. Special Disclosures

I. Related parties

(I) Consolidated business report of the related parties

1. 2016 consolidated business report of the related parties

(1) Organizational chart of the related parties



(2) Related party information

Unit: NTD Thousand, unless otherwise stated

Corporation	Date of Establishment	Address	Total paid-in capital	Major business or products
Standard Dairy Products Taiwan Ltd.	April 16, 1999	5F., No.136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City	300,000	Production and sales of dairy products and beverage
Standard Beverage Ltd.	March 24, 1998	5F., No.136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City	79,070	Production and sales of beverages
Charng Hui Ltd.	April 28, 1997	5F., No.136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City	541,000	Investment
Le Bonta Wellness International Co.	February 23, 2005	3F., No.136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City	10,000	Selling of health supplement products
Domex Technology Corporation	July 30, 1986	No.6, Hsinan Road, Hsinchu Science Industrial Park, Hsinchu City	199,471	Manufacture and sale of computer peripherals and computer appliances
Accession Limited	May 17,2000	Portcullis TrustNet Chambers, P. O. Box 3444, Road Town, Tortola, British Virgin Islands	US$123,600 thousand	Investment
Standard Investment (Cayman) Limited	August 5, 2011	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1– 1205, Cayman Islands	US$134,336 thousand	Investment
Standard Corporation (Hong Kong) Ltd.	August 30, 2011	Room 1004, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.	US$134,288 thousand	Investment
Dermalab S.A.	October 31, 1989	Seestrasse 59,8703 Erlenbach, Switzerland	CHF 400 thousand	Development and sales of cosmetics and skincare products
Swissderma, SL	July 5,2012	CalleBalmes 177, 08006 Barcelona, Spain	€3 thousand	Sales of cosmetics and skincare products
Swiss Line Cosmetics China Limited	April 18, 2012	Rm 1701, 17/7, Fee Tat Comm. Ctr., 613 Nathan Road, Mongkok, Kln, Hong Kong	HKD10 thousand	Sales of cosmetics and skincare products
Shanghai Standard Foods Co.	September 11, 2001	3rd floor, Building 8, o.1128, Wuzhong Road, Shanghai	US$123,500 thousand	Production and sales of edible oil and nutritious products
Inner Mongolia Ja Tai Agriculture Science and Technology Development Co.	May 28,2008	Mon-New Industrial Park, Din-Kou County, Inner Mongolia	RMB 20,000 thousand	Farming and produce wholesale and retailing
Standard Investment (China) Ltd.	December 26, 2011	No. 88, Dalien W. Rd., Economy and Technology Development District (New District), Taicang Port	US$107,248 thousand	Investments/selling of cooking oil and nutriments
Standard Foods (China) Ltd.	January 21, 2012	No. 88, Dalian W. Rd., Economy and Technology Development District (New District), Taicang Port	US$55,000 thousand	Making and selling cooking oil and nutriments
Shanghai Dermalab Corporation	July 25, 2014	418 Futer E. Rd Sec one., Room 703, Level 7, Shanghai Free-Trade Zone	RMB6,000 thousand	Sales of nutrition foods and import/export trade.
Le Bonta Wellness Co., Ltd..	December 2, 2014	29 Chiatai Rd., 1st Building West Wing, Room 558, Shanghai Free-Trade Zone	RMB39,200 thousand	Sales of nutrition foods and import/export trade.

Shanghai Le Ben De Health Technology Co., Ltd.	May 11,2015	1128 Wuzhong Road, 2nd Floor, Block 8, Shanghai City	US$1,000 thousand	Technological transfer, technical consultation, and technical service in health technology.
Standard Foods (Xiamen) Co., Ltd.	Sep 2,2015	No. 99 Sandu Rd. Xiamen Pian District, Pilot Free Trade Zone	US$40,000 thousand	Manufacture and sales of cooking oil and nutrition supplements
Shanghai Le Ho Industrial Co., Ltd.	Jun 8,2015	1-30 Minbei Road, Room BN138, Block 22, Shanghai City	RMB110,000 thousand	Property management
Shanghai Le Min Industrial Co., Ltd.	Jun 8,2015	1-30 Minbei Road, Room BN139, Block 22, Shanghai City	RMB66,000 thousand	Property management

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

(4) The division of business operations of affiliated companies and the related business of the affiliated companies: Standard Foods Corporation and its affiliated companies are principally engaged in food industry, trade, investment, and computer peripherals, equipment and IT product manufacturing. The milk and flavored milk of Standard Foods Corporation are sold to Standard Dairy Products Taiwan Ltd. and then to the market. Standard Diary Products Taiwan Ltd. Sell its cereal beverages and Quaker Complete Nutrition Food to Standard Foods Corporation to re-sell them to over companies. The beverages of Standard Beverage Ltd. are sold to Standard Foods Corporation and then to the market. The sunflower seeds of Inner Mongolia Jia Tai Agriculture Science and Technology Development Co. are sold to Shanghai Standard Foods Co. as the raw material for edible oil. Standard Investment (China) Ltd. sells edible oil products that are purchased from the subcontractor, Shanghai Standard Foods Co. and Standard Foods (China) Ltd., for resale. Standard Foods (Xiamen) Co., Ltd. will manufacture and sell edible oil and nutrition supplement. Le Bonta Wellness Co., Ltd. sells nutrition supplements and engages in import-export trade. Shanghai Le Ben De Health Technology Co., Ltd. makes technology transfer, consulting and service within the field of health technology. Shanghai Dermalab Corporation sells nutrition supplements and cosmetics and engages in import-export trade. Dermalab S.A, Swissderma, SL and Swiss Line Cosmetics China Limited sell cosmetics and skincare products. Shanghai Le Ho Industrial Co., Ltd. and Shanghai Le Min Industrial Co., Ltd. engage in property management. Le Bonta Wellness International Co. mainly distributes health supplement products.

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

Corporation	Title	Name or Representative	Shareholding	
			Shares (Invested capital)	Shareholding ratio (Capital investment ratio)
Standard Dairy Products Taiwan Ltd.	Director	Standard Foods Corporation Representative: Ter-Fung Tsao Glendy Chiang Chris Hong	30,000,000 shares	100.00%
	Supervisor	Standard Foods Corporation Representative: Sophia Huang	30,000,000 shares	100.00%
	President	Yu-Ting Huang	—	—
Standard Beverage Ltd.	Director	Standard Foods Corporation Representative: Ter-Fung Tsao Glendy Chiang Chris Hong	7,907,000 shares	100.00%
	Supervisor	Standard Foods Corporation Representative: Sophia Huang	7,907,000 shares	100.00%
Charng Hui Ltd.	Director	Standard Foods Corporation Representative: Yao Steven Yih-Chun Wendy Tsao Smart Hsu	54,100,000 shares	100.00%
	Supervisor	Standard Foods Corporation Representative: Sophia Huang	54,100,000 shares	100.00%
Le Bonta Wellness International Co.	Director	Yao Steven Yih-Chun	NT$ 10,000 thousand founded	100.00%
Domex Technology Corporation	Director	Standard Foods Corporation Representative: Ter-Fung Tsao Chun-Hsin Ku Chris Hong	10,374,399 shares	52.01%
	Supervisor	Sophia Huang	3,794 shares	0.02%
	President	Chun-Hsin Ku	542,513 shares	2.72%
Accession Limited	Director	Ter-Fung Tsao	— Standard Foods Corporation holds 123,600,000 shares.	— 100.00%
Standard Investment (Cayman) Limited	Director	Ter-Fung Tsao	— 134,335,854 shares held by Standard Foods Corporation	— 100.00%
Standard Corporation (Hong Kong) Ltd.	Director	Ter-Fung Tsao	— 134,287,854 shares held by Standard Investment (Cayman) Limited	— 100.00%

Corporation	Title	Name or Representative	Shareholding: Shares (Invested capital)	Shareholding: Shareholding ratio (Capital investment ratio)
Dermalab S.A.	Chairman	Michael Massalsky	—	—
	Director	Arthur Tsao	—	—
	Director	Yao Steven Yih-Chun	—	—
	Director	Glendy Chiang	—	—
	Director	Kelly Yao	—	—
			320 shares held by Accession Limited	80.00%
Shanghai Standard Foods Co.	Chairman	Jason Hsuan	—	—
	Director	Arthur Tsao	—	—
	Director	Kelly Yao	—	—
	Director	Wei-Lun Tang	—	—
			US$ 123,500 thousand founded through Accession Limited	100.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—
Inner Mongolia Ja Tai Agriculture Science and Technology Development Co.	Director	Ter-Fung Tsao	—	—
			RMB$ 20,000 thousand founded through Shanghai Standard Foods Co.	100.00%
Standard Investment (China) Ltd.	Chairman	Jason Hsuan	—	—
	Director	Ter-Fung Tsao	—	—
	Director	Arthur Tsao	—	—
	Director	Glendy Chiang	—	—
			US$ 107,248 thousand founded through Standard Corporation (Hong Kong) Limited	100.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—
Standard Foods (China) Ltd.	Chairman	Jason Hsuan	—	—
	Director	Arthur Tsao	—	—
	Director	Kelly Yao	—	—
	Director	Wei-Lun Tang	—	—
			US$55,000 thousand founded through Standard Investment (China) Ltd.	100.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—

Corporation	Title	Name or Representative	Shareholding	
			Shares (Invested capital)	Shareholding ratio (Capital investment ratio)
Shanghai Dermalab Corporation	Chairman	Arthur Tsao	—	—
	Director	Kelly Yao	—	—
	Director	Hong-Jun Chen	—	—
			Founded by Standard Investment (China) Ltd. with RMB 6,000 thousand	100.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—
Le Bonta Wellness Co., Ltd.	Chairman	Jason Hsuan	—	—
	Director	Arthur Tsao	—	—
	Director	Kelly Yao	—	—
	Director	Hong-Jun Chen	—	—
			Founded by Standard Investment (China) Ltd. with RMB39,200 thousand	100.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—
Shanghai Le Ben De Health Technology Co., Ltd.	Chairman	Arthur Tsao	—	—
	Director	Kelly Yao	—	—
	Director	Guang-Yao Yu	—	—
			Accession Limited funded USD1,000 thousand	100.00%
	Supervisor	Wei-Lun Tang	—	—
	President	Arthur Tsao	—	—
Standard Foods (Xiamen) Co., Ltd.	Chairman	Jason Hsuan	—	—
	Director	Arthur Tsao	—	—
	Director	Kelly Yao	—	—
	Director	Wei-Lun Tang	—	—
			Founded by Standard Foods (China) Ltd. With USD40,000 thousand	100.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—

Corporation	Title	Name or Representative	Shareholding	
			Shares (Invested capital)	Shareholding ratio (Capital investment ratio)
Shanghai Le Ho Industrial Co., Ltd.	Chairman Director Director	Arthur Tsao Kelly Yao Wei-Lun Tang	— — — RMB 110,000 thousand founded by Standard Corporation (Hong Kong) Ltd.	— — — 100.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—
Shanghai Le Min Industrial Co., Ltd.	Chairman Director Director	Arthur Tsao Kelly Yao Wei-Lun Tang	— — — RMB 66,000 thousand founded by Standard Corporation (Hong Kong) Ltd.	— — — 100.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—

(6) Operational highlights of affiliated companies

Unit: NT$ Thousand

Corporation	Stock capital	Total Assets	Total Liabilities	Net worth	Sales revenue	Operating Income (loss)	Net income (loss)	Earnings per share ($) (after-tax)
Standard Dairy Products Taiwan Ltd.	300,000	1,519,276	660,890	858,386	2,852,973	537,167	452,542	15.08
Standard Beverage Ltd.	79,070	201,580	122,665	78,915	1,731	(3,057)	1,276	0.16
Charng Hui Ltd.	541,000	1,040,514	1,119	1,039,395	280,923	12,890	11,645	0.22
Domex Technology Corporation	199,471	869,611	499,997	369,614	1,483,333	80,619	81,572	4.09
Le Bonta Wellness International Co.	10,000	16,755	2,918	13,837	11,129	3,687	2,632	(Note 1)
Accession Limited	3,930,777	3,526,440	50,785	3,475,655	0	(5,197)	73,158	0.19
Shanghai Standard Foods Co.	3,949,575	3,467,544	444,548	3,022,996	3,924,845	83,621	91,341	(Note 1)
Shanghai Le Ben De Health Technology Co., Ltd.	31,220	29,106	120	28,986	0	(44)	405	(Note 1)
Inner Mongolia Ja Tai Agriculture Science and Technology Development Co.	92,235	3,097	0	3,097	0	(17)	11	(Note 1)
Dermalab S.A.	13,023	153,822	104,483	49,339	134,055	(27,228)	(34,139)	(2.62)
Standard investment (Cayman) Limited	4,230,611	4,353,921	26	4,353,895	0	(241)	232,994	1.84
Standard Corporation (Hong Kong) Ltd.	4,229,114	4,353,240	81	4,353,159	0	(160)	233,181	1.84
Standard Investment (China) Ltd.	3,334,336	7,718,476	4,185,126	3,533,350	12,519,781	77,726	232,702	(Note 1)
Standard Foods (China) Ltd.	1,631,668	3,658,284	1,964,595	1,693,689	6,172,087	91,779	60,827	(Note 1)
Shanghai Dermalab Corporation	29,949	70,281	72,887	(2,606)	72,082	(16,766)	(18,837)	(Note 1)
Le Bonta Wellness Co., Ltd..	199,370	178,760	6,507	172,253	0	(13,083)	(10,494)	(Note 1)
Standard Foods (Xiamen) Co., Ltd.	1,307,582	1,467,993	276,570	1,191,423	0	(18,674)	(12,212)	(Note 1)
Shanghai Le Ho Industrial Co., Ltd.	554,928	511,892	100	511,792	0	(267)	419	(Note 1)
Shanghai Le Min Industrial Co., Ltd.	333,168	307,061	42	307,019	0	(160)	192	(Note 1)

Note 1: The Company held no stock share.

(II) Consolidated financial statements of the related parties: Same as the consolidated financial statements of the parent company and the subsidiary. Please refer to p89~175 for the 2016 consolidated financial statements.

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

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

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

Unit: NTD Thousand; Shares; %

Name of Subsidiary	Total paid-in capital	Fund source	Shareholding ratio of the Company	Date of acquisition or disposition	Shares and amount acquired	Shares and amount disposed	Investment gain (loss)	Shareholdings & amount up to the printing date of the annual report	Under pledge	Endorsement amount made for the subsidiary	Amount loaned to the subsidiary
Charng Hui Ltd.	541,000	Self-sufficient capital	100%	2000	Bought 166,000 shares for NT$4,938 thousand	-	-	6,412,953 shares NT$21,182 thousand	-	-	-
				2000	9,960 shares from stock dividend	-	-				
				2001	Bought 2,163,000 shares for NT$16,244 thousand	-	-				
				2009	11,694 shares from stock dividend	-	-				
				2010	352,598 shares from stock dividend	-	-				
				2011	675,813 shares from stock dividend	-	-				
				2012	810,975 shares from stock dividend	-	-				
				2013	628,506 shares from stock dividend	-	-				
				2014	433,669 shares from stock dividend	-	-				
				2015	525,221 shares from stock dividend	-	-				
				2016	635,517 shares from stock dividends	-	-				
				Until the report publication date this year	-	-	-				

IV. Other disclosures:

(I) Provision for asset and liability impairments

1. Accounts receivable allowance for doubtful accounts

   Purpose: To assess the risk of accounts and notes receivables collection, the impairment of assets is assessed and appropriated in accordance with the collection experience of the customers and the collection rate derived from a depreciation analysis of each sample group.

   Provision basis:

   (1) Recording allowance for bad debt:

   1.1 The Company may classify the accounts and notes receivable account by the number of transactions or by the credit limit of each customer in accordance with the internal accounts receivable management mechanism:

   A. The Company classifies all the uncollected transactions at the closing date of the fiscal year into different groups and assesses the impairment amount for each uncollected transaction and group.

   B. The Company divided the aforementioned groups further into four categories based on the risk features.

   1.2. Three customer categories:

   A. General accounts: The impairment amount is assessed through the recovery rates of each account age for individual account and channel group.

   B. Special accounts: These are the invested subsidiaries under Standard Foods Group. No bad debt provision will be made out of receivables owed by these accounts.

   C. Insolvent accounts: Assess the collectable amount according to the collaterals placed by the customers and set up a separate bad-debt provision ratio to make the provision.

   1.3 Accounting Department adjusts “Bad Debt Allowance” according to the asset impairment amounts derived as above.

   (2) Write-off of bad debt allowance:

   2.1. Bad debt determination:

   A. Receivables are deemed not collectable in part or in full due to insolvency, settlement, bankruptcy declaration or other reasons.

   B. Outstanding principal or interests that are due for more than two years and the efforts of collection have failed.

   2.2. Write-off:

   A. Upon the occurrence of loss from bad debt, the supporting documents are to be submitted to make the write-off, according to Article #94 of “Guidelines for Examination of Profit-Seeking Enterprise Income Tax”.

   B. When writing off bad debts, the allowance account shall be reduced accordingly in the year the bad debt is determined. If the actual bad debt is larger than the allowance balance, the discrepancy shall be recorded as bad debt loss for the year.

2. Allowance for loss on inventories

   Inventories consist of raw materials, packing materials, work-in-process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price under normal course of business net of the estimated cost needed to complete the project and estimate cost needed to make the sale after completion. Inventory cost is calculated in accordance with the weighted average method.

(II) Key Performance Indicator (KPI): Standard Foods' KPI includes Finance KPI and Non-Finance KPI. In addition to examining the finance KPI of sales revenue, debt ratio, business cycle, return on equity, and earnings per share within the industry periodically, non-finance KPI are set to understand Standard Foods'' competitive advantages and industry momentum.

(III) Licenses or certificates acquired by financial personnel:

1. Republic of China (CPA): 2 persons.
2. Certified internal auditor (CIA): 1 person.

V. The impacts to shareholders' equity or security price due to events defined in Securities Transaction Law Article #36.3.2 on in the current recent year and up to the printing of the annual report:

(I) Due to end of the term, seven director seats (including three independent seats) were open for reelection in 2016 general shareholders' meeting. The reelected directors are all new members, causing the change of the board composition to reach over one-third. As the three seats elected this time are independent board members and an audit committee is established, we believe the new board structure will be at great advantage to the corporate governance and shareholders of the company.

(II) Mr. Ter-Fung Tsao retired as the general manager on May 01, 2017 Mr. Yao Steven Yih-Chun , the former associated president, was therefore promoted to manage the company afterward. Mr. Ter-Fung Tsao was later elected, on May 05, 2017, as the first director through the resolution of the board to cope with the rising business in the China region, strengthen corporate governance and prepare the future business development through the new management system and arrangement.

Standard Foods Corporation

Chairman: Ter-Fung Tsao

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