

**Standard Foods Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2018 and 2017 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, 2018 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 have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

STANDARD FOODS CORPORATION

By

TER-FUNG TSAO
Chairman

March 22, 2019

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 (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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 matter of the Group's consolidated financial statements for the year ended December 31, 2018 is stated as follows:

Evaluation of Inventory

The products of the Group mainly include nutritional foods, edible oils, dairy products, and beverages. To assess the existence of inventory impairment, the management had performed an assessment thereof by taking into consideration the current market condition and historical sales experience. Refer to Notes 4, 5, and 15 to the consolidated financial statements for detailed information related to assessment of inventory. Because the assessment of impairment loss of inventory involves critical accounting estimates and management's judgments, the assessment of impairment loss of inventory was deemed to be a key audit matter.

Our audit procedures performed in response to the abovementioned key audit matter included obtaining information pertaining to the lower of cost or net realizable value (LCNRV), sampling the projected pricing information to the most recent sales record to assess the reasonableness of the judgment on LCNRV, as well as collecting related documentations on obsolete inventory to assess the appropriateness of methodology adopted in the calculation of the impairment loss of 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, 2018 and 2017 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, 2018 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 Tza-Li Gung and Ching-Cheng Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 2,589,952	11	\$ 3,152,682	14
Financial assets at fair value through profit or loss - current (Note 7)	617,790	2	-	-
Financial assets at fair value through other comprehensive income - current (Note 8)	154,439	1	-	-
Available-for-sale financial assets - current (Note 10)	-	-	204,078	1
Financial assets at amortized cost - current (Note 9)	1,505,913	6	-	-
Debt investments with no active market - current (Note 12)	-	-	639,832	3
Notes receivable (Notes 13 and 29)	2,887	-	4,846	-
Trade receivables (Notes 5, 13 and 29)	6,161,079	26	5,079,140	22
Finance lease receivables - current (Note 14)	2,640	-	2,412	-
Other receivables (Note 13)	222,129	1	156,538	1
Current tax assets (Note 31)	13,349	-	800	-
Inventories (Note 15)	4,199,286	17	4,558,081	20
Prepayments (Note 16)	1,615,672	7	1,676,153	7
Other current assets (Notes 22 and 40)	21,911	-	22,378	-
Total current assets	<u>17,107,047</u>	<u>71</u>	<u>15,496,940</u>	<u>68</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 7)	7,315	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	167,260	1	-	-
Available-for-sale financial assets - non-current (Note 10)	-	-	118,943	1
Financial assets measured at cost - non-current (Note 11)	-	-	46,235	-
Property, plant and equipment (Notes 18 and 40)	5,478,238	23	5,676,084	25
Investment properties (Notes 19 and 40)	110,776	-	239,249	1
Goodwill	818	-	817	-
Other intangible assets (Note 20)	72,232	-	77,249	-
Deferred tax assets (Note 31)	400,746	2	362,183	2
Finance lease receivables - non-current (Note 14)	29,724	-	32,363	-
Net defined benefit assets	2,564	-	1,430	-
Long-term prepayments for leases (Note 21)	381,081	2	396,450	2
Other non-current assets (Notes 22 and 40)	239,855	1	261,545	1
Total non-current assets	<u>6,890,609</u>	<u>29</u>	<u>7,212,548</u>	<u>32</u>
TOTAL	<u>\$ 23,997,656</u>	<u>100</u>	<u>\$ 22,709,488</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 23 and 40)	\$ 1,731,478	7	\$ 2,312,473	10
Short-term bills payable (Note 23)	119,904	-	99,953	1
Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	11,253	-
Contract liabilities - current (Note 29)	360,115	2	-	-
Notes payable (Note 24)	131,916	1	99,380	-
Trade payables (Note 24)	2,162,745	9	1,506,263	7
Trade payables to related parties (Note 39)	8,602	-	3,269	-
Other payables (Note 25)	2,609,886	11	2,393,841	11
Current tax liabilities (Note 31)	337,835	1	307,268	1
Provisions - current (Note 26)	-	-	112,814	1
Current portion of long-term borrowings (Notes 23 and 40)	12,000	-	12,000	-
Finance lease payables - current	2,137	-	496	-
Other current liabilities (Note 25)	34,316	-	278,261	1
Total current liabilities	<u>7,510,934</u>	<u>31</u>	<u>7,137,271</u>	<u>32</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 23 and 40)	15,000	-	27,000	-
Deferred tax liabilities (Note 31)	136,123	1	92,979	-
Finance lease payables - non-current	4,809	-	2,337	-
Net defined benefit liabilities	265,770	1	372,219	2
Other non-current liabilities (Note 25)	24,695	-	54,074	-
Total non-current liabilities	<u>446,397</u>	<u>2</u>	<u>548,609</u>	<u>2</u>
Total liabilities	<u>7,957,331</u>	<u>33</u>	<u>7,685,880</u>	<u>34</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 28)				
Ordinary shares	9,150,897	38	9,150,897	40
Capital surplus	93,045	-	83,124	-
Retained earnings				
Legal reserve	2,650,503	11	2,433,199	11
Special reserve	260,426	1	81,797	-
Unappropriated earnings	4,004,182	17	3,318,331	15
Total retained earnings	6,915,111	29	5,833,327	26
Other equity	(330,945)	(1)	(260,426)	(1)
Treasury shares	(21,182)	-	(21,182)	-
Total equity attributable to owners of the Company	15,806,926	66	14,785,740	65
NON-CONTROLLING INTERESTS (Note 28)	233,399	1	237,868	1
Total equity	<u>16,040,325</u>	<u>67</u>	<u>15,023,608</u>	<u>66</u>
TOTAL	<u>\$ 23,997,656</u>	<u>100</u>	<u>\$ 22,709,488</u>	<u>100</u>

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

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Note 29)	\$ 27,340,587	100	\$ 26,477,924	100
OPERATING COSTS				
Cost of goods sold (Notes 15, 30 and 39)	<u>19,086,242</u>	<u>70</u>	<u>19,077,969</u>	<u>72</u>
GROSS PROFIT	<u>8,254,345</u>	<u>30</u>	<u>7,399,955</u>	<u>28</u>
OPERATING EXPENSES (Note 30)				
Selling and marketing expenses	4,010,005	15	3,673,864	14
General and administrative expenses	921,459	3	834,577	3
Research and development expenses	167,794	-	96,636	-
Expected credit loss	<u>5,251</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>5,104,509</u>	<u>18</u>	<u>4,605,077</u>	<u>17</u>
OPERATING INCOME	<u>3,149,836</u>	<u>12</u>	<u>2,794,878</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 30)	71,957	-	89,836	-
Other gains and losses (Notes 19 and 30)	535,184	2	(63,596)	-
Finance costs (Note 30)	<u>(80,745)</u>	<u>-</u>	<u>(75,715)</u>	<u>-</u>
Total non-operating income and expenses	<u>526,396</u>	<u>2</u>	<u>(49,475)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	3,676,232	14	2,745,403	11
INCOME TAX EXPENSE (Note 31)	<u>707,925</u>	<u>3</u>	<u>535,494</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,968,307</u>	<u>11</u>	<u>2,209,909</u>	<u>9</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(6,336)	-	(35,062)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(36,460)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 31)	<u>11,060</u>	<u>-</u>	<u>5,397</u>	<u>-</u>
Total items that will not be reclassified subsequently to profit or loss	<u>(31,736)</u>	<u>-</u>	<u>(29,665)</u>	<u>-</u>

(Continued)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	\$ (147,177)	(1)	\$ (153,670)	(1)
Unrealized gain (loss) on available-for-sale financial assets	-	-	(56,340)	-
Income tax relating to the items that may be reclassified subsequently to profit or loss (Note 31)	40,164	-	25,047	-
Total items that may be reclassified subsequently to profit or loss	<u>(107,013)</u>	<u>(1)</u>	<u>(184,963)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(138,749)</u>	<u>(1)</u>	<u>(214,628)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,829,558</u>	<u>10</u>	<u>\$ 1,995,281</u>	<u>8</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,949,089	11	\$ 2,173,044	8
Non-controlling interests	<u>19,218</u>	<u>-</u>	<u>36,865</u>	<u>-</u>
	<u>\$ 2,968,307</u>	<u>11</u>	<u>\$ 2,209,909</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,813,107	10	\$ 1,964,868	8
Non-controlling interests	<u>16,451</u>	<u>-</u>	<u>30,413</u>	<u>-</u>
	<u>\$ 2,829,558</u>	<u>10</u>	<u>\$ 1,995,281</u>	<u>8</u>
EARNINGS PER SHARE (Note 32)				
Basic	<u>\$ 3.25</u>		<u>\$ 2.39</u>	
Diluted	<u>\$ 3.24</u>		<u>\$ 2.39</u>	

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

(Concluded)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company											Non-controlling Interests	Total Equity		
	Retained Earnings						Other Equity		Treasury Shares	Total	Total				
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets						Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Other
BALANCE AT JANUARY 1, 2017	\$ 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
Appropriation of 2016 earnings	-	-	260,654	-	(260,654)	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	(81,797)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	81,797	(81,797)	-	-	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(1,407,830)	(1,407,830)	-	-	-	-	-	-	(1,407,830)	-	(1,407,830)
Share dividends to shareholders	351,958	-	-	-	(351,958)	(351,958)	-	-	-	-	-	-	-	-	-
Adjustment of capital surplus for the Company's cash dividends received by subsidiaries	-	10,261	-	-	-	-	-	-	-	-	-	-	10,261	-	10,261
Changes in percentage of ownership interests in subsidiaries	-	466	-	-	-	-	-	-	-	-	-	-	466	(466)	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	8,135	8,135
Net profit for the year ended December 31, 2017	-	-	-	-	2,173,044	2,173,044	-	-	-	-	-	-	2,173,044	36,865	2,209,909
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	(29,547)	(29,547)	(122,290)	(56,339)	-	-	(178,629)	-	(208,176)	(6,452)	(214,628)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	2,143,497	2,143,497	(122,290)	(56,339)	-	-	(178,629)	-	1,964,868	30,413	1,995,281
BALANCE AT DECEMBER 31, 2017	9,150,897	83,124	2,433,199	81,797	3,318,331	5,833,327	(307,846)	94,390	-	(46,970)	(260,426)	(21,182)	14,785,740	237,868	15,023,608
Effect of retrospective application and retrospective restatement	-	-	-	-	2,014	2,014	-	(94,390)	116,974	-	22,584	-	24,598	19,289	43,887
BALANCE AT JANUARY 1, 2018 AS RESTATED	9,150,897	83,124	2,433,199	81,797	3,320,345	5,835,341	(307,846)	-	116,974	(46,970)	(237,842)	(21,182)	14,810,338	257,157	15,067,495
Appropriation of 2017 earnings	-	-	217,304	-	(217,304)	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	(178,629)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	178,629	(178,629)	-	-	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(1,830,179)	(1,830,179)	-	-	-	-	-	-	(1,830,179)	-	(1,830,179)
Adjustment of capital surplus for the Company's cash dividends received by subsidiaries	-	13,339	-	-	-	-	-	-	-	-	-	-	13,339	-	13,339
Actual acquisitions of interests in subsidiaries	-	(3,418)	-	-	(44,494)	(44,494)	1,263	-	-	46,970	48,233	-	321	(11,491)	(11,170)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(28,718)	(28,718)
Net profit for the year ended December 31, 2018	-	-	-	-	2,949,089	2,949,089	-	-	-	-	-	-	2,949,089	19,218	2,968,307
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	5,040	5,040	(106,286)	-	(34,736)	-	(141,022)	-	(135,982)	(2,767)	(138,749)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	2,954,129	2,954,129	(106,286)	-	(34,736)	-	(141,022)	-	2,813,107	16,451	2,829,558
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	314	314	-	-	(314)	-	(314)	-	-	-	-
BALANCE AT DECEMBER 31, 2018	\$ 9,150,897	\$ 93,045	\$ 2,650,503	\$ 260,426	\$ 4,004,182	\$ 6,915,111	\$ (412,869)	\$ -	\$ 81,924	\$ -	\$ (330,945)	\$ (21,182)	\$ 15,806,926	\$ 233,399	\$ 16,040,325

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,676,232	\$ 2,745,403
Adjustments for:		
Depreciation expenses	473,373	412,926
Amortization expenses	53,528	51,482
Expected credit loss recognized on trade receivables	5,251	-
Impairment loss recognized on trade receivables	-	186
Net (gain) loss on fair value changes of financial assets and financial liabilities at fair value through profit or loss	(22,339)	16,107
Finance costs	80,745	75,715
Interest income	(39,917)	(48,341)
Dividend income	(10,584)	(16,500)
Loss on disposal of property, plant and equipment	8,243	4,202
Gain on disposal of investment properties	(369,427)	-
Gain on disposal of investments	-	(733)
Impairment losses recognized on financial assets measured at cost	-	48,825
Impairment losses recognized on property, plant and equipment	18,035	-
Others	-	3
Changes in operating assets and liabilities		
Financial assets mandatorily classified as fair value through profit or loss	(561,425)	-
Notes receivable	1,920	115,765
Trade receivables	(1,134,594)	16,452
Other receivables	(62,972)	170,433
Inventories	326,026	(297,024)
Prepayments	38,204	375,105
Other current assets	454	(4,117)
Accrued pension assets	(1,134)	(1,914)
Financial liabilities held for trading	-	(4,854)
Contract liabilities	154,687	-
Notes payable	34,401	(581,852)
Trade payables	666,896	29,873
Trade payables - related parties	5,332	(5,038)
Other payables	234,594	77,861
Provisions	-	91,416
Other current liabilities	(146,238)	(147,153)
Net defined benefit liabilities	(113,121)	1,450
Cash generated from operations	3,316,170	3,125,678
Interest received	36,998	47,628
Interest paid	(78,814)	(75,873)
Income tax paid	(635,107)	(555,163)
Net cash generated from operating activities	<u>2,639,247</u>	<u>2,542,270</u>

(Continued)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of financial assets at fair value through other comprehensive income	\$ 2,621	\$ -
Purchase of financial assets at amortized cost	(1,512,643)	-
Refunds of financial assets at amortized cost	820,126	-
Purchase of available-for-sale financial assets	-	(1,139,565)
Proceeds on sale of available-for-sale financial assets	-	1,487,263
Purchase of debt investments with no active market	-	(815,449)
Proceeds from sale of debt investments with no active market	-	536,426
Proceeds from capital reduction of financial assets carried at cost	-	549
Payments for property, plant and equipment	(386,244)	(1,008,160)
Proceeds from disposal of property, plant and equipment	13,913	696
Proceeds from disposal of investment properties	495,580	-
Payments for intangible assets	(5,572)	(7,938)
Proceeds from disposal of intangible assets	-	23,902
Increase in finance lease receivables	(36,290)	(36,290)
Decrease in finance lease receivables	38,701	1,515
Increase in other financial assets	-	(99,897)
Decrease in other financial assets	21,101	23,698
Increase in other non-current assets	(22,340)	(11,379)
Increase in long-term prepayments for leases	-	(6,599)
Other dividends received	<u>10,584</u>	<u>16,500</u>
Net cash used in investing activities	<u>(560,463)</u>	<u>(1,034,728)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(555,347)	871,296
Increase in short-term bills payable	19,951	29,978
Proceeds from long-term borrowings	-	39,000
Payments for long-term borrowings	(12,000)	-
Increase in finance lease payables	4,067	593
Decrease in finance lease payables	-	(840)
Increase in other financial liabilities	-	16,931
Decrease in other financial liabilities	(28,458)	-
Decrease in other non-current liabilities	(687)	(46,243)
Dividends paid to owners of the Company	(1,845,558)	(1,397,569)
Acquisition of subsidiaries	(59,682)	-
Dividends paid to non-controlling interests	-	(28,718)
Non-controlling interests subscribing for shares issued by subsidiaries	<u>-</u>	<u>36,853</u>
Net cash used in financing activities	<u>(2,477,714)</u>	<u>(478,719)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(163,800)</u>	<u>(43,691)</u>

(Continued)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (562,730)	\$ 985,132
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,152,682</u>	<u>2,167,550</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,589,952</u>	<u>\$ 3,152,682</u>

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

(Concluded)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The Company’s shares have been listed on the Taiwan Stock Exchange since April 1994.

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the “Group”, are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 22, 2019.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (“FSC”)

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

- 1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 3,152,682	\$ 3,152,682	d)
Equity securities	Available- for- sale	Mandatorily at FVTPL	6,789	6,368	a)
	Available- for- sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	316,233	360,541	a)
Mutual funds	Available- for- sale	Mandatorily at FVTPL	46,234	46,234	b)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	639,832	639,832	c)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	5,240,524	5,240,354	d)
Other financial assets	Loans and receivables	Amortized cost	159,496	159,496	d)

Financial Asset	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTPL</u>	\$ -						
Add: Reclassification from available-for-sale (IAS 39)	-	\$ 53,023	\$ -				b)
Required reclassification	-	-	(421)				a)
Remeasurement of financial assets at cost (IAS 39)	-	53,023	(421)	\$ 52,602	\$ (1,583)	\$ 1,162	
<u>FVTOCI</u>	-						
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	316,233	-				a)
Remeasurement of financial assets at cost (IAS 39)	-	-	44,308				a)
	-	316,233	44,308	360,541	3,597	21,422	
<u>Amortized cost</u>	-						
Add: Reclassification from loans and receivables (IAS 39)	-	9,192,534	-				c), d)
	-	9,192,534	-	9,192,534	-	-	
	<u>\$ -</u>	<u>\$ 9,561,790</u>	<u>\$ 43,887</u>	<u>\$ 9,605,677</u>	<u>\$ 2,014</u>	<u>\$ 22,584</u>	

- a) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL and designated as at FVTOCI under IFRS 9, respectively. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI in the amount of \$95,552 thousand.

Investments in unlisted shares previously measured at cost under IAS 39 have been classified at FVTPL and designated as at FVTOCI under IFRS 9, respectively, and were remeasured at fair value. Consequently, a decrease of \$421 thousand was recognized in financial assets at FVTPL and retained earnings and an increase of \$44,308 thousand was recognized in financial assets at FVTOCI. An increase of \$25,019 thousand was recognized in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of \$19,289 thousand was recognized in non-controlling interests adjustment on January 1, 2018.

The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$3,597 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of \$3,597 thousand in retained earnings on January 1, 2018.

- b) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in an increase of \$1,162 thousand in other equity - unrealized gain (loss) on available-for-sale financial assets and a decrease of \$1,162 thousand in retained earnings on January 1, 2018.
- c) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.
- d) Cash and cash equivalents, notes receivable, trade receivables, other receivables and other financial assets that were previously classified as at amortized cost with an assessment of expected credit losses under IFRS 9.
- 2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. The receivables were recognized, or the deferred revenue was reduced when revenue is recognized for the relevant contract under IAS 18.

Prior to the application of IFRS 15, the Group recognized the estimated sales returns and discounts as provisions. Under IFRS 15, the Group recognizes such estimation as refund liability (classified under other current liabilities).

Impact on assets, liabilities and equity for prior year

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Contract liabilities - current	\$ -	\$ 210,540	\$ 210,540
Provisions - current	112,814	(112,814)	-
Other current liabilities	<u>278,261</u>	<u>(97,726)</u>	<u>180,535</u>
Total effect on liabilities	<u>\$ 391,075</u>	<u>\$ -</u>	<u>\$ 391,075</u>

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.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Leases”, IFRIC 4 “Determining Whether an Arrangement Contains A Lease” and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses. On the statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	<u>\$ 378,595</u>	<u>\$ 214,752</u>	<u>\$ 593,347</u>
Total effect on assets	<u>\$ 378,595</u>	<u>\$ 214,752</u>	<u>\$ 593,347</u>
Lease liabilities	<u>\$ 6,947</u>	<u>\$ 214,752</u>	<u>\$ 221,699</u>
Total effect on liabilities	<u>\$ 6,947</u>	<u>\$ 214,752</u>	<u>\$ 221,699</u>

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.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Except for the above impact, as of the date the 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 and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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 (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, 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 interests of the Group 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.

Refer to Note 17, Tables 9 and 10 for the detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and 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.

f. Inventories

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

g. Property, plant and equipment

Property, plant and equipment (including assets held under finance leases) 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 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. 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.

j. 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.

k. 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.

l. 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

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 38.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivables, investments in debt instruments, other receivables and other financial assets that measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets, and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 38.

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 FVTPL.

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 equivalents, 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 equivalents includes time deposits with original maturities within three months from the date of acquisition, they must be highly liquid, readily convertible to a known amount of cash and are 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

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and finance lease receivables.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and finance lease receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets, other than those at FVTPL, 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 assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience in the collection of 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, and other situations.

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 is 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 a financial asset is reduced by 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 receivable and trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset 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.

Before 2018, 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through 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.

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

m. Revenue recognition

2018

The Group identifies contracts with customers and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good to a customer and the date on which the customer pays for that good is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

- Revenue from the sale of goods

Revenue from the sale of goods comes from sales of nutritious foods, cooking products, electronic goods and cosmetics. Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables and contract assets are recognized concurrently. Any amounts previously recognized as contract assets are reclassified to trade receivables when the remaining obligations are performed. When the customer initially purchases the goods, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

2017

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. Allowances for sales returns and liabilities 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 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 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 at the applicable effective interest rate.

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 Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached 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.

q. 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 services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined contribution 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 liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, effect of changes to asset ceiling and return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent 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 and when the Group recognizes any related restructuring costs.

r. 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 unused tax credits for research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

3) Current tax and deferred taxes for the year

Current tax and deferred taxes 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 tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions based on historical experience and other factors that are considered to be relevant which related to information that are not readily apparent from other sources. 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.

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 of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2018	2017
Cash on hand	\$ 2,757	\$ 4,667
Checking accounts and demand deposits	2,096,223	2,656,056
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>490,972</u>	<u>491,959</u>
	<u>\$ 2,589,952</u>	<u>\$ 3,152,682</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	<u>December 31</u>	
	2018	2017
Bank deposits	0.001%-3.600%	0.010%-3.800%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2018	2017
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 617,790</u>	<u>\$ -</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	<u>\$ 7,315</u>	<u>\$ -</u>
<u>Financial liabilities - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange swap contracts (a)	<u>\$ -</u>	<u>\$ 11,253</u>

- a. At the end of the reporting period, outstanding foreign exchange swap contracts not under hedge accounting were as follows:

December 31, 2018

None.

Notional Amount (In Thousands)

Maturity Date

December 31, 2017

US\$6,000/RMB41,364

May 24, 2018

The Group entered into foreign exchange swap contracts to manage exposures to exchange rate fluctuation risk of foreign currency denominated assets and liabilities.

- b. As of December 31, 2018 and 2017, the Group did not have outstanding future contracts not under hedge accounting.

The Group entered into future contracts to manage exposures to price volatility risk of raw materials.

- c. As of December 31, 2018 and 2017, the Group did not have outstanding structured time deposits.

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
<u>Current</u>	
Investments in equity instruments at FVTOCI	<u>\$ 154,439</u>
<u>Non-current</u>	
Investments in equity instruments at FVTOCI	<u>\$ 167,260</u>
a. Investments in equity instruments at FVTOCI	

	December 31, 2018
<u>Current</u>	
Listed shares and emerging market shares	
Ordinary shares - Far Eastern International Bank	\$ 13,434
Ordinary shares - Chunghwa Telecom Co., Ltd	5,492
Ordinary shares - Formosa Plastics Corporation	9,236
Ordinary shares - China Steel Corporation	19,479
Ordinary shares - Polytronics Technology Corp.	86,503
Ordinary shares - Taiwan Semiconductor Manufacturing Co., Ltd.	<u>20,295</u>
	<u>\$ 154,439</u>
<u>Non-current</u>	
Listed shares and emerging market shares	
Ordinary shares - GeneFerm Biotechnology Co., Ltd.	90,095
Unlisted shares	
Ordinary shares - Dah Chung Bills Finance Corp.	12,805
Ordinary shares - InnoComm Mobile Technology Corp.	63,360
Ordinary shares - AsiaVest Liquidation Co.	<u>1,000</u>
	<u>\$ 167,260</u>

These investments in the Group are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity

instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in the equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3, Note 10 and Note 11 for information relating to their reclassification and comparative information for 2017.

In 2018, the Group disposed part of other equity in order to manage credit concentration risk. The Group transferred a gain or loss of \$314 thousand from other equity to retained earnings.

Dividend of \$10,584 thousand was recognized during the year.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

**December 31,
2018**

Current

Time deposits with original maturities of more than 3 months	<u>\$ 1,505,913</u>
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The interest rate for time deposits with original maturities of more than 3 months was ranging from 0.79%-3.20% as at the end of the reporting period. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Note 3 and Note 12 for information relating to their reclassification and comparative information for 2017.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

**December 31,
2017**

Current

Listed shares	\$ 157,843
Mutual funds	<u>46,235</u>
	<u>\$ 204,078</u>

Non-current

Emerging market shares	<u>\$ 118,943</u>
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11. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
<u>Non-current</u>	
Unlisted shares	\$ 46,235
Mutual funds	<u>-</u>
	<u>\$ 46,235</u>
Classified according to measurement categories	
Available-for-sale	<u>\$ 46,235</u>

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

The Group recognized impairment loss on financial assets as follows:

	December 31, 2017
Unlisted shares	\$ 13,194
Mutual funds	<u>35,631</u>
	<u>\$ 48,825</u>

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
<u>Current</u>	
Time deposits with original maturities of more than 3 months	<u>\$ 639,832</u>

The market interest rate of the time deposits with original maturities of more than 3 months was ranging from 0.65%-2.25% per annum as of December 31, 2017.

13. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Notes receivable</u>		
Operating	\$ 2,887	\$ 4,846
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 6,169,871	\$ 5,084,532
Less: Allowance for impairment loss	(8,792)	(5,392)
	<u>\$ 6,161,079</u>	<u>\$ 5,079,140</u>
<u>Other receivables</u>		
Accrued interest	\$ 6,767	\$ 3,890
Payments on behalf of others	491	1,643
Others	214,871	151,005
	<u>\$ 222,129</u>	<u>\$ 156,538</u>

In 2018

The average credit period of receivables from sales of goods was 30-90 days. In order to minimize credit risk, the 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 debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2018

	Not Past Due	Less than 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0.00%	0.10%	0.14%	2.37%	100.00%	
Gross carrying amount	\$ 5,637,795	\$ 319,103	\$ 192,296	\$ 15,789	\$ 7,775	\$ 6,172,758
Loss allowance (Lifetime ECL)	(45)	(325)	(273)	(374)	(7,775)	(8,792)
Amortized cost	<u>\$ 5,637,750</u>	<u>\$ 318,778</u>	<u>\$ 190,023</u>	<u>\$ 15,415</u>	<u>\$ -</u>	<u>\$ 6,163,966</u>

The movements of the loss allowance of trade receivables were as follows:

	For The Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39	\$ 5,392
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	5,392
Add: Net remeasurement of loss allowance	5,251
Less: Amounts written off	(1,733)
Foreign exchange translation gains and losses	<u>(118)</u>
Balance at December 31, 2018	<u>\$ 8,792</u>

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

In 2017

The Group applied the same credit policy in 2018 and 2017. Allowance for impairment loss was recognized against trade receivables based on the 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, 2017
Not past due	\$ 4,971,631
Past due 1-30 days	155,736
Past due 31-90 days	82,764
Past due 91-180 days	25,318
Past due 181 days or more	<u>10,467</u>
	<u>\$ 5,245,916</u>

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

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

	December 31, 2017
Past due 1-30 days	\$ 155,396
Past due 31-90 days	81,779
Past due 91-180 days	24,579
Past due 181 days or more	<u>7,139</u>
	<u>\$ 268,893</u>

The above aging schedule was based on the number of past due days from the 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, 2017	\$ 2,131	\$ 18,714	\$ 20,845
Add: Impairment losses recognized on receivables	-	8,405	8,405
Less: Amounts written off during the year as uncollectible	-	(15,384)	(15,384)
Less: Impairment losses reversed	(431)	(7,788)	(8,219)
Foreign exchange translation gains and losses	<u>-</u>	<u>(255)</u>	<u>(255)</u>
Balance at December 31, 2017	<u>\$ 1,700</u>	<u>\$ 3,692</u>	<u>\$ 5,392</u>

The notes receivable and other receivables as of December 31, 2017 were neither past due nor impaired.

14. FINANCE LEASE RECEIVABLES

	<u>December 31</u>	
	2018	2017
<u>Gross investment in leases</u>		
Not later than 1 year	\$ 4,200	\$ 4,100
Later than 1 year and not later than 5 years	17,900	17,300
Later than 5 years	<u>18,200</u>	<u>23,000</u>
	40,300	44,400
Less: Unearned finance income	<u>(7,936)</u>	<u>(9,625)</u>
Present value of minimum lease payments	<u>\$ 32,364</u>	<u>\$ 34,775</u>
<u>Finance lease receivables</u>		
Not later than 1 year	\$ 2,640	\$ 2,412
Later than 1 year and not later than 5 years	13,133	11,909
Later than 5 years	<u>16,591</u>	<u>20,454</u>
Financial lease receivables	<u>\$ 32,364</u>	<u>\$ 34,775</u>

The Group entered into finance lease arrangements for biological assets. All leases were denominated in New Taiwan dollars. The term of finance leases entered into was 10 years. The effective interest rate of lease contract was 5.01% per annum.

The simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision, is applied to finance lease receivables. Finance lease receivables are secured by the leased equipment. As of December 31, 2018, no finance lease receivable was past due. The Group has not recognized a loss allowance for finance lease receivables after considering historical experience, industry forecast and the collaterals.

15. INVENTORIES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Merchandise	\$ 589,695	\$ 635,117
Finished goods	1,679,573	1,494,384
Work in progress	402,693	458,720
Raw materials	1,442,850	1,891,542
Packing materials	<u>84,475</u>	<u>78,318</u>
	<u>\$ 4,199,286</u>	<u>\$ 4,558,081</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2018 included \$(4,047) thousand reversals of inventory write-downs, \$59,736 thousand loss on abandonment of inventories. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2017 included \$11,757 thousand loss on write-downs of inventories and \$70,532 thousand loss on abandonment of inventories.

16. PREPAYMENTS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Prepayments for purchases	\$ 966,879	\$ 881,365
Prepayments for rent	8,673	6,141
Prepayments for insurance	14,632	1,263
Excess business tax paid	252,592	326,847
Prepayments for advertisements	241,060	15,346
Others	<u>131,836</u>	<u>445,191</u>
	<u>\$ 1,615,672</u>	<u>\$ 1,676,153</u>

17. SUBSIDIARIES

Subsidiaries included in consolidated financial statements.

Investor	Investee	Main Business	<u>Proportion of Ownership</u>		Remark
			<u>December 31</u>		
			<u>2018</u>	<u>2017</u>	
The Company	Standard Dairy Products Taiwan Limited ("Standard Dairy Products")	Manufacture and sale of dairy products and beverages	100.0	100.0	-
The Company	Charng Hui Ltd. ("Charng Hui")	Investing	100.0	100.0	In January 2017, Chang Hui reduced capital in the amount of \$300,000 thousand.
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 beverages	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 March 2017, November 2017, December 2017 and in September 2018, the Company respectively invested RMB73,000 thousand, RMB12,395 thousand, RMB21,488 thousand and RMB437 thousand in Cayman Standard.

(Continued)

Investor	Investee	Main Business	Proportion of Ownership		Remark
			December 31		
			2018	2017	
The Company	Le Bonta Wellness International Corporation (“Le Bonta Wellness”)	Sale of health food	100.0	100.0	-
Accession Limited	Shanghai Standard Foods Co., Ltd. (“Shanghai Standard”)	Manufacture and sale of edible oils and nutritious foods	100.0	100.0	-
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	-
Accession Limited	Dermalab S.A. (“Dermalab”)	Development and sale of cosmetics	100.0	80.0	In May 2018, Accession Limited bought 20% equity from non-controlling interests, and the Company’s percentage of shareholding increased from 80% to 100%.
Dermalab	Swiss Live Cosmetics China Limited (“Swiss Line”)	Sale of cosmetics	100.0	100.0	-
Dermalab	Swissdema SL (“Swissdema”)	Sale of cosmetics	100.0	100.0	-
Cayman Standard	Standard Corporation (Hong Kong) Limited (“Hong Kong Standard”)	Investing	100.0	100.0	In March 2017, November 2017, December 2017 and in September 2018, Cayman Standard respectively invested RMB73,000 thousand, RMB12,395 thousand, RMB21,488 thousand and RMB259 thousand Hong Kong Standard.
Hong Kong Standard	Standard Investment (China) Co., Ltd. (“China Standard Investment”)	Investing and sale of edible oils and nutritious foods	99.0	99.0	In July 2017 and November 2017, Hong Kong Standard respectively invested RMB73,832 thousand and RMB12,395 thousand in China Standard Investment. Hong Kong Standard did not subscribe for cash capital increase of investee in September 2017 and November 2017, and the Company’s percentage of shareholding decreased from 100.0% to 99.0%.
Hong Kong Standard	Shanghai Le Ming Industrial Co., Ltd. (“Shanghai Le Ming”)	Management of properties	100.0	100.0	In December 2017, Hong Kong Standard invested RMB9,869 thousand in Shanghai Le Ming.
Hong Kong Standard	Shanghai Le Ho Industrial Co., Ltd. (“Shanghai Le Ho”)	Management of properties	100.0	100.0	In December 2017, Hong Kong Standard invested RMB11,619 thousand in Shanghai Le Ho.
China Standard Investment	Standard Foods (China) Co., Ltd. (“China Standard Foods”)	Manufacture and sale of edible oils and nutritious foods	100.0	100.0	-
China Standard Investment	Shanghai Dermalab Corporation (“Shanghai Dermalab”)	Sale of nutritional foods, cosmetic and engage in import and export business	100.0	100.0	-
The Company and China Standard Investment	Shanghai Le Ben Tuo Health Technology Co., Ltd. (“Shanghai Le Ben Tuo”)	Sale of nutritional foods and engage in import and export business	100.0	100.0	China Standard Investment originally held 100% interest in Shanghai Le Ben Tuo. After the Company invested RMB 40,900 thousand in Shanghai Le Ben Tuo in April 2017, the Company and China Standard Investment held 51% interest and 49% interest, respectively, in Shanghai Le Ben Tuo and the Group held 100% interest in Shanghai Le Ben Tuo.
China Standard Investment	Standard Foods (Xiamen) Co., Ltd. (“Xiamen Standard”)	Manufacture and sale of edible oils and nutritious foods	100.0	100.0	-

(Concluded)

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>						
Balance at January 1, 2017	\$ 702,405	\$ 2,468,967	\$ 3,564,413	\$ 499,405	\$ 1,313,892	\$ 8,549,082
Additions	-	24,160	100,455	37,505	846,040	1,008,160
Disposals	-	(27,395)	(111,826)	(39,725)	-	(178,946)
Transferred from prepayments for equipment	-	-	-	-	438,033	438,033
Transferred from investment properties	-	19,562	-	-	-	19,562
Transferred to investment properties	-	-	-	-	(120)	(120)
Reclassified	-	914,278	483,623	61,201	(1,459,102)	-
Effects of foreign currency exchange differences	-	(21,406)	(18,934)	(3,221)	(26,695)	(70,256)
Balance at December 31, 2017	<u>\$ 702,405</u>	<u>\$ 3,378,166</u>	<u>\$ 4,017,731</u>	<u>\$ 555,165</u>	<u>\$ 1,112,048</u>	<u>\$ 9,765,515</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2017	\$ -	\$ 1,024,310	\$ 2,447,515	\$ 392,816	\$ -	\$ 3,864,641
Disposals	-	(27,209)	(106,935)	(39,904)	-	(174,048)
Depreciation expenses	-	125,735	232,186	52,306	-	410,227
Transferred from investment properties	-	7,470	-	-	-	7,470
Effects of foreign currency exchange differences	-	(3,814)	(10,466)	(4,579)	-	(18,859)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 1,126,492</u>	<u>\$ 2,562,300</u>	<u>\$ 400,639</u>	<u>\$ -</u>	<u>\$ 4,089,431</u>
Carrying amount at December 31, 2017	<u>\$ 702,405</u>	<u>\$ 2,251,674</u>	<u>\$ 1,455,431</u>	<u>\$ 154,526</u>	<u>\$ 1,112,048</u>	<u>\$ 5,676,084</u>
<u>Cost</u>						
Balance at January 1, 2018	\$ 702,405	\$ 3,378,166	\$ 4,017,731	\$ 555,165	\$ 1,112,048	\$ 9,765,515
Additions	-	-	1,657	1,738	382,849	386,244
Disposals	-	(40,088)	(99,012)	15,617	-	(123,483)
Reclassified	-	149,726	320,982	38,504	(523,543)	(14,331)
Effects of foreign currency exchange differences	-	(40,616)	(88,150)	(366)	48,360	(80,772)
Balance at December 31, 2018	<u>\$ 702,405</u>	<u>\$ 3,447,188</u>	<u>\$ 4,153,208</u>	<u>\$ 610,658</u>	<u>\$ 1,019,714</u>	<u>\$ 9,933,173</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2018	\$ -	\$ 1,126,492	\$ 2,562,300	\$ 400,639	\$ -	\$ 4,089,431
Disposals	-	(39,513)	(80,695)	18,882	-	(101,326)
Depreciation expenses	-	148,160	267,506	55,387	-	471,053
Impairment losses recognized	-	7,288	10,747	-	-	18,035
Effects of foreign currency exchange differences	-	(8,185)	(11,178)	(2,895)	-	(22,258)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 1,234,242</u>	<u>\$ 2,748,680</u>	<u>\$ 472,013</u>	<u>\$ -</u>	<u>\$ 4,454,935</u>
Carrying amount at December 31, 2018	<u>\$ 702,405</u>	<u>\$ 2,212,946</u>	<u>\$ 1,404,528</u>	<u>\$ 138,645</u>	<u>\$ 1,019,714</u>	<u>\$ 5,478,238</u>

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

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

19. INVESTMENT PROPERTIES

	Completed Investment Property
<u>Cost</u>	
Balance at January 1, 2017	\$ 318,021
Transferred from property, plant and equipment	120
Transferred to property, plant and equipment	<u>(19,562)</u>
Balance at December 31, 2017	<u>\$ 298,579</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2017	\$ 64,101
Depreciation expenses	2,699
Transferred to property, plant and equipment	<u>(7,470)</u>
Balance at December 31, 2017	<u>\$ 59,330</u>
Carrying amount at December 31, 2017	<u>\$ 239,249</u>
<u>Cost</u>	
Balance at January 1, 2018	\$ 298,579
Disposals	<u>(141,270)</u>
Balance at December 31, 2018	<u>\$ 157,309</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2018	\$ 59,330
Depreciation expenses	2,320
Disposals	<u>(15,117)</u>
Balance at December 31, 2018	<u>\$ 46,533</u>
Carrying amount at December 31, 2018	<u>\$ 110,776</u>

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

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

On May 8, 2018, the Company entered into a property sale agreement at Wugu Dist, New Taipei City with Pei Chen Co., Ltd. The selling price was 508,620 thousands (included business tax), and the gain from disposal was 369,427 thousands (included in statements of comprehensive income under other gains and losses). The transaction was accomplished at the third quarter of September 2018.

The fair values of the investment properties were \$214,323 thousand and \$528,903 thousand as of December 31, 2018 and 2017, respectively. 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 40.

20. OTHER INTANGIBLE ASSETS

	Trademark	Computer Software	Total
<u>Cost</u>			
Balance at January 1, 2017	\$ 123,651	\$ 220,834	\$ 344,485
Additions	-	7,938	7,938
Disposals	(23,902)	-	(23,902)
Effects of foreign currency exchange differences	<u>(8,554)</u>	<u>(577)</u>	<u>(9,131)</u>
Balance at December 31, 2017	<u>\$ 91,195</u>	<u>\$ 228,195</u>	<u>\$ 319,390</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2017	\$ 10,877	\$ 213,988	\$ 224,865
Amortization expenses	6,818	11,100	17,918
Effects of foreign currency exchange differences	<u>(164)</u>	<u>(478)</u>	<u>(642)</u>
Balance at December 31, 2017	<u>\$ 17,531</u>	<u>\$ 224,610</u>	<u>\$ 242,141</u>
Carrying amount at December 31, 2017	<u>\$ 73,664</u>	<u>\$ 3,585</u>	<u>\$ 77,249</u>
<u>Cost</u>			
Balance at January 1, 2018	\$ 91,195	\$ 228,195	\$ 319,390
Additions	-	5,572	5,572
Effects of foreign currency exchange differences	<u>115,844</u>	<u>(498)</u>	<u>115,346</u>
Balance at December 31, 2018	<u>\$ 207,039</u>	<u>\$ 233,269</u>	<u>\$ 440,308</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2018	\$ 17,531	\$ 224,610	\$ 242,141
Amortization expenses	5,048	6,684	11,732
Effects of foreign currency exchange differences	<u>114,690</u>	<u>(487)</u>	<u>114,203</u>
Balance at December 31, 2018	<u>\$ 137,269</u>	<u>\$ 230,807</u>	<u>\$ 368,076</u>
Carrying amount at December 31, 2018	<u>\$ 69,770</u>	<u>\$ 2,462</u>	<u>\$ 72,232</u>

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

Trademark	10-20 years
Computer software	2-3 years

21. LONG-TERM PREPAYMENTS FOR LEASES

The long-term prepayments for leases are land use rights located in mainland China. As of December 31, 2018 and 2017, long-term prepayments for leases amounted to \$381,081 thousand and \$396,450 thousand, respectively.

22. OTHER ASSETS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Pledge time deposits (Note 40)	\$ 1,010	\$ 1,007
Pledge demand deposits (Note 40)	-	4,179
Advances to officers	<u>20,901</u>	<u>17,192</u>
	<u>\$ 21,911</u>	<u>\$ 22,378</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 31,565	\$ 44,107
Refundable deposits	41,720	63,220
Pledge time deposits	89,506	91,090
Others	<u>77,064</u>	<u>63,128</u>
	<u>\$ 239,855</u>	<u>\$ 261,545</u>

23. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Secured borrowings (Note 40)</u>		
Bank loans	\$ 90,000	\$ 134,000
<u>Unsecured borrowings</u>		
Bank loans	<u>1,641,478</u>	<u>2,178,473</u>
	<u>\$ 1,731,478</u>	<u>\$ 2,312,473</u>

The range of interest rates on bank loans was 1.05%-4.35% and 1.05%-4.57% per annum as of December 31, 2018 and 2017, respectively.

b. Short-term bills payable

	<u>December 31</u>	
	2018	2017
Commercial paper	\$ 120,000	\$ 100,000
Less: Unamortized discount on bills payable	<u>(96)</u>	<u>(47)</u>
	<u>\$ 119,904</u>	<u>\$ 99,953</u>

Outstanding short-term bills payable were as follows:

December 31, 2018

Financial Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial paper</u>						
Mega Bills Finance Co., Ltd.	\$ 50,000	\$ (13)	\$ 49,987	1.34%	-	\$ -
International Bills Finance Corp.	50,000	(63)	49,937	1.34%	-	-
Taiwan Bills Finance Corp.	<u>20,000</u>	<u>(20)</u>	<u>19,980</u>	1.34%	-	<u>-</u>
	<u>\$ 120,000</u>	<u>\$ (96)</u>	<u>\$ 119,904</u>			<u>\$ -</u>

December 31, 2017

Financial Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial paper</u>						
Mega Bills Finance Co., Ltd.	\$ 50,000	\$ (13)	\$ 49,987	1.338%	-	\$ -
International Bills Finance Corp.	<u>50,000</u>	<u>(34)</u>	<u>49,966</u>	1.368%	-	<u>-</u>
	<u>\$ 100,000</u>	<u>\$ (47)</u>	<u>\$ 99,953</u>			<u>\$ -</u>

c. Long-term borrowings

	<u>December 31</u>	
	2018	2017
<u>Secured borrowings (Note 40)</u>		
Bank loans*	\$ 27,000	\$ 39,000
Less: Current portions	<u>(12,000)</u>	<u>(12,000)</u>
Long-term borrowings	<u>\$ 15,000</u>	<u>\$ 27,000</u>

* As of December 31, 2018, the interest rate of the bank borrowings secured by the Group's equipment (see Note 40) was 1.91% per annum. The bank borrowings will be repayable quarterly from March 2018 to March 2021.

24. NOTES PAYABLE AND TRADE PAYABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Notes payable</u>		
Operating	\$ 131,916	\$ 99,046
Non-operating	<u>-</u>	<u>334</u>
	<u>\$ 131,916</u>	<u>\$ 99,380</u>
<u>Trade payables</u>		
Operating	<u>\$ 2,162,745</u>	<u>\$ 1,506,263</u>

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.

25. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Other payables		
Payable for salaries or bonuses	\$ 282,514	\$ 258,162
Payable for compensation of employees	31,723	23,388
Payable for remuneration to directors	20,960	15,449
Payable for commission and rebates	840,152	741,931
Payable for advertisement	285,122	117,751
Payable for royalties	23,806	20,704
Payable for freight	101,140	92,957
Payable for equipment	158,266	235,243
Others	<u>866,203</u>	<u>888,256</u>
	<u>\$ 2,609,886</u>	<u>\$ 2,393,841</u>
Other liabilities		
Advance receipts from customers	\$ 1,147	\$ 216,185
Financial liabilities of put option equity instruments from disposal of subsidiaries	-	45,196
Refund liability	15,231	-
Others	<u>17,938</u>	<u>16,880</u>
	<u>\$ 34,316</u>	<u>\$ 278,261</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits	\$ 19,961	\$ 48,769
Others	<u>4,734</u>	<u>5,305</u>
	<u>\$ 24,695</u>	<u>\$ 54,074</u>

Accession Limited and The MM-Group AG (MM-Group) signed an agreement to purchase equity of Dermalab on February 10, 2015. According to the agreement, MM-Group had the right to ask Accession Limited to buy 20% equity of Dermalab which was held by MM-Group since April 1, 2017. The purchase price was CHF1,500 thousand. Financial liabilities recognized by the Group according to this agreement amounted to \$45,196 thousand as of December 31, 2017, MM-Group executed the equity right in May 2018.

26. PROVISIONS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Customer returns	\$ <u> -</u>	\$ <u>112,814</u>
		Customer Returns
Balance at January 1, 2017		\$ 21,420
Addition		296,365
Usage		(204,945)
Effect of foreign currency exchange differences		<u> (26)</u>
Balance at December 31, 2017		\$ <u>112,814</u>

The provision for customer returns in 2017 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.

27. 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 government of the Republic of China (“ROC”) 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	
	2018	2017
Present value of funded defined benefit obligation	\$ 700,665	\$ 705,155
Fair value of plan assets	<u>(437,458)</u>	<u>(334,366)</u>
Net defined benefit liabilities	<u>\$ 263,207</u>	<u>\$ 370,789</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2017	\$ 709,634	\$ (373,443)	\$ 366,191
Service cost			
Current service cost	11,186	-	11,186
Net interest expense (income)	<u>7,428</u>	<u>(3,867)</u>	<u>3,561</u>
Recognized in profit or loss	<u>18,614</u>	<u>(3,867)</u>	<u>14,747</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	749	749
Actuarial loss - changes in demographic assumptions	28,435	-	28,435
Actuarial gain - changes in financial assumptions	(3,695)	-	(3,695)
Actuarial loss - experience adjustments	<u>9,573</u>	<u>-</u>	<u>9,573</u>
Recognized in other comprehensive income	<u>34,313</u>	<u>749</u>	<u>35,062</u>
Contributions from the employer	<u>-</u>	<u>(14,636)</u>	<u>(14,636)</u>
Contributions from plan participants	<u>2,220</u>	<u>(2,220)</u>	<u>-</u>
Benefits paid	<u>(57,242)</u>	<u>57,242</u>	<u>-</u>
Exchange differences	<u>(2,384)</u>	<u>1,809</u>	<u>(575)</u>
Balance at December 31, 2017	<u>705,155</u>	<u>(334,366)</u>	<u>370,789</u>
Service cost			
Current service cost	10,904	-	10,904
Past service cost and loss on settlements	1,305	-	1,305
Net interest expense (income)	<u>7,901</u>	<u>(3,789)</u>	<u>4,112</u>
Recognized in profit or loss	<u>20,110</u>	<u>(3,789)</u>	<u>16,321</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,758)	(6,758)
Actuarial loss - changes in demographic assumptions	4,531	-	4,531
Actuarial gain - changes in financial assumptions	(1,022)	-	(1,022)
Actuarial loss - experience adjustments	<u>9,586</u>	<u>-</u>	<u>9,586</u>
Recognized in other comprehensive income	<u>13,095</u>	<u>(6,758)</u>	<u>6,337</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Contributions from the employer	\$ <u> -</u>	\$ (130,576)	\$ (130,576)
Contributions from plan participants	<u> 2,475</u>	<u> (2,475)</u>	<u> -</u>
Benefits paid	<u> (41,468)</u>	<u> 41,468</u>	<u> -</u>
Exchange differences	<u> 1,298</u>	<u> (962)</u>	<u> 336</u>
Balance at December 31, 2018	<u>\$ 700,665</u>	<u>\$ (437,458)</u>	<u>\$ 263,207</u> (Concluded)

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:

	<u>December 31</u>	
	2018	2017
Discount rates	0.875%-1.250%	0.700%-1.500%
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:

	<u>December 31</u>	
	2018	2017
Discount rates		
0.250% increase	<u>\$ (21,406)</u>	<u>\$ (17,049)</u>
0.250% decrease	<u>\$ 22,249</u>	<u>\$ 18,084</u>
Expected rates of salary increase		
0.250% increase	<u>\$ 19,815</u>	<u>\$ 17,369</u>
0.250% decrease	<u>\$ (19,341)</u>	<u>\$ (16,836)</u>

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
The expected contributions to the plan for the next year	<u>\$ 33,078</u>	<u>\$ 18,100</u>
The average duration of the defined benefit obligation	2.8-15.1 years	3.7-15.9 years

28. EQUITY

a. Share capital

1) Ordinary shares

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Number of shares authorized (in thousands)	<u>920,000</u>	<u>920,000</u>
Shares authorized	<u>\$ 9,200,000</u>	<u>\$ 9,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>915,089</u>	<u>915,089</u>
Shares issued	<u>\$ 9,150,897</u>	<u>\$ 9,150,897</u>

2) Global depositary receipts

As of December 31, 2018, a total of 7,046.4 units of Global Depositary Receipts (GDRs) (representing 35,232 shares of the Company's ordinary shares), where each GDR representing five shares of the Company's ordinary shares, were traded on the Euro MTF Market of the Luxembourg Stock Exchange. Holders of the GDRs may request at any time that the shares represented by the GDRs be transferred to them.

b. Capital surplus

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</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>		
Changes in percentage of ownership interests in subsidiaries (2)	466	466
Recognized from treasury share transactions	92,578	79,239
<u>May not be used for any purpose</u>		
Share options	-	3,418
	<u>\$ 93,045</u>	<u>\$ 83,124</u>

- 1) 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 to once a year).
 - 2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries that result from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.
- c. Retained earnings and dividend policy

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 shall be proposed by the Company's board of directors and 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 after amendment, refer to Note 30(h) "employees' compensation and remuneration of directors".

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 2017 and 2016 approved in the shareholders' meetings on June 15, 2018 and June 22, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For the Year Ended		(NT\$)	
	December 31		For the Year Ended	
	2017	2016	2017	2016
Legal reserve	\$ 217,304	\$ 260,654		
Special reserve	178,629	81,797		
Cash dividends	1,830,179	1,407,830	\$ 2.0	\$ 1.6
Share dividends	-	351,958	-	0.4

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on March 22, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 294,909	
Special reserve	70,519	
Cash dividends	2,287,723	\$ 2.50

The appropriations of earnings for 2018 are subject to the resolution of the shareholders in their meeting to be held on June 13, 2019.

d. Special reserves

	<u>For the Year Ended December 31</u>	
	2018	2017
Beginning at January 1	\$ 81,797	\$ -
Appropriation in respect of:		
Debit to other equity items	<u>178,629</u>	<u>81,797</u>
Balance at December 31	<u>\$ 260,426</u>	<u>\$ 81,797</u>

Appropriation for special reserve should be made in the amount equal to the net debit balance of other equity. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

e. Other equity items

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

	<u>For the Year Ended December 31</u>	
	2018	2017
Balance at January 1	\$ (307,846)	\$ (185,556)
Effect of change in tax rate	11,127	-
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	<u>(117,413)</u>	<u>(122,290)</u>
Other comprehensive income recognized for the year	<u>(106,286)</u>	<u>(122,290)</u>
Acquisition of further interests in subsidiaries	<u>1,263</u>	<u>-</u>
Balance at December 31	<u>\$ (412,869)</u>	<u>\$ (307,846)</u>

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

Balance at January 1, 2017	\$ <u>150,729</u>
Recognized for the year	
Unrealized gain (loss) on revaluation of available-for-sale financial assets	(55,606)
Reclassification adjustment	
Disposal of available-for-sale financial assets	<u>(733)</u>
Other comprehensive income recognized for the year	<u>(56,339)</u>
Balance at December 31, 2017	\$ <u>94,390</u>
Balance at January 1, 2018 per IAS 39	\$ 94,390
Adjustment on initial application of IFRS 9	<u>(94,390)</u>
Balance at January 1, 2018 per IFRS 9	<u> -</u>

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>116,974</u>
Balance at January 1 per IFRS 9	<u>116,974</u>
Recognized for the year	
Unrealized gain (loss) - equity instruments	<u>(34,736)</u>
Other comprehensive income recognized for the year	<u>(34,736)</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>(314)</u>
Balance at December 31	\$ <u>81,924</u>

4) Other equity items - other (recognized from put option of equity instruments from disposal of subsidiaries)

	<u>For the Year Ended December 31</u>	
	2018	2017
Balance at January 1	\$ (46,970)	\$ (46,970)
Exercised the put option of equity instruments from disposal of subsidiaries	<u>46,970</u>	<u> -</u>
Balance at December 31	<u> -</u>	<u> -</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at January 1 per IAS 39	\$ 237,868	\$ 199,786
Adjustment on initial application of IFRS 9	<u>19,289</u>	<u>-</u>
Balance at January 1 per IFRS 9	257,157	199,786
Share in profit for the year	19,218	36,865
Other comprehensive income (loss) during the year		
Effect of change in tax rate	89	-
Exchange difference on translating the financial statements of foreign entities	(728)	(6,333)
Unrealized gain (loss) on financial assets at FVTOCI	(1,641)	-
Remeasurement on defined benefit plans	(609)	(114)
Related income tax	122	(5)
Acquisition of non-controlling interests in subsidiaries	(11,491)	-
Non-controlling interests arising from acquisition of subsidiaries	-	36,853
Changes in percentage of ownership interests in subsidiaries	-	(466)
Cash dividends distributed by subsidiaries to non-controlling interests	<u>(28,718)</u>	<u>(28,718)</u>
Balance at December 31	<u>\$ 233,399</u>	<u>\$ 237,868</u>

g. Treasury shares

Purpose of Buy-back	Shares Held by Subsidiaries (In Thousands of Shares)
Number of shares at January 1, 2017	6,413
Increase during the year	<u>256</u>
Number of shares at December 31, 2017	<u>6,669</u>
Number of shares at December 31, 2018	<u>6,669</u>

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

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
<u>December 31, 2018</u>			
Chang Hui	6,669	<u>\$ 21,182</u>	<u>\$ 331,473</u>
<u>December 31, 2017</u>			
Chang Hui	6,669	<u>\$ 21,182</u>	<u>\$ 493,541</u>

The Company's shares held by subsidiaries were treated as treasury shares, aside from the rights to participate in any share issuance for cash and to vote, the rest were similar to general shareholder's rights.

29. REVENUE

	<u>For the Year Ended December 31</u>	
	2018	2017
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 27,340,587</u>	<u>\$ 26,477,924</u>
a. Contract balances		
		December 31, 2018
Notes receivable (Note 13)		<u>\$ 2,887</u>
Trade receivables (Note 13)		<u>\$ 6,161,079</u>
Contract liabilities - current		
Sale of goods		<u>\$ 360,115</u>
b. Disaggregation of revenue		

	<u>Reportable Segments</u>			
	<u>Nutritious Foods</u>	<u>Cooking Products</u>	<u>Others</u>	<u>Total</u>
For the year ended <u>December 31, 2018</u>				
Type of goods or services				
Sale of goods	<u>\$ 10,929,907</u>	<u>\$ 13,817,285</u>	<u>\$ 2,593,395</u>	<u>\$ 27,340,587</u>
For the year ended <u>December 31, 2017</u>				
Type of goods or services				
Sale of goods	<u>\$ 10,202,742</u>	<u>\$ 13,132,389</u>	<u>\$ 3,142,793</u>	<u>\$ 26,477,924</u>

30. NET PROFIT

Net profit includes:

a. Other income

	For the Year Ended December 31	
	2018	2017
Rental income		
Operating lease rental income		
Investment properties	\$ 20,878	\$ 24,530
Others	<u>578</u>	<u>465</u>
	<u>21,456</u>	<u>24,995</u>
Interest income		
Bank deposits	29,541	46,791
Financial assets at amortized cost	8,701	-
Repurchase agreements collateralized by bonds	150	197
Others	<u>1,525</u>	<u>1,353</u>
	<u>39,917</u>	<u>48,341</u>
Dividends		
Available-for-sale financial assets	-	16,500
Investments in equity instruments at FVTOCI	<u>10,584</u>	<u>-</u>
	<u>10,584</u>	<u>16,500</u>
	<u>\$ 71,957</u>	<u>\$ 89,836</u>

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain on disposal of financial assets		
Available-for-sale financial assets	\$ -	\$ 733
Fair value changes of financial assets and financial liabilities		
Financial assets held for trading	13,031	(16,107)
Financial liabilities held for trading	9,308	-
Financial assets measured at cost	-	(48,825)
Net foreign exchange gains (losses)	10,478	(67,137)
Net loss on disposal of property, plant and equipment	(8,243)	(4,202)
Net gain on disposal of investment properties	369,427	-
Impairment losses recognized on property, plant and equipment	(18,035)	-
Government grants	107,359	54,747
Others	<u>51,859</u>	<u>17,195</u>
	<u>\$ 535,184</u>	<u>\$ (63,596)</u>

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	\$ 79,564	\$ 74,434
Interest on short-term bills payable	96	644
Obligations under financial leases	718	228
Other interest expense	<u>367</u>	<u>418</u>
Total interest expense on financial liabilities measured at amortized cost	80,745	75,724
Less: Amounts included in the cost of qualifying asset	<u>-</u>	<u>(9)</u>
	<u>\$ 80,745</u>	<u>\$ 75,715</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	\$ -	\$ 9
Capitalized rate	-	0.800%

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

	For the Year Ended December 31	
	2018	2017
Trade receivables	<u>\$ 5,251</u>	<u>\$ 186</u>
Inventories (included in operating costs)	<u>\$ (4,047)</u>	<u>\$ 11,757</u>
Financial assets measured at cost	<u>\$ -</u>	<u>\$ 48,825</u>
Property, plant and equipment	<u>\$ 18,035</u>	<u>\$ -</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating costs	\$ 381,355	\$ 335,076
Operating expenses	89,698	75,151
Non-operating revenue and expenses	<u>2,320</u>	<u>2,699</u>
	<u>\$ 473,373</u>	<u>\$ 412,926</u>
An analysis of amortization by function		
Operating costs	\$ 23,794	\$ 25,474
Operating expenses	<u>29,734</u>	<u>26,008</u>
	<u>\$ 53,528</u>	<u>\$ 51,482</u>

f. Operating expenses directly related to investment properties

	<u>For the Year Ended December 31</u>	
	2018	2017
Direct operating expenses of investment properties that generated rental income	\$ 751	\$ 2,573
Direct operating expenses of investment properties that did not generate rental income	<u>581</u>	<u>583</u>
	<u>\$ 1,332</u>	<u>\$ 3,156</u>

g. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2018	2017
Post-employment benefits		
Defined contribution plans	\$ 124,208	\$ 110,842
Defined benefit plans (see Note 27)	<u>16,321</u>	<u>14,747</u>
	140,529	125,589
Other employee benefits	<u>2,126,065</u>	<u>1,958,872</u>
Total employee benefits expense	<u>\$ 2,266,594</u>	<u>\$ 2,084,461</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 828,990	\$ 784,848
Operating expenses	<u>1,437,604</u>	<u>1,299,613</u>
	<u>\$ 2,266,594</u>	<u>\$ 2,084,461</u>

h. Employees' compensation and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at the rates of 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. The compensation of employees and remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 22, 2019 and March 22, 2018, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	2018	2017
Compensation of employees	0.90%	0.90%
Remuneration of directors	0.59%	0.59%

Amount

	<u>For the Year Ended December 31</u>	
	2018	2017
	Cash	Cash
Compensation of employees	\$ 31,723	\$ 23,388
Remuneration of directors	20,960	15,449

If there is a change in the amounts after the annual consolidated 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 paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2017 and 2016.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

i. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	\$ 76,847	\$ 90,343
Foreign exchange losses	<u>(66,369)</u>	<u>(157,480)</u>
Net gain (losses)	<u>\$ 10,478</u>	<u>\$ (67,137)</u>

31. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 630,223	\$ 511,732
Land value increment tax	27,947	-
Income tax on unappropriated earnings	-	46,536
Adjustments for prior years	<u>(5,159)</u>	<u>22,568</u>
	<u>653,011</u>	<u>580,836</u>
Deferred tax		
In respect of the current year	77,051	(45,342)
Effect of tax rate changes	<u>(22,137)</u>	<u>-</u>
	<u>54,914</u>	<u>(45,342)</u>
Income tax expense recognized in profit or loss	<u>\$ 707,925</u>	<u>\$ 535,494</u>

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

	For the Year Ended December 31	
	2018	2017
Profit before tax	<u>\$ 3,676,232</u>	<u>\$ 2,745,403</u>
Income tax expense calculated at the statutory rate	\$ 887,299	\$ 542,734
Nondeductible expenses in determining taxable income	23,150	26,194
Tax-exempt income	(184,192)	(111,089)
Unrecognized deductible temporary differences and loss carryforwards	2,459	12,735

(Continued)

	For the Year Ended December 31	
	2018	2017
Investment credits	\$ (21,442)	\$ (4,184)
Income tax on unappropriated earnings	-	46,536
Land value increment tax	27,947	-
Effect of tax rate changes	(22,137)	-
Adjustments for prior years' tax	<u>(5,159)</u>	<u>22,568</u>
Income tax expense recognized in profit or loss	<u>\$ 707,925</u>	<u>\$ 535,494</u> (Concluded)

In 2017, the applicable corporate income tax rate used by the group entities in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
<u>Deferred tax</u>		
Effect of tax rate changes	\$ (21,055)	\$ -
In respect of the current year		
Exchange differences on translating the financial statements of foreign operations	(29,037)	(25,047)
Fair value changes of financial assets at FVTOCI	(83)	-
Remeasurement of defined benefit plans	<u>(1,049)</u>	<u>(5,397)</u>
Total income tax recognized in other comprehensive income	<u>\$ (51,224)</u>	<u>\$ (30,444)</u>

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	<u>\$ 13,349</u>	<u>\$ 800</u>
Current tax liabilities		
Income tax payable	<u>\$ 337,835</u>	<u>\$ 307,268</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Effect of Tax Rate Changes	Recognized in Profit or Loss	Recognized in Other Comprehen ve Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Investments accounted for using the equity method	\$ 92,479	\$ 16,330	\$ (17,709)	\$ -	\$ -	\$ 91,100
Exchange differences on translating the financial statements of foreign operations	63,052	11,127	-	29,037	-	103,216
Defined benefit plans	63,789	10,855	551	1,229	66	76,490
Payable for advertisement	55,745	-	-	-	(969)	54,776
Deferred sales returns and allowances	19,129	3,376	(15,738)	-	-	6,767
Allowance for inventory loss	7,326	1,332	1,413	-	-	10,071
Financial assets measured at cost	41,930	7,400	(5,527)	83	-	43,886
Others	<u>18,652</u>	<u>3,010</u>	<u>(7,342)</u>	<u>-</u>	<u>25</u>	<u>14,345</u>
	362,102	53,430	(44,352)	30,349	(878)	400,651
Loss carryforwards	<u>81</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95</u>
	<u>\$ 362,183</u>	<u>\$ 53,444</u>	<u>\$ (44,352)</u>	<u>\$ 30,349</u>	<u>\$ (878)</u>	<u>\$ 400,746</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Investments accounted for using the equity method	\$ 53,736	\$ 9,483	\$ 37,241	\$ -	\$ -	\$ 100,460
Reserve for land value increment tax	33,685	-	-	-	-	33,685
Defined benefit plans	332	228	-	180	-	740
Others	<u>5,226</u>	<u>541</u>	<u>(4,542)</u>	<u>-</u>	<u>13</u>	<u>1,238</u>
	<u>\$ 92,979</u>	<u>\$ 10,252</u>	<u>\$ 32,699</u>	<u>\$ 180</u>	<u>\$ 13</u>	<u>\$ 136,123</u>

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Investments accounted for using the equity method	\$ 92,897	\$ 26	\$ (444)	\$ -	\$ 92,479
Exchange differences on translating the financial statements of foreign operations	38,005	-	25,047	-	63,052
Defined benefit plans	56,661	1,700	5,543	(115)	63,789
Payable for advertisement	57,005	(100)	-	(1,160)	55,745
Deferred sales returns and allowances	4,472	14,657	-	-	19,129
Allowance for inventory loss	7,597	(271)	-	-	7,326
Financial assets measured at cost	34,548	7,382	-	-	41,930
Others	<u>15,096</u>	<u>3,593</u>	<u>-</u>	<u>(37)</u>	<u>18,652</u>
	306,281	26,987	30,146	(1,312)	362,102
Loss carryforwards	<u>-</u>	<u>81</u>	<u>-</u>	<u>-</u>	<u>81</u>
	<u>\$ 306,281</u>	<u>\$ 27,068</u>	<u>\$ 30,146</u>	<u>\$ (1,312)</u>	<u>\$ 362,183</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Investments accounted for using the equity method	\$ 69,338	\$ (15,602)	\$ -	\$ -	\$ 53,736
Reserve for land value increment tax	33,685	-	-	-	33,685
Defined benefit plans	630	-	(298)	-	332
Others	<u>8,012</u>	<u>(2,672)</u>	<u>-</u>	<u>(114)</u>	<u>5,226</u>
	<u>\$ 111,665</u>	<u>\$ (18,274)</u>	<u>\$ (298)</u>	<u>\$ (114)</u>	<u>\$ 92,979</u>
					(Concluded)

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Loss carryforwards		
Expiry in 2019	\$ 580	\$ 590
Expiry in 2020	11,268	11,092
Expiry in 2021	25,402	36,363
Expiry in 2022	41,636	42,727
Expiry in 2023	<u>69,645</u>	<u>410</u>
	<u>\$ 148,531</u>	<u>\$ 91,182</u>
Deductible temporary differences	<u>\$ 50,272</u>	<u>\$ 114,531</u>

- f. Income tax assessments

The income tax returns of the Company, Standard Dairy Products, Domex Technology, Charng Hui and Le Bonta Wellness through 2016 have been assessed by the tax authorities.

The income tax returns of Standard Beverage through 2017 have been assessed by the tax authorities.

32. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Basic earnings per share	<u>\$ 3.25</u>	<u>\$ 2.39</u>
Diluted earnings per share	<u>\$ 3.24</u>	<u>\$ 2.39</u>

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2018	2017
Earnings used in the computation of basic earnings per share	<u>\$ 2,949,089</u>	<u>\$ 2,173,044</u>

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

	<u>For the Year Ended December 31</u>	
	2018	2017
Weighted average number of ordinary shares used in computation of basic earnings per share	908,420	908,420
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>742</u>	<u>413</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>909,162</u>	<u>908,833</u>

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 is 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.

33. GOVERNMENT GRANTS

In 2018, the Group received government grants, and recognized \$5,828 thousand in other gains and losses. In 2018 and 2017, the Group received government grants of RMB21,023 thousand and RMB12,091 thousand, respectively, for the relevant operating expenses of China's headquarters. The amounts were recognized as deferred revenue and subsequently transferred to other income when the Group recognized the corresponding operating expenses. The Group recognized \$101,531 thousand and \$54,747 thousand as other gains and losses during 2018 and 2017, respectively.

34. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On May 18, 2018, the Group subscribed for shares of non-controlling interests at a percentage of 20%, which increased its continuing interest from 80% to 100%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	Dermalab
Cash consideration received	\$ (59,682)
The transfer of capital premium's stock warrants	48,512
The equity instrument's put option of the financial liability of the subsidiary transferred to non-controlling interests	3,418
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	11,491
Reattribution of other equity from non-controlling interests	
Exchange differences on translating the financial statements of foreign operation	(1,263)
Others	<u>(46,970)</u>
Differences recognized from equity transactions	<u>\$ (44,494)</u>

Line items adjusted for equity transactions

Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ (44,494)</u>
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On September 28 and November 9, 2017, the Group subscribed for the increase in capital of China Standard Investment at a percentage different from its existing ownership percentage, and reduced its continuing interest from 100% to 99%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	China Standard Investment
Cash consideration received	\$ 36,853
The proportionate share of the carrying amount of the net assets of subsidiaries transferred to non-controlling interests	<u>(35,742)</u>
Differences recognized from equity transactions	<u>\$ 1,111</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ 1,111</u>

35. CASH FLOWS INFORMATION

Changes in liabilities arising from financing activities:

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes Exchanging Rate Adjustments	Closing Balance
Short-term borrowings	\$ 2,312,473	\$ (555,347)	\$ (25,648)	\$ 1,731,478
Short-term bills payable	99,953	19,951	-	119,904
Long-term borrowings	39,000	(12,000)	-	27,000
Finance lease payables	2,833	4,067	46	6,946
Guarantee deposits received	48,769	(28,458)	(350)	19,961
Other non-current liabilities	<u>5,305</u>	<u>(687)</u>	<u>116</u>	<u>4,734</u>
	<u>\$ 2,508,333</u>	<u>\$ (572,474)</u>	<u>\$ (25,836)</u>	<u>\$ 1,910,023</u>

For the year ended December 31, 2017

	Opening Balance	Cash Flows	Non-cash Changes Exchanging Rate Adjustments	Closing Balance
Short-term borrowings	\$ 1,460,871	\$ 871,296	\$ (19,694)	\$ 2,312,473
Short-term bills payable	69,975	29,978	-	99,953
Long-term borrowings	-	39,000	-	39,000
Finance lease payables	3,080	(247)	-	2,833
Guarantee deposits received	31,330	16,931	508	48,769
Other non-current liabilities	<u>52,297</u>	<u>(46,243)</u>	<u>(749)</u>	<u>5,305</u>
	<u>\$ 1,617,553</u>	<u>\$ 910,715</u>	<u>\$ (19,935)</u>	<u>\$ 2,508,333</u>

36. 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 Group does not have a bargain purchase option to acquire the leased land and building at the expiration of the lease periods.

Domex Technology leased 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	
	2018	2017
Not later than 1 year	\$ 55,887	\$ 58,701
Later than 1 year and not later than 5 years	99,744	31,098
Later than 5 years	<u>-</u>	<u>7,744</u>
	<u>\$ 155,631</u>	<u>\$ 97,543</u>

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

	For the Year Ended December 31	
	2018	2017
Minimum lease payments	<u>\$ 131,944</u>	<u>\$ 124,904</u>

b. The Group as lessor

Operating leases relate to investment properties owned by the Group with lease terms between 1 and 5 years. The lessees do not have bargain purchase options to acquire the properties at the expiry of the lease periods.

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

	December 31	
	2018	2017
Not later than 1 year	\$ 18,986	\$ 22,329
Later than 1 year and not later than 5 years	<u>18,943</u>	<u>47,696</u>
	<u>\$ 37,929</u>	<u>\$ 70,025</u>

37. 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.

38. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Unlisted shares	\$ -	\$ -	\$ 7,315	\$ 7,315
Mutual fund beneficiary certification	<u>617,790</u>	<u>-</u>	<u>-</u>	<u>617,790</u>
	<u>\$ 617,790</u>	<u>\$ -</u>	<u>\$ 7,315</u>	<u>\$ 625,105</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Listed shares and emerging market shares	\$ 244,534	\$ -	\$ -	\$ 244,534
Unlisted shares	<u>-</u>	<u>-</u>	<u>77,165</u>	<u>77,165</u>
	<u>\$ 244,534</u>	<u>\$ -</u>	<u>\$ 77,165</u>	<u>\$ 321,699</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Listed shares and emerging market shares				
Equity securities	\$ 276,786	\$ -	\$ -	\$ 276,786
Mutual funds	<u>46,235</u>	<u>-</u>	<u>-</u>	<u>46,235</u>
	<u>\$ 323,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,021</u>
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 11,253</u>	<u>\$ -</u>	<u>\$ 11,253</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTPL Equity Instruments	Financial Assets at FVTOCI Equity Instruments	Total
Balance at January 1, 2018	\$ 6,368	\$ 83,754	\$ 90,122
Recognized in profit or loss (included in other gains and losses)	3,125	-	3,125
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	-	(4,749)	(4,749)
Sales/settlements	(1,978)	(1,823)	(3,801)
Transfers out of Level 3	(200)	-	(200)
Impact of exchange rates	-	(17)	(17)
Balance at December 31, 2018	<u>\$ 7,315</u>	<u>\$ 77,165</u>	<u>\$ 84,480</u>
Recognized in other gains and losses - unrealized	<u>\$ 1,147</u>		<u>\$ 1,147</u>

For the year ended December 31, 2017

None.

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange swap contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

4) The valuation techniques of unlisted shares with no active market are mainly applicable for market and asset valuation methods.

The market method is mainly used to value the fair value of investment objects' market prices and environments.

The asset method is mainly utilized to value the fair value of investment objects' net asset values.

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 625,105	\$ -
Loans and receivables (1)	-	9,227,309
Available-for-sale financial assets (2)	-	369,256
Financial assets at amortized cost (3)	10,614,196	-
Financial assets at FVTOCI		
Equity instruments	321,699	-
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	-	11,253
Financial liabilities at amortized cost (4)	4,367,443	4,359,078

- 1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, and trade and other receivables. Those reclassified to held-for-sale disposal groups are also included.
- 2) The balances include the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, and notes receivable and trade receivables. Those reclassified to held-for-sale disposal groups are also included.
- 4) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, trade and other payables, and bonds issued. Those reclassified to held-for-sale disposal groups are also included.

c. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, equity and debt investments, mutual funds, 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 42.

Sensitivity analysis

The Group was mainly exposed to the RMB, USD, EUR, and AUD.

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

	RMB Impact		USD Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Profit or loss	\$ 834 (i)	\$ 2,356 (i)	\$ 18,939 (ii)	\$ 9,734 (ii)

	EUR Impact		AUD Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Profit or loss	\$ 1,378 (iii)	\$ (665) (iii)	\$ 2,707 (iv)	\$ (604) (iv)

- i. This was mainly attributable to the exposure of outstanding RMB bank deposits which were not hedged at the end of the reporting period.
- ii. This was mainly attributable to the exposure of outstanding USD bank deposits, debt investments with no active market, receivables and payables which were not hedged at the end of the reporting period.
- iii. This was mainly attributable to the exposure on outstanding receivables and payables in EUR which were not hedged at the end of the reporting period.
- iv. This was mainly attributable to the exposure on outstanding receivables and payables in AUD which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group 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	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 955,885	\$ 602,963
Financial liabilities	1,806,328	2,360,455
Cash flow interest rate risk		
Financial assets	1,163,880	655,700
Financial liabilities	79,000	139,000

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% higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would increase (decrease) by \$10,849 thousand and \$5,557 thousand, respectively.

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

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax profit for the year ended December 31, 2018 would have increased/decreased by \$6,251 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2018 would have increased/decreased by \$3,217 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2017 would increase/decrease by \$3,230 thousand, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

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

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

The 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 sheets:

December 31, 2018

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by		
		Collateral	Other Credit Enhancements	Total
Receivables	\$ 6,163,966	\$ 94,755	\$ 11,189	\$ 105,944

December 31, 2017

	Maximum Exposure to Credit Risk Mitigated by		
	Collateral	Other Credit Enhancements	Total
Receivables	\$ 161,732	\$ 19,202	\$ 180,934

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. As of December 31, 2018 and 2017, the Group had available unutilized bank loan facilities in the amounts of \$8,454,225 thousand and \$7,752,677 thousand, respectively.

a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table 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 table 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, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 260,158	\$ 603,234	\$ 1,599,695	\$ 19,961
Finance lease liabilities	222	445	2,002	5,164
Variable interest rate liabilities	30,067	3,086	31,304	15,215
Fixed interest rate liabilities	644,922	627,795	509,072	37,371
Contract liabilities	<u>120,038</u>	<u>240,077</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,055,407</u>	<u>\$ 1,474,637</u>	<u>\$ 2,142,073</u>	<u>\$ 77,711</u>

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 153,410	\$ 372,788	\$ 1,319,480	\$ 48,769
Finance lease liabilities	1	2	505	2,928
Variable interest rate liabilities	63	33,204	79,809	27,646
Fixed interest rate liabilities	<u>392,837</u>	<u>1,020,643</u>	<u>980,722</u>	<u>-</u>
	<u>\$ 546,311</u>	<u>\$ 1,426,637</u>	<u>\$ 2,380,516</u>	<u>\$ 79,343</u>

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

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2018

None.

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Gross settled</u>				
Foreign exchange swap contracts				
Inflows	\$ -	\$ -	\$ 179,918	\$ -
Outflows	<u>-</u>	<u>-</u>	<u>(191,171)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,253)</u>	<u>\$ -</u>

39. 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. Related parties and relationships

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
GeneFerm Biotechnology Co., Ltd. (“GeneFerm”)	The Company is one of the directors

b. Purchases of goods

Related Party Category/Name	<u>For the Year Ended December 31</u>	
	2018	2017
The Company is one of the directors GeneFerm	<u>\$ 25,529</u>	<u>\$ 25,572</u>

Purchases from related parties were conducted on normal commercial terms.

c. Payables to related parties

Line Items	Related Party Category/Name	<u>December 31</u>	
		2018	2017
Trade payables	The Company is one of the directors GeneFerm	<u>\$ 8,602</u>	<u>\$ 3,269</u>

The outstanding payables from related parties were unsecured.

d. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2018	2017
Short-term employee benefits	\$ 40,280	\$ 30,273
Post-employment benefits	<u>533</u>	<u>450</u>
	<u>\$ 40,813</u>	<u>\$ 30,723</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

40. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, issuance of bank acceptances, performance guaranty, and bond for customs clearance:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Pledge time deposits (included in other current assets)	\$ 1,010	\$ 1,007
Pledge demand deposits (included in other current assets)	-	4,179
Pledge time deposits (included in other non-current assets)	89,506	91,090
Property, plant and equipment, net	153,868	99,709
Investment properties, net	<u>58,697</u>	<u>60,485</u>
	<u>\$ 303,081</u>	<u>\$ 256,470</u>

41. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2018 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\$4,733 thousand and EUR488 thousand.
- c. Unrecognized commitments for acquisition of property, plant and equipment of approximately \$175,709 thousand.

42. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant assets and liabilities denominated in foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 12,753	30.72 (USD:NTD)	\$ 391,681
USD	14,631	6.86 (USD:RMB)	449,371
EUR	1,661	35.20 (EUR:NTD)	58,453
RMB	6,219	4.47 (RMB:NTD)	27,810
AUD	4,717	21.67 (AUD:RMB)	102,184
CHF	2,923	6.97 (CHF:RMB)	<u>91,155</u>
			<u>\$ 1,120,654</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
USD	\$ 33	6.86 (USD:RMB)	\$ 1,000
CHF	1,379	6.97 (CHF:RMB)	<u>43,007</u>
			<u>\$ 44,007</u>

Financial liabilities

Monetary items			
USD	771	30.72 (USD:NTD)	\$ 23,666
USD	6,045	6.86 (USD:RMB)	185,681
EUR	356	35.20 (EUR:NTD)	12,535
AUD	551	21.67 (AUD:NTD)	11,944
SGD	501	22.48 (SGD:NTD)	<u>11,262</u>
			<u>\$ 245,088</u>
			(Concluded)

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,475	29.76 (USD:NTD)	\$ 341,507
USD	8,155	6.53 (USD:RMB)	242,698
RMB	17,202	4.57 (RMB:NTD)	78,530
CHF	3,026	6.69 (CHF:RMB)	<u>92,147</u>
			<u>\$ 754,882</u>
Non-monetary items			
USD	110	6.53 (USD:RMB)	<u>\$ 3,260</u>
<u>Financial liabilities</u>			
Monetary items			
USD	2,727	29.76 (USD:NTD)	\$ 81,172
USD	6,000	6.53 (USD:RMB)	178,560
EUR	631	35.57 (EUR:NTD)	22,450
AUD	875	23.18 (AUD:NTD)	20,280
CHF	1,761	6.69 (CHF:RMB)	<u>53,645</u>
			<u>\$ 356,107</u>
Non-monetary items			
USD	371	6.53 (USD:RMB)	<u>\$ 11,253</u>

The Group is mainly exposed to RMB and USD. 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 Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	\$ 5,483	1 (NTD:NTD)	\$ (55,430)
RMB	4.55 (RMB:NTD)	5,136	4.51 (RMB:NTD)	(11,975)
CHF	31.19 (CHF:NTD)	<u>(141)</u>	30.90 (CHF:NTD)	<u>268</u>
		<u>\$ 10,478</u>		<u>\$ (67,137)</u>

43. 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: None.
- e. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: See Table 4 attached.
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 5 attached.
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 6 attached.
- i. Trading in derivative instruments: See Table 7 attached.
- j. Others: Intercompany relationships and significant intercompany transactions: None.
- k. Information on investees (excluding investees of mainland China): See Table 9 attached.
- l. Information on investment in mainland China
 - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: See Table 10 attached.
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss: None.

44. SEGMENT INFORMATION

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

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

a. Operating segment information

	Standard Foods Segment	Standard Dairy Products Segment	China Standard Segment	Other Segments	Adjustments and Eliminations	Consolidated
<u>For the year ended December 31, 2018</u>						
Sales from external customers	\$ 10,681,521	\$ 2,615,642	\$ 12,171,356	\$ 1,884,219	\$ (12,151)	\$ 27,340,587
Sales among intersegments	<u>1,506,386</u>	<u>739,330</u>	<u>2,378</u>	<u>5,142</u>	<u>(2,253,237)</u>	<u>-</u>
Total sales	<u>\$ 12,187,907</u>	<u>\$ 3,354,972</u>	<u>\$ 12,173,734</u>	<u>\$ 1,889,361</u>	<u>\$ (2,265,388)</u>	<u>\$ 27,340,587</u>
Interest income	<u>\$ 15,502</u>	<u>\$ 4,109</u>	<u>\$ 18,074</u>	<u>\$ 7,541</u>	<u>\$ (5,308)</u>	<u>\$ 39,917</u>
Financial cost	<u>\$ 686</u>	<u>\$ -</u>	<u>\$ 76,371</u>	<u>\$ 8,997</u>	<u>\$ (5,308)</u>	<u>\$ 80,745</u>
Depreciation expense	<u>\$ 187,440</u>	<u>\$ 34,733</u>	<u>\$ 213,340</u>	<u>\$ 37,859</u>	<u>\$ -</u>	<u>\$ 473,373</u>
Amortization expense	<u>\$ 10,324</u>	<u>\$ 2,029</u>	<u>\$ 34,612</u>	<u>\$ 6,563</u>	<u>\$ -</u>	<u>\$ 53,528</u>
Other important non-cash items						
Impairment loss on assets	<u>\$ 18,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,035</u>
Operating segment income (loss)	<u>\$ 2,778,553</u>	<u>\$ 540,305</u>	<u>\$ 348,732</u>	<u>\$ 10,204</u>	<u>\$ (1,563)</u>	<u>\$ 3,676,232</u>
Unallocated amount						<u>-</u>
Income before income tax						<u>\$ 3,676,232</u>
<u>For the year ended December 31, 2017</u>						
Sales from external customers	\$ 9,924,080	\$ 2,505,306	\$ 11,609,116	\$ 2,439,422	\$ -	\$ 26,477,924
Sales among intersegments	<u>1,335,603</u>	<u>608,762</u>	<u>1,018</u>	<u>3,784</u>	<u>(1,949,167)</u>	<u>-</u>
Total sales	<u>\$ 11,259,683</u>	<u>\$ 3,114,068</u>	<u>\$ 11,610,134</u>	<u>\$ 2,443,206</u>	<u>\$ (1,949,167)</u>	<u>\$ 26,477,924</u>
Interest income	<u>\$ 13,923</u>	<u>\$ 3,839</u>	<u>\$ 27,145</u>	<u>\$ 8,586</u>	<u>\$ (5,152)</u>	<u>\$ 48,341</u>
Financial cost	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,429</u>	<u>\$ 9,438</u>	<u>\$ (5,152)</u>	<u>\$ 75,715</u>
Depreciation expense	<u>\$ 175,239</u>	<u>\$ 25,898</u>	<u>\$ 187,457</u>	<u>\$ 24,332</u>	<u>\$ -</u>	<u>\$ 412,926</u>
Amortization expense	<u>\$ 14,181</u>	<u>\$ 1,995</u>	<u>\$ 25,026</u>	<u>\$ 10,280</u>	<u>\$ -</u>	<u>\$ 51,482</u>
Other important non-cash items						
Impairment loss on assets	<u>\$ 43,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,400</u>	<u>\$ -</u>	<u>\$ 48,825</u>
Operating segment income (loss)	<u>\$ 2,105,329</u>	<u>\$ 571,685</u>	<u>\$ 35,795</u>	<u>\$ (96,585)</u>	<u>\$ 129,179</u>	<u>\$ 2,745,403</u>
Unallocated amount						<u>-</u>
Income before income tax						<u>\$ 2,745,403</u>

b. 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 Year Ended December 31	
	2018	2017
Taiwan	\$ 14,977,018	\$ 14,691,991
Mainland China	12,247,648	11,702,655
Others	<u>115,921</u>	<u>83,278</u>
	<u>\$ 27,340,587</u>	<u>\$ 26,477,924</u>
	Non-current Assets	
	December 31	
	2018	2017
Taiwan	\$ 2,198,922	\$ 2,264,446
Mainland China	3,812,887	4,203,004
Others	<u>28,373</u>	<u>28,817</u>
	<u>\$ 6,040,182</u>	<u>\$ 6,496,267</u>

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

c. Information about major customers

Single customer contributing 10% or more to the Group's revenue for the years ended December 31, 2018 and 2017 was summarized as follows:

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Customer A	<u>\$ 3,561,949</u>	13.0	<u>\$ 4,329,907</u>	16.4

STANDARD FOODS CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	Financing receivables - related parties	Y	\$ 467,010	\$ 447,530	\$ 190,451	2.50%	b.	\$ -	Need for operation	\$ -	-	\$ -	\$ 1,504,684 (Note 3)	\$ 1,504,684 (Note 3)	
		Shanghai Dermalab Corporation	Financing receivables - related parties	Y	93,402	89,506	56,295	2.500%- 4.350%	b.	-	Need for operation	-	-	-	1,504,684 (Note 3)	1,504,684 (Note 3)	
		Standard Foods (Xiamen) Co., Ltd.	Financing receivables - related parties	Y	747,216	716,048	287,064	2.50%	b.	-	Need for operation	-	-	-	1,504,684 (Note 3)	1,504,684 (Note 3)	
		Shanghai Le Ben Tuo Health Technology Co., Ltd.	Financing receivables - related parties	Y	93,402	89,506	89,506	2.50%	b.	-	Need for operation	-	-	-	1,504,684 (Note 3)	1,504,684 (Note 3)	
2	Shanghai Standard Foods Co., Ltd.	Standard Foods (China) Co., Ltd.	Financing receivables - related parties	Y	490,361	469,907	443,055	2.500%- 4.350%	b.	-	Need for operation	-	-	-	1,195,792 (Note 4)	1,195,792 (Note 4)	
		Standard Investment (China) Co., Ltd.	Financing receivables - related parties	Y	677,165	648,919	603,964	2.50%	b.	-	Need for operation	-	-	-	1,195,792 (Note 4)	1,195,792 (Note 4)	
3	Accession Limited	Shanghai Standard Foods Co., Ltd.	Financing receivables - related parties	Y	185,730	184,290	184,290	-	b.	-	Need for operation	-	-	-	3,400,834 (Note 5)	3,400,834 (Note 5)	
		Dermalab S.A.	Financing receivables - related parties	Y	133,539	68,607	68,607	1.900%	b.	-	Need for operation	-	-	-	3,400,834 (Note 5)	3,400,834 (Note 5)	
4	Shanghai Le Ben Tuo Health Technology Co., Ltd.	Standard Investment (China) Co., Ltd.	Financing receivables - related parties	Y	116,753	22,377	-	2.50%	b.	-	Need for operation	-	-	-	111,020 (Note 6)	111,020 (Note 6)	
5	Shanghai Le Ben De Health Technology Co., Ltd.	Standard Investment (China) Co., Ltd.	Financing receivables - related parties	Y	9,340	8,951	-	2.50%	b.	-	Need for operation	-	-	-	11,510 (Note 7)	11,510 (Note 7)	
6	Shanghai Le Ho Industrial Co., Ltd.	Standard Investment (China) Co., Ltd.	Financing receivables - related parties	Y	186,804	179,012	635	2.50%	b.	-	Need for operation	-	-	-	216,439 (Note 8)	216,439 (Note 8)	
7	Shanghai Le Min Industrial Co., Ltd.	Standard Investment (China) Co., Ltd.	Financing receivables - related parties	Y	93,402	89,506	841	2.50%	b.	-	Need for operation	-	-	-	135,094 (Note 9)	135,094 (Note 9)	

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.

(Continued)

Note 3: The total amount shall not exceed 40% of net value of Standard Investment (China) Co., Ltd., which was calculated to be \$1,504,684 thousand (the net value per financial statements as of September 30, 2018 of \$3,761,710 thousand x 40%).

Note 4: The total amount shall not exceed 40% of net value of Shanghai Standard Foods Co., Ltd., which was calculated to be \$1,195,792 thousand (the net value per financial statements as of September 30, 2018 of \$2,989,479 thousand x 40%).

Note 5: The total amount shall not exceed 100% of net value of Accession Limited, which was calculated to be \$3,400,834 thousand (the net value per financial statements as of September 30, 2018 of \$3,400,834 thousand x 100%).

Note 6: The total amount shall not exceed 40% of net value of Shanghai Le Ben Tuo Health Technology Co., Ltd., which was calculated to be \$111,020 thousand (the net value per financial statements as of September 30, 2018 of \$277,549 thousand x 40%).

Note 7: The total amount shall not exceed 40% of net value of Shanghai Le Ben De Health Technology Co., Ltd., which was calculated to be \$11,510 thousand (the net value per financial statements as of September 30, 2018 of \$28,775 thousand x 40%).

Note 8: The total amount shall not exceed 40% of net value of Shanghai Le Ho Industrial Co., Ltd., which was calculated to be \$216,439 thousand (the net value per financial statements as of September 30, 2018 of \$541,098 thousand x 40%).

Note 9: The total amount shall not exceed 40% of net value of Shanghai Le Min Industrial Co., Ltd., which was calculated to be \$135,094 thousand (the net value per financial statements as of September 30, 2018 of \$337,736 thousand x 40%).

(Concluded)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(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.	\$ 12,014,239 (Note 3)	\$ 154,775	\$ 153,575	\$ 22,000	\$ -	1.02%	\$ 15,017,799 (Note 4)	Y	-	-	
		Accession Limited	b.	12,014,239 (Note 3)	185,730	184,290	-	-	1.23%	15,017,799 (Note 4)	Y	-	-	
1	Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	d.	1,501,780 (Note 5)	461,260	-	-	-	-	2,989,479 (Note 6)	-	-	Y	
		Standard Foods (China) Co., Ltd.	d.	1,501,780 (Note 5)	461,260	-	-	-	-	2,989,479 (Note 6)	-	-	Y	
2	Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	b.	3,009,368 (Note 7)	1,183,701	-	-	-	-	3,761,710 (Note 8)	-	-	Y	
		Standard Foods (Xiamen) Co., Ltd.	b.	3,009,368 (Note 7)	1,382,390	-	-	-	-	3,761,710 (Note 8)	-	-	Y	
		Shanghai Standard Foods Co., Ltd.	d.	1,501,780 (Note 5)	441,420	-	-	-	-	3,761,710 (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; the amount was calculated at \$12,014,239 thousand (the net value per financial statements as of September 30, 2018 of \$15,017,799 thousand x 80%).

Note 4: The total amount shall not exceed 100% of the net value in the financial statements of Standard Foods Corporation; the amount was calculated at \$15,017,799 thousand (the net value per financial statements as of September 30, 2018 of \$15,017,799 thousand x 100%).

Note 5: The total amount shall not exceed 10% of the net value in the financial statements of Standard Foods Corporation, ultimate parent company; the amount was calculated at \$1,501,780 thousand (the net value per financial statements as of September 30, 2018 of \$15,017,799 thousand x 10%).

Note 6: The total amount shall not exceed 100% of the net value in the financial statements of Shanghai Standard Foods Co., Ltd.; the amount was calculated at \$2,989,479 thousand (the net value per financial statements as of September 30, 2018 of \$2,989,479 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.; the amount was calculated at \$3,009,368 thousand (the net value per financial statements as of September 30, 2018 of \$3,761,710 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.; the amount was calculated at \$3,761,710 thousand (the net value per financial statements as of September 30, 2018 of \$3,761,710 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, 2018

(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, 2018				Note							
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note 2)								
Standard Foods Corporation	<u>Shares</u>	The Company is one of the directors													
	Far Eastern International Commercial Bank Co., Ltd.								Financial assets at fair value through other comprehensive income - current	1,343,427	\$ 13,434	-	\$ 13,434		
	Chunghwa Telecom Co., Ltd.								Financial assets at fair value through other comprehensive income - current	48,600	5,492	-	5,492		
	GeneFerm Biotechnology Co., Ltd.								Financial assets at fair value through other comprehensive income - non-current	2,145,110	90,095	7.8	90,095		
	Dah Chung Bills Finance Corp.								Financial assets at fair value through other comprehensive income - non-current	1,243,213	12,805	0.3	12,805		
	<u>Mutual funds</u>														
	Taishin 1699 Money Market Fund								Financial assets at fair value through profit or loss - current	5,928,855	80,084	-	80,084		
	Jih Sun Money Market Fund								Financial assets at fair value through profit or loss - current	6,770,618	100,161	-	100,161		
	Hua Nan Phoenix Money Market Fund								Financial assets at fair value through profit or loss - current	13,259,604	215,238	-	215,238		
	CTBC Hwa-win Money Market Fund								Financial assets at fair value through profit or loss - current	5,635,847	62,017	-	62,017		
	Walden VC 2, L.P.								Financial assets at fair value through profit or loss - non-current	Note 1	-	1.9	-		
	<u>Shares</u>														
	Techgains Pan-Pacific Corporation	Financial assets at fair value through profit or loss - non-current	500,000	-	0.9	-									
	Authenex, Inc.	Financial assets at fair value through profit or loss - non-current	2,424,242	-	5.5	-									
	Global Strategic Investment Co., Ltd.	Financial assets at fair value through profit or loss - non-current	850,500	5,205	1.9	5,205									
	Paradigm Venture Capital Corporation	Financial assets at fair value through profit or loss - non-current	180,376	2,110	7.0	2,110									
	U-Teck Environment Corporation, Ltd.	Financial assets at fair value through profit or loss - non-current	11,200	-	0.2	-									
	Octamer, Inc. - Series E Preferred Stock	Financial assets at fair value through profit or loss - non-current	800,000	-	7.8	-									
	Octamer, Inc. - Series F Preferred Stock	Financial assets at fair value through profit or loss - non-current	107,815	-	1.0	-									

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note						
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note 2)							
Standard Dairy Products Taiwan Limited	Fortemedia, Inc. - Series D Preferred Stock		Financial assets at fair value through profit or loss - non-current	3,455	\$ -	1.2	\$ -							
	Fortemedia, Inc. - Series E Preferred Stock		Financial assets at fair value through profit or loss - non-current	71,397	-	1.2	-							
	Fortemedia, Inc. - Series F Preferred Stock		Financial assets at fair value through profit or loss - non-current	29,173	-	1.2	-							
	Fortemedia, Inc. - Series G Preferred Stock		Financial assets at fair value through profit or loss - non-current	31,135	-	1.3	-							
	Fortemedia, Inc. - Series I Preferred Stock		Financial assets at fair value through profit or loss - non-current	29,102	-	1.3	-							
	Fortemedia, Inc. - Series - Common Stock		Financial assets at fair value through profit or loss - non-current	12,938	-	1.2	-							
	<u>Mutual funds</u>													
	Jih Sun Money Market Fund									Financial assets at fair value through profit or loss - current	264,531	3,913	-	3,913
	Hua Nan Phoenix Money Market Fund									Financial assets at fair value through profit or loss - current	1,973,674	32,038	-	32,038
	KGI Victory Money Market Fund									Financial assets at fair value through profit or loss - current	1,471,492	17,014	-	17,014
Taishin 1699 Money Market Fund			Financial assets at fair value through profit or loss - current	5,186,457	70,056	-	70,056							
Charng Hui Ltd.	<u>Shares</u>	Parent of Charng Hui Ltd.						Note 2						
	Standard Foods Corporation								Financial assets at fair value through other comprehensive income - current	6,669,471	331,473	0.7	331,473	
	Formosa Plastics Corporation								Financial assets at fair value through other comprehensive income - current	91,440	9,236	-	9,236	
	China Steel Corporation			Financial assets at fair value through other comprehensive income - current	803,258	19,479	-		19,479					
	Polytronics Technology Corp.	Charng Hui Ltd. is one of the directors												
	Taiwan Semiconductor Manufacturing Co., Ltd.								Financial assets at fair value through other comprehensive income - current	1,596,000	86,503	2.0	86,503	
					90,000	20,295	-		20,295					
	<u>Mutual funds</u>													
Fuh Hwa Global Strategic Allocation FoF			Financial assets at fair value through profit or loss - current	1,000,000	10,280	-	10,280							
Franklin Templeton SinoAm Franklin Templeton Global Bond Fund of Funds-Accu.			Financial assets at fair value through profit or loss - current	1,453,360	17,802	-	17,802							
Taishin 1699 Money Market			Financial assets at fair value through profit or loss - current	297,080	4,013	-	4,013							

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note 2)	
Standard Beverage Company Limited	<u>Shares</u> Hong Da Leasing & Finance Co., Ltd.	Charng Hui Ltd. is one of the directors	Financial assets at fair value through profit or loss - non-current	8,297,000	\$ -	23.7	\$ -	
	CNEX Co., Ltd.		Financial assets at fair value through profit or loss - non-current	1,000,000	-	6.0	-	
	<u>Mutual funds</u> Fuh Hwa Greater China Mid & Small Cap		Financial assets at fair value through profit or loss - current	225,000	1,708	-	1,708	
	Franklin Templeton SinoAm Global Bd Acc		Financial assets at fair value through profit or loss - current	282,988	3,466	-	3,466	
Domex Technology Corporation	<u>Shares</u> InnoComm Mobile Technology Corp.		Financial assets at fair value through other comprehensive income - non-current	3,600,000	63,360	13.4	63,360	
Accession Limited	<u>Shares</u> AsiaVest Liquidation Co.		Financial assets at fair value through other comprehensive income - non-current	200	1,000	0.7	1,000	

Note 1: No number of units of the Fund.

Note 2: The amount was eliminated upon consolidation.

(Concluded)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Standard Foods Corporation	Land and property at Wugu Dist., New Taipei City	2018.05.08 (Note 1)	1990.01.31- 2017.09.30	\$ 126,153	\$ 508,620 (value-added taxes included)	Note 3	\$ 369,427 (Note 2)	PEI CHEN Co., Ltd.	-		The fair value of the land and property was \$505,527 thousand, estimated by an independent qualified professional valuer, Mr. LAI, CHING-HUI from GOLD REAL ESTATE APPRAISAL CO., LTD., a Certified Real Estate Appraiser in the ROC.	

Note 1: The day of the transaction was approved by the Company's board of directors.

Note 2: The disposal cost of property, plant and equipment had been deducted.

Note 3: The payments were all received and the transfer of ownership was completed.

Note 4: The amount was eliminated upon consolidation.

TABLE 5

STANDARD FOODS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	\$ (1,506,386)	12.36	55 days after month end closing (net of receivables and payables)	-	-	\$ 174,492	8.08	Note
			Purchases	739,330	10.53	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	1,506,386	62.54	55 days after month end closing (net of receivables and payables)	-	-	(174,492)	45.12	Note
			Sales	(739,330)	22.04	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	(1,818,198)	93.94	60 days after month-end closing	-	-	531,325	98.21	Note
Standard Investment (China) Co., Ltd.	Shanghai Standard Foods Co., Ltd.	Brother company of Standard Investment (China) Co., Ltd.	Purchases	1,818,198	18.45	60 days after month-end closing	-	-	(531,325)	22.26	Note
Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (China) Co., Ltd.	Sales	(4,970,150)	99.55	55 days after month-end closing	-	-	1,706,611	99.19	Note
Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Purchases	4,970,150	50.64	55 days after month-end closing	-	-	(1,706,611)	71.50	Note
Standard Foods (Xiamen) Co., Ltd.	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (Xiamen) Co., Ltd.	Sales	(3,025,966)	80.44	60 days after month-end closing	-	-	137,187	36.96	Note
Standard Investment (China) Co., Ltd.	Standard Foods (Xiamen) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Purchases	3,025,966	30.83	60 days after month-end closing	-	-	(137,187)	5.75	Note

Note: The amount was eliminated upon consolidation.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2018
 (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	\$ 174,492	8.60	\$ -	-	\$ 174,492 (Note 1)	\$ -	Note 2
			Other receivables	3,819		-	-	3,819 (Note 1)	-	Note 2
				<u>\$ 178,311</u>		<u>\$ -</u>	-	<u>\$ 178,311</u>	<u>\$ -</u>	
Accession Limited	Shanghai Standard Foods Co., Ltd.	Accession Limited's subsidiary	Financing receivables	<u>\$ 184,290</u>		<u>\$ -</u>	-	<u>\$ -</u> (Note 1)	<u>\$ -</u>	Note 2
Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Trade receivables	\$ 531,325	3.01	\$ -	-	\$ 531,325 (Note 1)	\$ -	Note 2
			Financing receivables	603,964		-	-	- (Note 1)	-	
			Other receivables	16,042		-	-	16,042 (Note 1)	-	Note 2
			<u>\$ 1,151,331</u>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ 547,367</u>	<u>\$ -</u>	Note 2	
	Standard Foods (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Trade receivables	\$ 4,551	20.65	\$ -	-	\$ 1,166 (Note 1)	\$ -	Note 2
			Financing receivables	443,055		-	-	- (Note 1)	-	Note 2
			Other receivables	16,495		-	-	- (Note 1)	-	Note 2
			<u>\$ 464,101</u>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ 1,166</u>	<u>\$ -</u>	Note 2	
Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (China) Co., Ltd.	Trade receivables	\$ 1,706,611	3.65	\$ -	-	\$ 1,233,918 (Note 1)	\$ -	Note 2
			Other receivables	48,913		-	-	26,812 (Note 1)	-	Note 2
			<u>\$ 1,755,524</u>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ 1,260,730</u>	<u>\$ -</u>	Note 2	
Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Trade receivables	\$ 171	6.08	\$ -	-	\$ 101 (Note 1)	\$ -	Note 2
			Financing receivables	190,451		-	-	- (Note 1)	-	Note 2
			Other receivables	9,656		-	-	9,656 (Note 1)	-	Note 2
			<u>\$ 200,278</u>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ 9,757</u>	<u>\$ -</u>	Note 2	
	Standard Foods (Xiamen) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Trade receivables	\$ 30	2.94	\$ -	-	\$ 30 (Note 1)	\$ -	Note 2
			Financing receivables	287,064		-	-	- (Note 1)	-	Note 2
			Other receivables	23,549		-	-	- (Note 1)	-	Note 2
			<u>\$ 310,643</u>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ 30</u>	<u>\$ -</u>	Note 2	

Note 1: Amounts received before March 22, 2019.

Note 2: The amount was eliminated upon consolidation.

STANDARD FOODS CORPORATION AND SUBSIDIARIES**DERIVATIVES TRADING INFORMATION****FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

The Company was not engaged in derivatives trading during 2018.

Shanghai Standard Foods Co., Ltd. (“Shanghai Standard”) entered into foreign exchange swap contracts during 2018 to manage exposures to exchange rate fluctuation risk of foreign currency denominated assets and liabilities.

As of December 31, 2018, Shanghai Standard did not have outstanding foreign exchange swap contracts.

Standard Investment (China) Co., Ltd. (“China Standard Investment”), Standard Foods (Xiamen) Co., Ltd. (“Xiamen Standard”), Shanghai Standard, and Shanghai Le Ben De Health Technology Co., Ltd. (“Shanghai Le Ben De”) entered into structured time deposits in 2018 mainly to have earnings from favorable effects on fluctuations of interest rates.

As of December 31, 2018, China Standard Investment, Standard Foods (Xiamen) Co., Ltd. (“Xiamen Standard”), Shanghai Standard, and Shanghai Le Ben De did not have outstanding structured time deposits.

The net loss from derivative transactions of China Standard Investment, Standard Foods (Xiamen) Co., Ltd. (“Xiamen Standard”), Shanghai Standard and Shanghai Le Ben De was \$19,220 thousand in 2018.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (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	\$ 174,492	According to the general conditions	0.7
		Standard Dairy Products Taiwan Limited	a.	Other receivables - related parties	3,819	According to the general conditions	-
		Standard Dairy Products Taiwan Limited	a.	Sales	1,506,386	According to the general conditions	5.5
		Standard Dairy Products Taiwan Limited	a.	Purchases	739,330	According to the general conditions	2.7
		Standard Dairy Products Taiwan Limited	a.	Royalty revenue	8,667	According to the general conditions	-
		Standard Beverage Company Limited	a.	Trade payables - related parties	307	According to the general conditions	-
		Standard Beverage Company Limited	a.	Other receivables - related parties	139	According to the general conditions	-
		Standard Beverage Company Limited	a.	Purchases	1,759	According to the general conditions	-
		Standard Beverage Company Limited	a.	Service revenue	1,320	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd	a.	Sales	6,480	According to the general conditions	-
		Dermalab	a.	Trade payables - related parties	4,747	According to the general conditions	-
		Dermalab	a.	Purchases	5,671	According to the general conditions	-
		1	Accession Limited	Shanghai Standard Foods Co., Ltd.	a.	Financing receivables - related parties	184,290
Dermalab	a.			Financing receivables - related parties	68,607	Interest rate 1.900%	0.3
Dermalab	a.			Other receivables - related parties	479	According to the general conditions	-
Dermalab	a.			Interest income	1,411	Interest rate 1.900%	-
2	Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	c.	Trade payables - related parties	9	According to the general conditions	-
		Standard Investment (China) Co., Ltd.	c.	Other payables - related parties	112	According to the general conditions	-
		Standard Investment (China) Co., Ltd.	c.	Sales	1,818,198	According to the general conditions	6.7
		Standard Investment (China) Co., Ltd.	c.	Trade receivables - related parties	531,325	According to the general conditions	2.2
		Standard Investment (China) Co., Ltd.	c.	Other receivables - related parties	16,042	According to the general conditions	0.1
		Standard Investment (China) Co., Ltd.	c.	Financing receivables - related parties	603,964	Interest rate 2.500%	2.5
		Standard Investment (China) Co., Ltd.	c.	Other expenses	14,291	According to the general conditions	0.1
		Standard Investment (China) Co., Ltd.	c.	Interest income	2,836	Interest rate 2.500%	-
		Standard Foods (China) Co., Ltd.	c.	Trade payables - related parties	13,439	According to the general conditions	0.1
		Standard Foods (China) Co., Ltd.	c.	Sales	92,767	According to the general conditions	0.3
		Standard Foods (China) Co., Ltd.	c.	Purchases	20,249	According to the general conditions	0.1
		Standard Foods (China) Co., Ltd.	c.	Trade receivables - related parties	4,551	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	c.	Other receivables - related parties	16,495	According to the general conditions	0.1
		Standard Foods (China) Co., Ltd.	c.	Financing receivables - related parties	443,055	Interest rate 2.500%-4.350%	1.8
		Standard Foods (China) Co., Ltd.	c.	Interest income	17,794	Interest rate 2.500%-4.350%	0.1
		Shanghai Le Ben Tuo Co., Ltd.	c.	Sales	588	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	c.	Sales	8,246	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	c.	Purchases	67,595	According to the general conditions	0.2
Standard Foods (Xiamen) Co., Ltd.	c.	Trade receivables - related parties	3,768	According to the general conditions	-		

(Continued)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount (Note 4)	Payment Terms	% to Total Sales or Assets (Note 3)
3	Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	a.	Trade receivables - related parties	\$ 171	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	a.	Other receivables - related parties	9,656	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	a.	Trade payables - related parties	1,706,611	According to the general conditions	7.1
		Standard Foods (China) Co., Ltd.	a.	Other payables - related parties	48,913	According to the general conditions	0.2
		Standard Foods (China) Co., Ltd.	a.	Sales	538	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	a.	Purchases	4,970,150	According to the general conditions	18.2
		Standard Foods (China) Co., Ltd.	a.	Rental expenses	98	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	a.	Financing receivables - related parties	190,451	Interest rate 2.500%	0.8
		Standard Foods (China) Co., Ltd.	a.	Other revenue	18,226	According to the general conditions	0.1
		Standard Foods (China) Co., Ltd.	a.	Interest income	8,072	Interest rate 2.500%	-
		Shanghai Dermalab Corporation	a.	Other receivables - related parties	2,506	According to the general conditions	-
		Shanghai Dermalab Corporation	a.	Trade payables - related parties	59	According to the general conditions	-
		Shanghai Dermalab Corporation	a.	Sales	391	Interest rate 2.500%-4.350%	-
		Shanghai Dermalab Corporation	a.	Financing receivables - related parties	56,295	Interest rate 2.500%-4.350%	0.2
		Shanghai Dermalab Corporation	a.	Interest income	2,294	Interest rate 2.500%-4.350%	-
		Standard Foods (Xiamen) Co., Ltd.	a.	Trade receivables - related parties	30	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	a.	Other receivables - related parties	23,549	According to the general conditions	0.1
		Standard Foods (Xiamen) Co., Ltd.	a.	Trade payables - related parties	137,187	According to the general conditions	0.6
		Standard Foods (Xiamen) Co., Ltd.	a.	Sales	266	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	a.	Purchases	3,025,966	According to the general conditions	11.1
		Standard Foods (Xiamen) Co., Ltd.	a.	Financing receivables - related parties	287,064	Interest rate 2.500%	1.2
		Standard Foods (Xiamen) Co., Ltd.	a.	Other revenue	9,241	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	a.	Interest income	28,100	Interest rate 2.500%	0.1
		Shanghai Le Ben Tuo Co., Ltd.	a.	Trade receivables - related parties	9	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	a.	Other receivables - related parties	1,532	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	a.	Trade payables - related parties	188	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	a.	Sales	21	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	a.	Purchases	2,731	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	a.	Expenses	262	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	a.	Financing receivables - related parties	89,506	Interest rate 2.500%	0.4
		Shanghai Le Ben Tuo Co., Ltd.	a.	Advance payable	4,075	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	a.	Interest income	2,939	Interest rate 2.500%	-
		Shanghai Le Ho Industrial Co., Ltd.	c.	Other payables - related parties	48	According to the general conditions	-
Shanghai Le Ho Industrial Co., Ltd.	c.	Financing payables - related parties	635	Interest rate 2.500%	-		
Shanghai Le Ho Industrial Co., Ltd.	c.	Interest expenses	33	Interest rate 2.500%	-		
Shanghai Le Min Industrial Co., Ltd.	c.	Other payables - related parties	63	According to the general conditions	-		
Shanghai Le Min Industrial Co., Ltd.	c.	Financing payables - related parties	841	Interest rate 2.500%	-		
Shanghai Le Min Industrial Co., Ltd.	c.	Interest expenses	42	Interest rate 2.500%	-		
4	Shanghai Dermalab Corporation	Dermalab	c.	Purchases	42,456	According to the general conditions	0.2
		Dermalab	c.	Trade payables - related parties	16,201	According to the general conditions	0.1

(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)
5	Standard Foods (China) Co., Ltd.	Shanghai Le Ben Tuo Co., Ltd.	c.	Other receivables - related parties	\$ 1,527	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	c.	Sales	1,769	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	c.	Other revenue	4,075	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	c.	Rental revenue	7,407	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	c.	Trade receivables - related parties	512	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	c.	Trade payables - related parties	234,032	According to the general conditions	1.0
		Standard Foods (Xiamen) Co., Ltd.	c.	Sales	84	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	c.	Purchases	460,339	According to the general conditions	1.7

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)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	%	Carrying Amount			
Standard Foods Corporation	Accession Limited	Tortola, British Virgin Islands	Investment business	\$ 3,936,267	\$ 3,936,267	123,600,000	100	\$ 3,450,370	\$ 94,907	\$ 92,931 (Note 1)	Subsidiary (Note 5)
	Standard Investment (Cayman) Limited	Grand Cayman, Cayman Islands	Investment business	4,710,865	4,708,891	150,060,815	100	4,772,853	186,208	186,208	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	950,516	440,456	434,349 (Note 2)	Subsidiary (Note 5)
	Charng Hui Ltd.	Taipei, Taiwan	Investment business	230,000	230,000	24,100,000	100	252,543	15,104	1,765	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	210,974	39,972	20,789	Subsidiary (Note 5)
	Standard Beverage Company Limited	Taipei, Taiwan	Manufacture and sale of beverages	79,072	79,072	7,907,000	100	80,577	1,168	1,520 (Note 3)	Subsidiary (Note 5)
	Le Bonta Wellness International Corporation	Yilan, Taiwan	Sale of health foods	14,350	14,350	註 4	100	12,288	585	585	Subsidiary (Note 5)
Accession Limited	Dermalab S.A.	Switzerland	Development and sale of cosmetics	266,587	206,905	400	100	105,014	3,674	-	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)
		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	4,708,566	4,707,394	150,012,815	100	4,771,781	186,412	-	Indirect subsidiary (Note 5)

Note 1: This amount was the share of profit of the investee of \$94,907 thousand plus the realized gain on sidestream transactions of \$1,976 thousand.

Note 2: This amount was the share of profit of the investee of \$440,456 thousand plus the realized gain on upstream transactions of \$6,107 thousand.

Note 3: This amount was the share of profit of the investee of \$1,168 thousand plus the realized gain on upstream transactions of \$352 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, 2018
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Shanghai Standard Foods Co., Ltd.	Manufacture and sale of edible oil products and nutritional foods	\$ 3,949,575	b. (Note 3)	\$ 3,949,575 (Note 4)	\$ -	\$ -	\$ 3,949,575 (Note 4)	\$ 80,043	100.0	\$ 85,797 (Note 9)	\$ 3,050,302	\$ -	Note 11
Standard Investment (China) Co., Ltd.	Investment and sales of edible oil products and nutritional foods	3,755,530	b. (Note 5)	3,718,677 (Note 5)	-	-	3,718,677 (Note 5)	187,205	99.0	185,333 (Note 9)	3,885,350	-	Note 11
Standard Foods (China) Co., Ltd.	Manufacture and sale of edible oil products and nutritional foods	1,631,668	c. (Note 6)	- (Note 6)	-	-	- (Note 6)	146,474	99.0	158,263 (Note 9)	1,759,800	-	Note 11
Shanghai Dermalab Corporation	Sale of nutritional foods, cosmetics and international trading	29,949	c. (Note 6)	- (Note 6)	-	-	- (Note 6)	(11,945)	99.0	(11,826) (Note 9)	(29,778)	-	Note 11
Shanghai Le Ben Tuo Health Technology Co., Ltd.	Sale of nutritional foods and international trading	380,418	a. and c. (Note 7)	181,048 (Note 7)	-	-	181,048 (Note 7)	(57,851)	99.5	(57,568) (Note 9)	263,687	-	Note 11
Shanghai Le Ben De Health Technology Co., Ltd.	Sale of nutritional foods and international trading	31,220	c. (Notes 4 and 8)	31,220 (Note 4)	-	-	31,220 (Note 4)	653	100.0	653 (Note 9)	29,125	-	Note 11
Standard Foods (Xiamen) Co., Ltd.	Manufacture and sale of edible oil products and nutritional foods	1,307,582	c. (Note 6)	- (Note 6)	-	-	- (Note 6)	84,641	99.0	90,047 (Note 9)	1,217,367	-	Note 11
Shanghai Le Ho Industrial Co., Ltd.	Property management	607,717	b. (Note 5)	607,717 (Note 5)	-	-	607,717 (Note 5)	510	100.0	510 (Note 9)	545,148	-	Note 11
Shanghai Le Min Industrial Co., Ltd.	Property management	378,009	b. (Note 5)	378,009 (Note 5)	-	-	378,009 (Note 5)	779	100.0	779 (Note 9)	340,237	-	Note 11

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 8,919,525	\$ 8,919,525	Unlimited amount of investment (Note 10)

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

- a. Direct investment in mainland China.
- b. Indirect investment in mainland China through companies registered in a third region.
- c. Other methods.

(Continued)

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

- a. There was no investment income (loss) recognized due to the investment still being in the 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, 2018; 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 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: Standard Corporation (Hong Kong) Limited is the investor company in third region.

Note 6: The company in mainland China was reinvested through a company registered in mainland China, namely Standard Investment (China) Co., Ltd.

Note 7: The company in mainland China was invested directly by Standard Foods Corporation and was reinvested through a company registered in mainland China, namely Standard Investment (China) Co., Ltd. The amount invested directly was \$181,048 thousand.

Note 8: This company was spun off from Shanghai Standard Foods Co., Ltd; it is the investor company in third region.

Note 9: Recognition of investment income (loss) was based on Note 2, b2).

Note 10: 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.

Note 11: The amount was eliminated upon consolidation.

(Concluded)