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Standard Foods Corporation

2018

Annual Report

Published April 30, 2019

Standard Foods Corporation

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Market: Euro MTF Market, Luxembourg Stock Exchange
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One. Letter to Shareholders

Dear Shareholders,

Both of our operating revenue and profit have grown in 2018 from 2017. The net income from our core business increased. In the meantime, we disposed of the idle factory offices in Wugu in the hopes of creating more value for our shareholders through activation of the assets. As always, we treasure “quality and food safety” as our foremost commitment to consumers. We establish the quality management standards in line with world trends and use our best efforts to pursue good quality and nutrition to serve our consumers earnestly. We strongly believe that the consumers’ satisfaction in products, as well as the reliance and recognition from consumers, are the key to our corporate sustainability

Looking forward to 2019, given the relationship between China and the USA reaching a deadlock caused by the Sino-US Trade War, the economic variables have increased domestically and overseas. Standard Foods in China and Taiwan will continue to adhere to our management philosophy. All of our staff will still use their best efforts to work together, continue developing new products, and stabilize development and growth.

Appreciate for the trust and support to the management team from all of you.

We hereby outline the consolidated business results of Standard Foods in 2018 and the business plan of 2019 as follows:

1. Business Performance 2018

1.1. Consolidated Revenue and Profit Overview

Unit: NT$ thousand

	2018	%	2017	%	+/- %
Sales Revenue	27,340,587	100.0	26,477,924	100.0	3.3
Cost of Goods Sold	19,086,242	69.8	19,077,969	72.1	0.0
Gross Profit	8,254,345	30.2	7,399,955	27.9	11.5
Net Income	3,149,836	11.5	2,794,878	10.6	12.7
Earnings Before Tax	3,676,232	13.4	2,745,403	10.4	33.9
Net Income of the Year	2,968,307	10.9	2,209,909	8.3	34.3
Total Comprehensive Profit and Loss	2,829,558	10.3	1,995,281	7.5	41.8

In 2018, Standard Foods had consolidated operating revenue of NT$27.34 billion, which was 3.3% growth or an increase of NT$860 million from last year. The operating revenue of the separate entities in the same year amounted to NT$12.19 billion, which was 8.2% growth or an increase of NT$930 million from last year.

In 2018, the total comprehensive income amounted to NT$2.83 billion, which was 41.8% growth or an increase of NT$830 million from last year. The total comprehensive income attributable to the Company's owners amounted to NT$2.81 billion, which was 43.2% growth or an increase of NT$850 million from last year.

1.2. Status of Research and Development

In 2018, Standard Foods spent NT$168 million in research and development in order to provide consumers with nutritious, tasty, and healthy products. Standards Foods continued the research and development of various new products, clinical experiments, and technology research, and also upgraded and improved the formula of existing products, in the hopes of supplying consumers with more excellent products.

2. Summary of 2019 Business Plan and Future Development Strategies

2.1. Operating Guidelines

(1) Get the certification of healthy food and development of nutritional supplements continuously for adults in response to the nation's increasing awareness of healthcare and the trend of an aging society.

(2) Upgrade the ability to inspect raw materials, supplies, and finished goods to exercise strict control over "food safety" for consumers.

(3) Train the new generation management team members actively and deepen the development of colleagues' expertise and inter-disciplinary adaptability through on-the-job training and job rotation to enhance the elasticity and flexibility of organizational operations.

2.2. Expected Sales Volume and Important Marketing Policies

Based on the estimated sales of 438,257 tons in 2019, the future production-marketing policy is summarized as follows:

(1) Production

- In response to the upgrading sales volume of products and development of new products, plan the construction of various new production lines, replacement of old equipment with new, or upgrading of production capacity to satisfy the needs for sales and also upgrade the efficiency of production.
- Implement the SQM system to systematize and digitalize the incoming inspection, supplier management, customer complaints management, and inspection instrument management.
- Promote the online data collection and upgrade the yield by analyzing abnormalities and bottlenecks in the hopes of cutting production costs.

(2) Marketing

- Uphold "Reassurance", "Good Taste" and Health" as the brand appeal when communicating with consumers to upgrade consumers' reliance and preference.
- Increase the chances to contact different consumer groups via multimedia sources, so as to upgrade the exposure and brand awareness of products and expand the market share.
- Optimize the official website - strengthen the e-shop interface to provide consumers with a more friendly consumer experience.

3. Impacts of External Competition, the Legal Environment, and the Macro Environment

3.1. External Competitions

In consideration of the low market access threshold for the food production industry, the competition among multiple domestic and foreign suppliers in the same trade is intense without doubt. Therefore, only suppliers who provide “excellent quality” and “perfect service” can gain popularity among consumers and customers. Standard Foods upholds its original intention to develop products which may assure consumers and are also healthy. Meanwhile, it tries various marketing channels to expand the chances to communicate with different consumer groups, in the hopes of enhancing its brand and seeking support from consumers to maintain its brand leadership in the market.

3.2. Legal Environment

Standard Foods aims to become the most reliable brand in the Chinese world. “Food safety” for consumers is always our first priority concern. We comply with existing food safety laws and regulations. Meanwhile, we assign dedicated personnel to follow up on the movement and progress of laws and regulations under revision, assess the effects on us therefor, and discuss feasible policies in a timely manner to enable the Company to have sufficient time to respond to the changes of laws and regulations.

3.3. Macro Environment

The main raw materials of Standard Foods are primarily imported agricultural products or processed products thereof. Therefore, such factors as changes of climate, fluctuation in foreign exchange rate, and even fluctuation in the global petrol price, etc. would produce specific impacts on us. At the beginning of 2019, the Fed implied that it would reduce the number of interest escalations, the Sino-US Trade War is still going, and the global petrol price is increasing again. Academia Sinica forecasts that growth rates in private consumption might grow by 0.1% this year from 2018. Notwithstanding, the overall environment appears not so optimistic, and we still have to deal with the situation cautiously.

Chairman: Mr. Ter-Fung Tsao

General Manager: Mr. Ter-Fung Tsao

Chief Financial Officer: Chris Hong

Two. Company Profile

I. Date of incorporation: June 6, 1986

II. Development history

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

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

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

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

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

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

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

1994
- Increased the paid-in capital to NT$602,017,920 with retained earnings of NT$172,005,120.

- The Company became a listed company in the Taiwan Stock Exchange on April 9.

1995
- Increased the paid-in capital to NT$848,338,570 with retained earnings of NT$246,320,650.
- Wired US$8.5 million, to repurchase the 51% equity interest of Standard Foods Singapore Pte Ltd. held by Quaker Oats Company for US$3.8 million and increased the investment in China by US$4.7 million.

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

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

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

1999
- Increased the paid-in capital to NT$2,623,606,510 with retained earnings of NT$528,904,150.
- Invested NT$328 million to establish Standard Dairy Products Taiwan Ltd. for the production of yogurt with 75% shareholding acquired. The products are included in the “Yoplait” brand.
- Acquired the factory, machinery and trademark of Fresh Dairy with NT$350 million to launch Fresh Delight series products.

2000
- Increased the paid-in capital to NT$3,022,645,060 with retained earnings of NT$399,038,550.
- Invested additional NT$108 million in Standard Dairy Products Taiwan Ltd. with 99% shareholding acquired in total.
- Increased the equity of Domex Technology Corporation to 49% by NT$214 million.
- Disposed of 900,000 shares of Standard Beverage Ltd. The equity interest decreased to 91%.
- Invested 100% equity in Accession Limited, based on BVI, with US$2 million. Then increased the equity by transferring assets as capital contribution and by cash total up to US$11.9 million.

2001	• Charng-Li Investment Ltd., our wholly-owned company, was renamed as Charng Hui Ltd. • Automated storage was completed. • Accession Limited invested in Shanghai Standard Foods Co. to sell cereal products. • Increased the paid-in capital to NT$3,209,184,420 with retained earnings of NT$186,539,360. • Invested 56% equity in Renewable Resource Technology (Cayman) Co., Ltd. with US$2.8 million with the goal of re-investing in Hunan Jiage Biotechnology Co., Ltd. with US$3.4 million to manufacture fermented organism products.
2002	• Accession Limited increased the paid-in capital to US$20,344,080 with US$5 million cash injection and US$1.42 million retained earnings. • Accession Limited acquired the equity of Suzhou Standard Foods Co. from Standard Foods Singapore Pte Ltd. and Standard Foods Singapore Pte Ltd. went into liquidation. • Changed the Company's name from "Standard Foods Taiwan Ltd." to "Standard Foods Corporation".
2003	• Shanghai Standard Foods Co., merged with Suzhou Standard Foods Co., Shanghai Standard Foods Co., is the continuing company. Suzhou Standard Foods Co., became a branch company of Shanghai Standard Foods Co. • Invested in Accession Limited by US$2.2 million. • Charng Hui Ltd., our wholly-owned, decreased the paid-in capital to NT$194 million by NT$96 million.
2004	• Liquidation of Singapore Standard Foods was completed. • Accession Limited increased the paid-in capital to US$37,344,080 with US$14.8 million cash injection. Accession Limited decreased the paid-in capital to US$33,100,000 by US$4,244,080 in October 2004.
2005	• Accession Limited increased the paid-in capital to US$38,100,000 with US$5,000,000 cash injection. • Increased the equity of Standard Dairy Products Taiwan Ltd. from 99.9% to 100%.
2006	• Changed the fiscal year to calendar year on January 1. • SAP ERP system officially online. • Charng Hui Ltd., our wholly-owned, decreased the paid-in capital to NT$150 million by NT$44 million.
2007	• Accession Limited increased the paid-in capital to US$43,100,000 with US$5,000,000 cash injection.
2008	• Signed a distribution agreement with Fonterra Brands (Far East) Limited (Hong Kong). • Accession Limited increased the paid-in capital to US$50,600,000 with US$7,500,000 cash injection.

2009 •Accession Limited increased the paid-in capital to US$73,600,000 with US$23,000,000 cash injection.

•Increased the paid-in capital to NT$3,225,230,340 with retained earnings of NT$16,045,920.

2010 •The Company's tangible stock shares are converted to intangible stock shares.

•Accession Limited increased the paid-in capital to US$123,600,000 with US$50,000,000 cash injection.

•Increased the paid-in capital to NT$3,709,014,890 with retained earnings of NT$483,784,550.

2011 •The Company invested in and established Standard Investment (Cayman) Limited, which reinvested in and established Standard Corporation (Hong Kong) Limited.

•Standard Corporation (Hong Kong) Limited invested in and established Standard Investment (China) Limited.

•Standard Investment (China) Limited made reinvestment to set up Standard Food (China) Limited.

•Increased the paid-in capital to NT$4,636,268,610 with retained earnings of NT$927,253,720.

2012 •Increased the paid-in capital to NT$5,748,973,070 with retained earnings of NT$1,112,704,460.

• Made a cash injection of US$ 30,010,000 to Standard Investment (Cayman) Limited. Total paid-in capital of the Company increased to US$ 30,010,000.

2013 •Increased the paid-in capital to NT$6,611,319,030 with retained earnings of NT$862,345,960.

•Made a cash injection of US$ 15,035,000 to Standard Investment (Cayman) Limited. Total paid-in capital of the Company increased to US$ 45,045,000.

•An increase in cash capital of NT$380,000,000 was invested in Charng Hui Ltd. for a total investment of NT$541,000,000.

2014 •Increased the paid-in capital to NT$7,206,337,740 with retained earnings of NT$595,018,710.

• Increased shareholding of Standard Beverage Ltd. from 97.1% to 100%.

•Increased the paid-in capital of Standard Investment (Cayman) Limited to US$66,396,296 with retained earnings of CNY131,211,500 (equivalent to US$21,351,296).

•Established Shanghai Dermalab Corporation with re-investments through Standard Investment (China) Ltd.

•Established Le Bonta Wellness Co., Ltd. with re-investments through Standard Investment (China) Ltd.

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

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

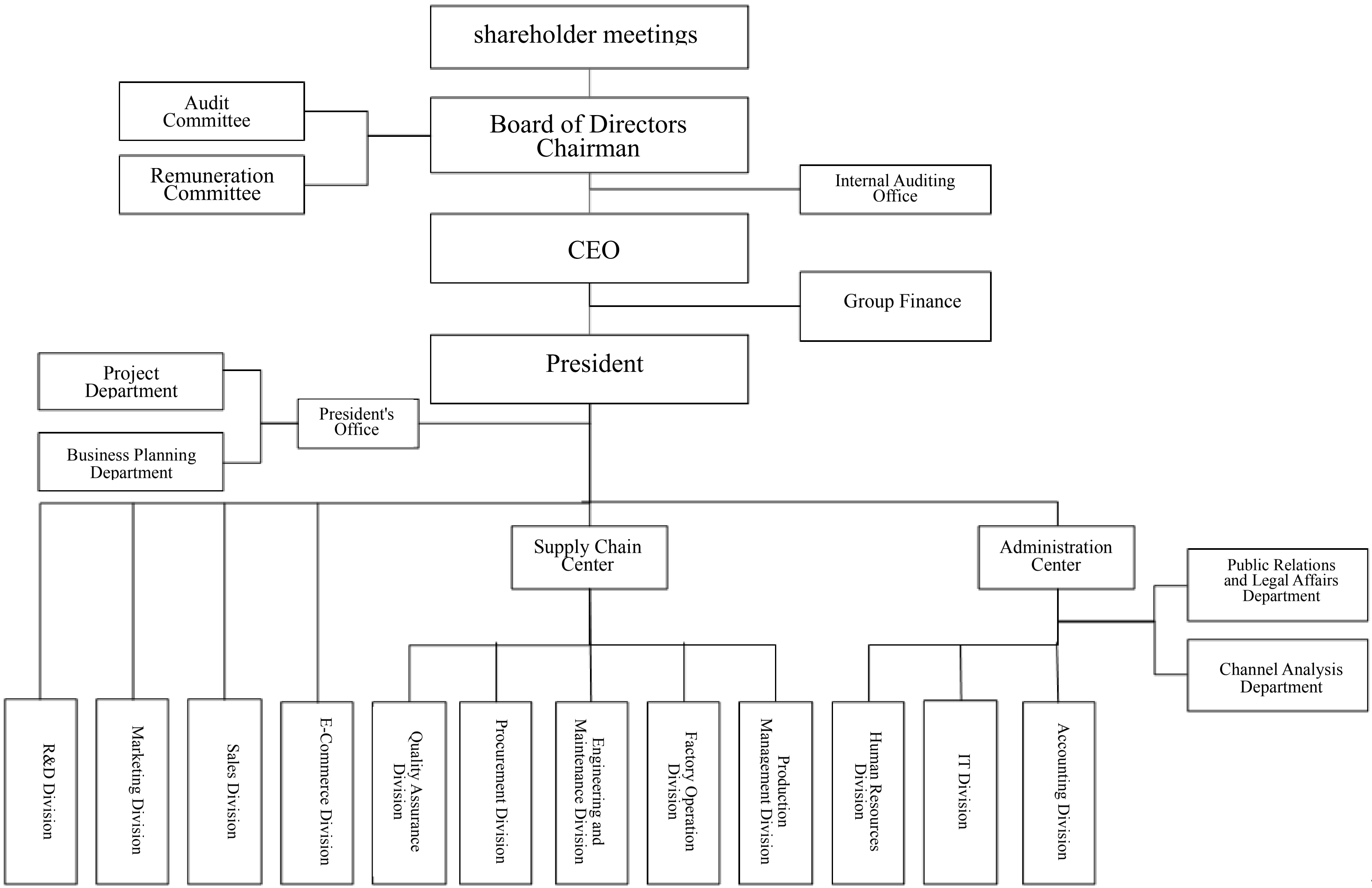
2017
- Capitalization of undistributed earnings into new shares amounting to NT$351,957,540. The paid-in capital amounted to NT$9,150,895,910 after the capitalization
- The Company’s Chairman and President, Mr. Ter-Fung Tsao, resigned from the position of the Company’s President on May 1, and Vice President of the Company, Yao Steven Yih-Chun, took over the office.
- The Company established the position of Chief Executive Officer on May 5, assumed by the Chairman, Ter-Fung Tsao
- Lebonata Health Technology (Shanghai) Limited increased its capital in cash amounting to CNY40,900,000, which made the paid-in capital of the company amounting to CNY80,100,000
- Standard Investment (Cayman) Limited and Standard Foods (Hong Kong) increased capita in cash amounting to USD15,724,960, which made the paid-in capital amounting to USD 150,060,815 and USD 150,012,815, respectively.

2018
- Accession Limited acquired 20% of the share equity of Dermalab S.A..
- Disposed of the Company’s land in Wugu Industrial Zone in May. The total trading value was NT$508,620 thousand, and the gains from the disposition were NT$304,600 thousand.
- Increased capital by US$64,000 to Standard Investment (Cayman) Limited and US$38,000 to Standards Foods (Hong Kong) to increase said companies’ paid-in capital to US$150,124,815 and US$150,050,815 respectively.

Three. Corporate Governance Report

I. Organization of company

I.1. Organization chart



I.2. Department function description

Department		Function Description
Audit Committee		Help the Board of Directors perform its duty to supervise the Company’s exercise of the duties imposed by the Company Act, Securities and Exchange Act, and other related laws.
Remuneration Committee		Help the Board of Directors review the remuneration to Directors and managerial officers to enhance the Company's corporate governance ability.
Internal Auditing Office		Execute the Company's internal audit, provide the audit result to the management, and assess the corporate risks.
Group Finance		Responsible for the Group’s finance, shareholders service, and investees’ accounts, et al.
President's Office		Execute the resolutions made by the Board of Directors and administer the Company’s affairs.
Project Department		Responsible for promotion and management of the Company's project business.
Business Planning Department		Responsible for collecting information about operations and management, and promotion and management of business planning-related business.
R&D Division		Responsible for R&D of innovative products and technology, improvement of product quality, research on reduction of costs, evaluation on new product business, and application for health certification.
Marketing Division		Responsible for brand marketing strategy planning and execution, advertising planning, and consumer service, et al.
Sales Division		Responsible for annual customer operation planning, channel sales activity planning and execution, and dealer management.
E-Commerce Division		Responsible for the operation of official e-shops, shop advertisement planning and advertising, and management of the shop members’ information, et al.
Supply Chain Center	Quality Assurance Division	Responsible for controlling production system, conducting analysis and testing, and managing quality system.
	Procurement Division	Responsible for procurement of domestic/foreign raw materials and supplies and packaging materials, and sub-contractor management.
	Engineering and Maintenance Division	Responsible for planning and execution of new production equipment; procurement, contracting, and maintenance of production equipment; new processes and process change and improvement.

Department		Function Description
	Factory Operation Division	Responsible for the management of production, manufacturing, packaging, and occupational safety and health in factories.
	Production Management Division	Responsible for supply planning and execution, inventory management, and warehousing and transportation.
Administration Center	Public Relations and Legal Affairs Department	Responsible for public relations, asset management, legal affairs, and investors relations, et al.
	Channel Analysis Department	Responsible for operations, investment, and business analysis related to channels.
	Human Resources Division	Responsible for the operations related to recruitment, employment, training, salary and welfare, and general affairs.
	IT Division	Responsible for planning, management, and maintenance of information and network systems.
	Accounting Division	Responsible for compilation of accounts related to transactions, taxation affairs, computation of costs, budgetary management, and provision of accounting information, et al.

II. Directors, supervisors, president, vice president, assistant VP, and department heads

II.1. Directors and supervisors

II.1.1. Information of directors and supervisors

As of April 15, 2019; Unit: Shares/NT$ thousands

Title	Nationality or Residency	Name	Gender	Date elected (inaugurated)	Term (year)	Date of First Elected	Shareholding when elected		Current Shareholding		Current shareholding of representative		Shareholding of spouse and minor		Shares held by other persons in their names		Experience (Education)	Current Position with Other Company	Executives who are spouses or within 2 degrees of consanguinity		
							Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%			Title	Name	Relation
Chairman	ROC	Mu Te Investment Co. Ltd. Representative: Ter-Fung Tsao	Male	June 15, 2016	3 years	June 15, 2016	19,620,632	2.48%	22,650,057	2.48%	40,848,203	4.46%	0	0	22,651,211	2.48%	Ph.D., Colorado University, USA R&D Director of Quaker Plant Manager of Quaker(Taiwan) General Manager of Quaker(Taiwan) President, Standard Foods.	Chairman of the Company Chairman of Standard Dairy Products Taiwan Ltd. Chairman of Domex Technology Corporation Chairman of Standard Beverage Ltd. Director of Accession Ltd. Institutional Directors' Representative of Polytronics Technology Corporation Director of Green Wall Enterprise Co., Ltd. Independent Director of PlexBio Co., Ltd. Supervisor of Crosslink Semiconductor, Inc. Director of Standard Investment (Cayman) Ltd. Director of Standard Corp (HK) Ltd. Director of Standard Investment (China) Ltd. Chairman, Mu Te Investment Co., Ltd. Director, Chia Yun Investment Co., Ltd. Director, Chia Chieh Investment Co., Ltd.	Director	Wendy Tsao Arthur Tsao	Sibling Son
Director	ROC	Mu Te Investment Co. Ltd. Representative: Jason Hsuan	Male								0	0.00%	0	0	0	0	Polytechnic Institute of New York University Ph.D. of Systems Engineering	Chairman and Chief Executive Officer of TPV Technology Limited Independent Director of Array Inc. Chairman of Shanghai Standard Foods Co. Chairman of Standard Investment (China) Ltd. Chairman of Standard Foods (China) Ltd. Chairman of Standard Foods (Xiamen) Co., Ltd. Chairman of Le Bonta Wellness Co., Ltd.	None	None	None
Director	ROC	Mu Te Investment Co. Ltd. Representative: Wendy Tsao	Female								4,954,915	0.54%	0	0	0	0	Soochow University, R.O.C.	Chairman of Green Wall Enterprise Co., Ltd. Chairman of Crosslink Semiconductor, Inc. Chairman of SPARKLE Inc. Director of Charng Hui Ltd.	Chairman	Ter-Fung Tsao	Sibling
Director	ROC	Charng Hui Ltd. Representative: Arthur Tsao	Male	June 15, 2016	3 years	June 15, 2016	5,777,436	0.73%	6,669,471	0.73%	0	0.00%	0	0	0	0	MBA, Stanford University, USA	CEO of the Company President of Standard Investment (China) Ltd. President of Shanghai Standard Foods Co. President of Standard Foods (China) Ltd. President of Standard Foods (Xiamen) Co., Ltd. President of Le Bonta Wellness Co., Ltd. President of Shanghai Le Ben De Health Technology Co., Ltd. Chairman of Shanghai Dermalab Corporation Chairman of Shanghai Le Ho Industrial Co., Ltd. Chairman of Shanghai Le Min Industrial Co., Ltd.	Chairman	Ter-Fung Tsao	Father
Independent Director	ROC	Ben Chang	Male	June 15, 2016	3 years	June 15, 2016	0	0.00%	0	0.00%	0	0.00%	0	0	0	0	Master in Statistics, National Chengchi University, R.O.C	Institutional Directors' Representative of Polytronics Technology Corporation Independent director of Pegatron Corporation Independent director of Raydium Semiconductor Corporation	None	None	None

Title	Nationality or Residency	Name	Gender	Date elected (inaugurated)	Term (year)	Date of First Elected	Shareholding when elected		Current Shareholding		Current shareholding of representative		Shareholding of spouse and minor		Shares held by other persons in their names		Experience (Education)	Current Position with Other Company	Executives who are spouses or within 2 degrees of consanguinity		
							Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%			Title	Name	Relation
Independent Director	ROC	George Chou	Male	June 15, 2016	3 years	June 15, 2016	0	0.00%	0	0.00%	0	0.00%	0	0	0	0	Master in Mathematics, Colorado State University	Independent Director of Yulon Motor Co., Ltd. Independent Director of Taiwan Acceptance Corporation Independent Director, Fubon Life Insurance Co., Ltd. Representative of Institutional Director, Kino Biotech Co., Ltd. Representative of Institutional Director, Easycard Corp.	None	None	None
Independent Director	ROC	Daniel Chiang	Male	June 15, 2016	3 years	June 15, 2016	0	0.00%	0	0.00%	0	0.00%	0	0	0	0	Master in Political Economics, University of Taxes President, Trend Micro; CEO, Business Engine; Chairman, Sina Net	Chairman of Purestone Capital Group Independent Director of TPK Holding Co., Ltd	None	None	None

II.1.2. Major shareholders of institutional shareholders

As of April 15, 2019

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

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

As of April 15, 2019

Name of Legal Person	Major Shareholders of the Legal Persons	Shareholding (%)
Standard Foods Corporation	Mu Te Investment Co., Ltd. Trust Property Account	17.16
	Chia Yun Investment Co., Ltd. Trust Property Account	14.55
	Chia Chieh Investment Co., Ltd. Trust Property Account	11.86
	Ter-Fung Tsao	4.46
	Bilai Investment Co., Ltd.	3.61
	HSBC as Trustee of RBC Emerging Markets Equity Fund	2.48
	Mu Te Investment Co., Ltd.	2.48
	Nan Shan Life Insurance Co., Ltd.	1.44
	Chun-Yao Lin	1.33
	Fubon Life Insurance Co., Ltd.	1.17

II.1.4. Independence of directors and supervisors

As of April 15, 2019

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

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

(1) Not an employee of the Company or any of its affiliates.
(2) Not a Director or Supervisor of the affiliates of the Company (except the seats of Independent Directors established by the Company or its parent company, subsidiaries in accordance with local laws or applicable laws in the host countries of investment).
(3) Does not hold more than 1% of total stock issued directly or indirectly nor is a natural shareholder on the top-ten shareholdings list;
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the preceding three subparagraphs;
(5) Not a director, supervisor or employee of the institutional shareholder that holds over 5% of total stock issued directly or indirectly; and is not on the top-five shareholdings list of the Company;
(6) Not a director, supervisor, manager or a shareholder with over 5% shareholdings of a Company or organization that is in business with the Company;
(7) Not an owner, partner, Director, Supervisor, manager of a partnership or institution or his/her spouse that provides commerce, law, finance, accounting and consulting service to the Company or related party; this does not include members from a remuneration committee who exercises his/her power based on Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter.
(8) Not the spouse or a relative within two degrees of lineal consanguinity of an individual;
(9) Free of any of the behaviors as defined in Article 30 of Company Act;
(10) Not a governmental officer, juridical person or its representative as defined in Article 27 of Company Act.

II.2. President, vice president, assistant VP and department heads

As of May 15, 2019

Title	Nationality or Residency	Name	Gender	Date Elected (Inaugurated)	Shareholding		Shareholding of Spouse and Minor		Shares Held by Other Persons in Their Names		Experience (Education)	Current Position With Other Company	Manager Who has Spouse or Second Cousin Status		
					Shares	Shareholding Ratio%	Shares	Shareholding Ratio%	Shares	Shareholding Ratio%			Title	Name	Relation
Chairman	ROC	Ter-Fung Tsao	Male	May 5, 2017	40,848,203	4.46	0	0	22,651,211	2.48	Ph.D., Colorado University, USA R&D Director of Quaker Plant Manager of Quaker (Taiwan) General Manager of Quaker (Taiwan) President of Standard Foods Corporation	Chairman of Standard Foods Corporation Chairman of Standard Dairy Products Taiwan Ltd. Chairman of Domex Technology Corporation Chairman of Standard Beverage Ltd. Director of Accession Ltd. Director of Polytronics Technology Corporation Director of Green Wall Enterprise Co., Ltd. Independent Director of PlexBio Co., Ltd. Supervisor of Crosslink Semiconductor, Inc. Director of Standard Investment (Cayman) Ltd. Director of Standard Corp (HK) Ltd. Director of Standard Investment (China) Ltd. Chairman, Mu Te Investment Co., Ltd. Director, Chia Yun Investment Co., Ltd. Director, Chia Chieh Investment Co., Ltd.	CEO	Arthur Tsao	Father and Son
CEO	ROC	Arthur Tsao	Male	March 22, 2019	6,669,471	0.73	0	0	0	0	MBA, Stanford University, USA	President of Standard Investment (China) Ltd. President of Shanghai Standard Foods Co. President of Standard Foods (China) Ltd. President of Standard Foods (Xiamen) Co., Ltd. President of Le Bonta Wellness Co., Ltd. President of Shanghai Le Ben De Health Technology Co., Ltd. Chairman of Shanghai Dermalab Corporation Chairman of Shanghai Le Ho Industrial Co., Ltd. Chairman of Shanghai Le Min Industrial Co., Ltd.	Chairman	Ter-Fung Tsao	Father and Son
President	USA	Yao Steven Yih Chun	Male	May 1, 2017	20,000	0.00	0	0	0	0	Master's From Northwestern University U.S.A. Attorney Partner of Bluefield Ventures Partner of Dubuglo Vice President of California Pacific Bank Vice President of the Supply Chain of Standard Foods Corporation President of Standard Foods	President of Standard Dairy Products Taiwan Ltd. Chairman, Charng hui Ltd. Director, Le Bonta Wellness International Co. Director, Dermalab S.A.	None	None	None

Title	Nationality or Residency	Name	Gender	Date Elected (Inaugurated)	Shareholding		Shareholding of Spouse and Minor		Shares Held by Other Persons in Their Names		Experience (Education)	Current Position With Other Company	Manager Who has Spouse or Second Cousin Status		
					Shares	Shareholding Ratio%	Shares	Shareholding Ratio%	Shares	Shareholding Ratio%			Title	Name	Relation
Group CFO	ROC	Chris Hong	Female	September 30, 2015	1,000	0.00	0	0	0	0	Master, National Cheng Chi University. Vice President of PriceWaterhouseCoopers CPA Firm President of Standard Dairy Products Taiwan Ltd.	Director of Standard Dairy Products Taiwan Ltd. Director of Standard Beverage Ltd. Director of Domex Technology Corporation Representative of Institutional Director, GeneFerm Biotechnology Co., Ltd. Supervisor of Shanghai Standard Foods Co. Supervisor of Standard Investment (China) Ltd. Supervisor of Standard Foods (China) Ltd. Supervisor of Shanghai Dermalab Corporation Supervisor of Le Bonta Wellness Co., Ltd. Supervisor of Shanghai Le Ho Industrial Co., Ltd. Supervisor of Shanghai Le Min Industrial Ltd. Supervisor of Standard Foods (Xiamen) Ltd.	None	None	None

II.3. Remuneration of directors, supervisors, president and vice president

II.3.1. Remuneration of directors

Unit: NT$1,000

Title	Name	Remuneration of Directors: Remuneration (A): From the Company	Remuneration (A): From all Consolidated Entities in This Report	Pension (B): From the Company	Pension (B): From all Consolidated Entities in This Report	Remuneration for Directors (C): From the Company	Remuneration for Directors (C): From all Consolidated Entities in This Report	Business Expenses (D) (Note 1): From the Company	Business Expenses (D) (Note 1): From all Consolidated Entities in This Report	Ratio of A+B+C+D to Net Income (%) (Note 2): From the Company	Ratio of A+B+C+D to Net Income (%) (Note 2): From all Consolidated Entities in This Report	Remuneration of Part-time Employees: Salary, Bonus, and Compensation (E) (Note 1): From the Company	Salary, Bonus, and Compensation (E) (Note 1): From all Consolidated Entities in This Report	Pension (F): From the Company	Pension (F): From all Consolidated Entities in This Report	Compensations for Employees (G): From the Company: Cash	Compensations for Employees (G): From the Company: Stock	Compensations for Employees (G): From all Consolidated Entities in This Report: Cash	Compensations for Employees (G): From all Consolidated Entities in This Report: Stock	Ratio of A+B+C+D+E+F+G to Net Income (%) (Note 2): From the Company	Ratio of A+B+C+D+E+F+G to Net Income (%) (Note 2): From all Consolidated Entities in This Report	Remuneration From the Invested Company Other Than the Company's Subsidiaries
Chairman	Ter-Fung Tsao	-	-	-	-	3,020	3,020	60	60	0.10	0.10	8,300	8,300	239	239	-	-	-	-	0.39	0.39	None
Director	Jason Hsuan	-	-	-	-	2,990	2,990	60	60	0.10	0.10	-	-	-	-	-	-	-	-	0.10	0.10	None
Director	Wendy Tsao	-	-	-	-	2,990	2,990	60	60	0.10	0.10	-	-	-	-	-	-	-	-	0.10	0.10	None
Director	Arthur Tsao	-	-	-	-	2,990	2,990	60	60	0.10	0.10	3,400	3,400	122	122	-	-	-	-	0.22	0.22	None
Independent Director	Ben Chang	-	-	-	-	2,990	2,990	60	60	0.10	0.10	-	-	-	-	-	-	-	-	0.10	0.10	None
Independent Director	George Chou	-	-	-	-	2,990	2,990	60	60	0.10	0.10	-	-	-	-	-	-	-	-	0.10	0.10	None
Independent Director	Daniel Chiang	-	-	-	-	2,990	2,990	60	60	0.10	0.10	-	-	-	-	-	-	-	-	0.10	0.10	None

* Except as Disclosed Above, Compensation Paid to Directors for the Services Rendered (e.g. non-employee consultants) to all Consolidated Entities in This Report: 0

Note 1: Expenses incurred in 2018.

Note 2: Net income stated in the Separate Financial Statements in 2018.

Remuneration to Directors	Name of Directors			
	Total Amount of the First Four Categories (A+B+C+D)		Total Amount of the First Seven Categories (A+B+C+D+E+F+G)	
	From the Company	From all Consolidated Entities in This Report	From the Company	From all Consolidated Entities in This Report
Below $2,000,000	0	0	0	0
2,000,000 (inclusive) - 5,000,000 (non-inclusive)	Ben Chang, George Chou, Daniel Chiang, Ter-Fung Tsao, Jason Hsua, Wendy Tsao, Arthur Tsao	Ben Chang, George Chou, Daniel Chiang, Ter-Fung Tsao, Jason Hsua, Wendy Tsao, Arthur Tsao	Ben Chang, George Chou, Daniel Chiang, Wendy Tsao, Jason Hsua	Ben Chang, George Chou, Daniel Chiang, Wendy Tsao, Jason Hsua
5,000,000 (inclusive) - 10,000,000 (non-inclusive)	0	0	Arthur Tsao	Arthur Tsao
10,000,000 (inclusive) - 15,000,000 (non-inclusive)	0	0	Ter-Fung Tsao	Ter-Fung Tsao
15,000,000 (inclusive) - 30,000,000 (non-inclusive)	0	0	0	0
30,000,000 (inclusive) - 50,000,000 (non-inclusive)	0	0	0	0
50,000,000 (inclusive) - 100,000,000 (non-inclusive)	0	0	0	0
$100,000,000 and above	0	0	0	0
Total	7 persons	7 persons	7 persons	7 persons

II.3.2. Remuneration of president and vice president

Unit: NT$ thousands

Title	Name	Salary (A) (Note 2)		Pension (B) (Note 3)		Bonuses and Allowance (C) (Note 2)		Compensation for Employees (D)				Ratio of A+B+C+D to Net income (%) (Note 1)		Remuneration From an Invested Company Other Than the Company's Subsidiary
		From the Company	From all Consolidated Entities in This Report	From the Company	From all Consolidated Entities in This Report	From the Company (Note 2)	From all Consolidated Entities in This Report	From the Company		From all Consolidated Entities in This Report		From the Company	From all Consolidated Entities in This Report	
								Cash	Stock	Cash	Stock			
President	Yao Steven Yih Chun	4,600	4,600	173	173	2,600	2,600	0	0	0	0	0.25	0.25	None

Note 1: Net income stated in the Separate Financial Statements in 2018.
Note 2: Expenses incurred in 2018.
Note 3: Appropriation of pension expense for the contracted management.

Remuneration Bracket

Remuneration to President and Vice President	Name of President and Vice President	
	From the Company	From all Consolidated Entities in This Report
Below $2,000,000	0	0
2,000,000 (inclusive) - 5,000,000 (non-inclusive)	0	0
5,000,000 (inclusive) - 10,000,000 (non-inclusive)	Yao Steven Yih Chun	Yao Steven Yih Chun
10,000,000 (inclusive) - 15,000,000 (non-inclusive)	0	0
15,000,000 (inclusive) - 30,000,000 (non-inclusive)	0	0
30,000,000 (inclusive) - 50,000,000 (non-inclusive)	0	0
50,000,000 (inclusive) - 100,000,000 (non-inclusive)	0	0
$100,000,000 and above	0	0
Total	1 person	1 person

II.3.3 Employee Compensations for Management

As of April 15, 2019; Unit: NT$ thousand

	Title	Name	Stock	Cash	Total	Ratio of the Total Amount of Net Income (%) (Note 1)
Management	CEO	Ter-Fung Tsao	0	0	0	0%
	President	Yao Steven Yih Chun				
	Sales Division Director	Hsiang-Jung Huang				
	Group CFO	Chris Hong				
	R&D Division	Hsin-Chuan Wang				
	Marketing Division Director	Yen-Lin Cheng				
	E-Commerce Director	Yi-Ting Huang				

Note 1: Net income stated in the Separate Financial Statements in 2018.

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

II.4.1. Remuneration analysis of the last two years

Unit: Shares/NT$1,000

Title	2017				2018			
	Total Amount of Remuneration		Ratio of Total Amount to Net Income After Tax (%)		Total Amount of Remuneration		Ratio of Total Amount to Net Income After Tax (%)	
	From the Company	Companies in the Consolidated Financial Statements	From the Company	Companies in the Consolidated Financial Statements	From the Company	Companies in the Consolidated Financial Statements	From the Company	Companies in the Consolidated Financial Statements
Director	15,869	15,869	0.73	0.73	21,380	21,380	0.72	0.72
Supervisor	-	-	-	-	-	-	-	-
President	8,850	8,850	0.41	0.41	7,373	7,373	0.25	0.25
Total	24,719	24,719	1.14	1.14	28,753	28,753	0.97	0.97

(1) Analysis of the Remuneration to the Directors, Supervisors, and Presidents of the Company in Proportion to the Net Income After Tax Stated in the Separate Financial Statements of the Last Two Years:

The ratio of the remunerations to the Directors, Supervisors, and Presidents of the Company to net income after tax of all companies included in the Consolidated Financial Statements paid in 2018 indicated a decrease from 2017 mainly because the net income after tax of the Company in 2018 was increased as compared with 2017.

(2) Please refer to Provision (VIII) on page 48 for the payment policy of bonus to employees and remuneration to directors

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

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

III. Corporate governance

III.1. Operation of the Board of Directors

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

Title	Name	Number of Attendances (B)	Proxy Attendance	Ratio of Attendances (%) [B / A]	Remarks
Chairman	Mu Te Investment Co., Ltd. Representative: Ter-Fung Tsao	5	0	100%	
Director	Mu Te Investment Co., Ltd. Representative: Jason Hsuan	3	2	60%	
	Mu Te Investment Co., Ltd. Representative: Wendy Tsao	5	0	100%	
	Charng Hui Ltd. Representative: Arthur Tsao	2	3	40%	
Independent Director	Ben Chang	4	1	80%	
	George Chou	5	0	100%	
	Daniel Chiang	5	0	100%	

Supplementary information:

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

Date of the Board of Directors' Meeting (series)	Subject Matter	Independent Directors' Opinions and the Response of the Company
March 22, 2018 (The 9th Regular Session of the 12th Board)	1. Amendment to the "Operating Procedure for Making Endorsements/Guarantees" of the Company. 2. Amendment to the "Procedure for the Loaning of Funds" of the Company. 3. The Company's undertaking of endorsement/guarantee for the application filed by its subsidiary, Standard Beverage Co., Ltd., with ANZ Bank (Taiwan) Limited for a rollover of the credit limit.	Passed by all Independent Directors.
May 08, 2018 (The 10th Regular Session of the 12th Board)	The Company's disposition of real property including land and factory premises in Wugu.	

Date of the Board of Directors' Meeting (series)	Subject Matter	Independent Directors' Opinions and the Response of the Company
August 07, 2018 (The 12th Regular Session of the 12th Board)	Assessment of independence and competence of the CPAs.	
November 07, 2018 (The 13th Regular Session of the 12th Board)	The Company's undertaking of endorsement/guarantee for the application filed by the Company's BVI subsidiary, Eike Information Co., Ltd., for a rollover of the credit limit.	

(2) Any Other Documented Objections or Qualified Opinions Raised by Independent Directors Against Board Resolutions in Relation to Matters Other Than Those Described Above That Were Included in Records or Stated in Writing: None.

2. Names of the Directors Who Excused Themselves From the Meeting Due to a Conflict of Interest (the content of the case, the reason for the conflict of interest, and the voting must be stated in detail): None.
3. The Objective of Fortifying the Function of the Board in the Current Year and the Most Recent Year and Assessment on the State of Attainment: None.

III.2. The operation of the Auditing Committee:

A total of 5 Audit Committee meetings (A) were held in the last year, and attendance of independent directors is as follows:

Title	Name	Number of Attendances (B)	Proxy Attendance	Ratio of Attendances (%) [B/A]	Remarks
Independent Director	Ben Chang	4	1	80%	
	George Chou	5	0	100%	
	Daniel Chiang	5	0	100%	

Supplementary information:

1. For Audit Committee meetings that meet any of the following descriptions, state the date and session of board of directors meeting held, the subject matter, the Audit Committee's resolution, and how the company has responded to Audit Committee's opinions:

(1) Conditions described in Article 14-5 of the Securities and Exchange Act:

Date of the Board of Directors' Meeting (Series)	Subject Matter	Opinions of the Audit Committee and the Response of the Company
March 22, 2018 (The 8th Regular Session of the 1st Board)	1. Amendment to the "Operating Procedure for Making Endorsements/Guarantees" of the Company. 2. Amendment to the "Procedure for the Loaning of Funds" of the Company. 3. The Company's undertaking of endorsement/guarantee for the application filed by its subsidiary, Standard Beverage Co., Ltd., with ANZ Bank (Taiwan) Limited for a rollover of the credit limit.	All members of the Audit Committee passed the motion in common consent.
May 08, 2018 (The 9th Regular Session of the 1st Board)	The Company's disposition of real property including land and factory premises in Wugu.	
August 07, 2018 (The 10th Regular Session of the 1st Board)	Assessment of independence and competence of the CPAs.	
November 07, 2018 (The 11th Regular Session of the 1st Board)	The Company's undertaking of endorsement/guarantee for the application filed by the Company's BVI subsidiary, Eike Information Co., Ltd., for a rollover of the credit limit.	

(2) Other than the conditions described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors: None.

2. Avoidance of involvements in interest-conflicting agendas by Independent Directors, including details such as the names of Independent Directors, the agenda, the nature of conflicting interests, and the voting process: None.

3. The communications between the Independent Directors and Chief Internal Auditor and the CPAs: The Independent Directors of the Company engaged in dialogue and similar means of communications with the CPAs regularly. Further to topics on accounting principles and financial statements, they also exchanged views on significant changes in financial position and the state

of operation, or operation risk. The Chief Internal Auditor reports to the Independent Directors at regular intervals on matters of the internal control of the Company and related risk managements.

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

The Company has established the Audit Committee in replace of the supervisors on June 15, 2016.

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

Assessment Item	Status of Implementation			Non-compliance with the CGBPP and reasons
	Yes	No.	Performance Summary	
1. Does the Company establish and disclose own corporate practice principles with reference to the "CGBPP"?	✓		The Company has established the "Corporate Governance Best Practice Principles" with provision in regarding to shareholder right protection, board functionality enhancement, stakeholders' rights and information transparency improvement.	The Company complies with Article 2 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
2. Shareholding structure & shareholders' rights:				The Company complies with Articles 10, 13, 14, 19 and 30 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
(1) Does the Company establish and implement the internal operation procedures to handle shareholders' suggestions, concern, disputes and litigation matters?	✓		1. To protect the rights and benefits of shareholders, the Company has established the spokesperson, stock service, and legal affairs departments to handle shareholders' suggestions and disputes.	
(2) Does the Company maintain a list of major shareholders and their beneficial owners?	✓		2. The Company requests the latest list of major shareholders from the stock agent at regular planned intervals to substantively maintain a list of major shareholders and their beneficial owners; maintains good interaction with major shareholders; and reports and discloses on MOPS relevant changes with reference to the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.	
(3) Has the Company established and implemented a risk management mechanism and "firewall" between the Company and its affiliates?	✓		3. The Company and affiliates implement independent management over assets, sales, and finance. We have also established relevant regulations, including the "Subsidiaries Supervision Regulations", "Procedures for Acquisition and Disposition of Assets," "Procedures for Loaning of Company Funds," and "Procedures for Endorsements and Guarantees" to manage the risk management mechanism and firewall of affiliates.	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		4. The Company has established the "Insider Trading Prevention Regulations to prohibit employees from trading securities with insider information.	
3. Formation and responsibility of the board of directors:				Except for Article 27, the Company complies with Articles 20, 28-1 and 37 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
(1) Does the Company establish and implement diversified policies with reference to board formation?	✓		1. The Company has established 4 seats of directors and 3 seats of independent directors. Board of Directors and supervisors perform their professed duties in accordance with applicable legal rules, the Articles of Incorporation and the resolutions of the Shareholders' Meeting.	
(2) After establishing the compensations committee and audit committee by the law, does the Company voluntarily establish other functional committees?		✓	2. Apart from establishing the Remuneration Committee and Audit Committee with reference to the Company Act, the Company did not establish other functional committees.	

Assessment Item	Status of Implementation			Non-compliance with the CGBPP and reasons
	Yes	No.	Performance Summary	
(3) Does the Company establish board performance evaluation regulations and methods to evaluate board performance every year? (4) Does the Company assess the independency of its CPAs?	✓ ✓		3. Based on the Compensations Committee Charter, the Compensations Committee establishes and regularly reviews the annual and long-term performance targets, remuneration policy, system, standard, and structure of directors, independent Director, and managers. 4. The Company hires one of the leading domestic CPA firms as our certifying accountant. This firm is not a related party of the Company. The Company also assesses the independence of the CPA.	
4. For TWSE/TPEx-listed financial holding companies, is there any unit or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors and supervisors with the information needed to perform their duties, convening board meetings and shareholder meetings, changing company registration, maintaining board/shareholder meeting minutes etc.)?	✓		The Company delegates a team dedicated to corporate governance projects. The Group CFO holds the position as the corporate governance officer responsible for promoting corporate governance affairs. The Group Finance Department will provide real-time information to shareholders on the MOPS and the Company's website to help control the name list of major shareholders holding a larger proportion of the Company's shares from time to time, provide the Directors and Supervisors with the information needed to perform their duties, convene Board Meetings and Shareholders' Meetings under laws, complete Company registration and registration of changes in the Company registration, produce Board/Shareholders' Meeting minutes, and evaluate the independence and competence of CPAs periodically.	The Company complies with Article 3-1 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
5. Does the Company establish mechanisms for communicating with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and a stakeholder site on the corporate website to appropriately respond to material CSR topics they concern about?	✓		The Company establishes the spokesperson system and makes good use of the public information system to help shareholders and stakeholders verify the overview of the Company's finance and corporate governance. The Company also sets up a stakeholder site on the Company's website. The stakeholders may reflect to the Company's contact person various corporate social responsibility issues of concern to them, via phone or email.	The Company complies with Article 51 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
6. Does the Company assign professional registers to handle shareholder meeting affairs?	✓		The Company assigns Transfer Agency Department of CTBC Bank Co., Ltd. to provide shareholder services.	The Company complies with Article 7 of the CGBPP.
7. Information disclosure (1) Does the Company establish a website to disclose financial and corporate governance information?	✓		1. The Company has set up the website in Chinese and English versions to disclose the relevant information about finance and corporate governance in the "investment information" section therein. The Company's Website:www.sfworldwide.com Dedicated personnel are appointed to maintain the website to ensure accurate and timely information.	The Company complies with Articles 55-58 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Status of Implementation			Non-compliance with the CGBPP and reasons
	Yes	No.	Performance Summary	
(2) Does the Company disclose such information by other methods (e.g. English website, assigning a staff to gather and disclose relevant information, implementing the spokesperson system, and posting the conference call on the corporate website)?	✓		2. The Company has appointed a spokesperson and a deputy spokesperson and assigned a dedicated unit to gather and disclose corporate information. For material information requiring public disclosure, we proceed with reference to the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies With Listed Securities". We have disclosed the process and relevant information on our corporate website for the shareholders' reference.	
8. Does the Company disclose other information for investors better understand its corporate governance practices (including but not limited to employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights and benefits, training for directors and Audit Committee, implementation of risk management policies and risk assessment standards, implementation of customer relations policies, and insurance for directors and Audit Committee)?	✓		1. Employees benefits and care (1) Given that employee capital is one of the most important corporate assets, the Company has established the Employee Work Rules with reference to the Labor Standards Law and relevant laws and regulations to define the rights, benefits, and obligations of employees. (2) The Company continuously and systematically improves employee quality. Apart from arranging employee education and training, we provide opportunities and funds for external training and cultivate excellent employees through job rotation, project participation, and guidance of senior officers. (3) The Company has established an employee welfare committee. Apart from issuing cash gifts on major festivals and employee birthdays, we subsidize employee club activities and travels and provide allowances for weddings, funerals, childbirth, and occupational injury and disease. In addition, we arrange health examination, group accident insurance, and healthcare insurance for employees all at the Company's expense. (4) The Company advocates labor safety and health, and has established a complete system of proposals to encourage employees to give suggestions on continued improvement and innovation. In addition, the corporate culture of the Company emphasizes on pragmatic team spirit, mutual respect, and mutual support to tackle with the challenges from works. 2. Investor relations: The Company discloses different kinds of information over MOPS to protect the rights and benefits of investors. In addition, we have established the "investor information" site on the corporate website to keep investors posted with relevant corporate information. We have also provided stock service contact information to maintain virtuous and harmonious relations between the Company and shareholders. 3. Supplier relations: The Company maintains unobstructed communication with suppliers through unimpeded channels and conduct business with suppliers in a fair and ethical manner, so as to establish long-term, steady, and mutual trust cooperation and pursue sustainable growth together. In addition, we evaluate	The Company complies with Article 59 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Status of Implementation			Non-compliance with the CGBPP and reasons
	Yes	No.	Performance Summary	
			suppliers at planned intervals to select good suppliers as our partners. 4. Stakeholder rights: The Company provides unimpeded channels to communicate with stakeholders and respects and maintains their rights and benefits proper. If any concerns arise against stakeholders' legitimate rights, the Company will properly handle based on the principle of good faith. 5. Further Education for Directors and Audit Committee Members: Directors and Audit Committee Members of the Company are all professionals in their respective fields. Please refer to the Appendix on page 23 for a summary of training for Directors in 2018. 6. Risk Management Policy and Risk Assessment: Please refer to "Risk Management Last Year and by Report Publishing Date" on pages 262-264 for the details of the risk management policy, organizational framework, and relevant risk controls of the Company. In addition, the Company has analyzed, followed up on, and addressed events that could cause high risk to operational goals to optimize the risk management mechanism. 7. Customer service policy: The Company has set up a customer service line to provide an impeded channel for customer communication. We also actively participate in relevant food safety associations, perform our member responsibilities and obligations, care about community care and philanthropy, and apply for relevant health food certification. 8. Insurance for directors and members of Audit Committee: the Company has insured itself against liabilities of its directors and members of Audit Committee.	
9. Please explain the improvements made based on the last Corporate Governance Evaluation results released by TWSE Corporate Governance Center, and propose improvement measures for any issues that are yet to be rectified: The Company has implemented self-evaluation of corporate governance regularly in compliance with relevant laws and regulations. In the future, the Company will continue to strengthen the corporate governance in the aspects of improvement and protection of shareholder rights, equal treatments to all shareholders, enhancement of board structure and enhance information transparency.				

Appendix: Summary of Training for Directors in 2018

Title	Name	Training Date	Organizer	Course Name	Training Hours
Chairman	Ter-Fung Tsao	May 03, 2018	Accounting Research and Development Foundation	Corporate governance and securities laws & regulations - study on compliance with business merger and acquisition laws and related legal liability	3
		December 19, 2018	Accounting Research and Development Foundation	Interpretation of technology and accounting practices and focus of internal audit/internal control	3
Independent Director	George Chou	August 08, 2018	Taiwan Corporate Governance Association	How directors and supervisors review internal control/internal audits, and talk about the whistleblowing system	3
				Accounting/information disclosure strategy and corporate governance	3
Independent Director	Daniel Chiang	November 09, 2018	Taiwan Corporate Governance Association	Effect of blockchain development on enterprises	3
				Notes to the update of the company act and new taxation requirements applicable to mainland china and foreign nationals	3

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

III.5.1. Information of members of the Compensations Committee

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

Note 1: Please specify whether it's director, independent director, or other under "Position";

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

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

(2) Not a director or supervisor of affiliated companies except an independent director of an investee of the Company, of the parent of the Company, or subsidiaries, as appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent or subsidiary.

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

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the above three items.

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

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

(7) Not a professional or an owner, partner, director, supervisor, officer, or spouse of a sole proprietorship, partnership, company, or institution that providing commercial, legal, financial, and accounting services or consultation to the Company or its affiliates.

(8) No violation of any items specified in Article 30 of the Company Act.

III.5.2. Operation of the Remuneration Committee

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

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

Title	Name	Number of attendances (B)	Ratio of attendances (B / A) (%)	Remarks
Convener	Ben Chang	2	100%	
Committee members	George Chou	2	100%	
Committee members	Daniel Chiang	2	100%	

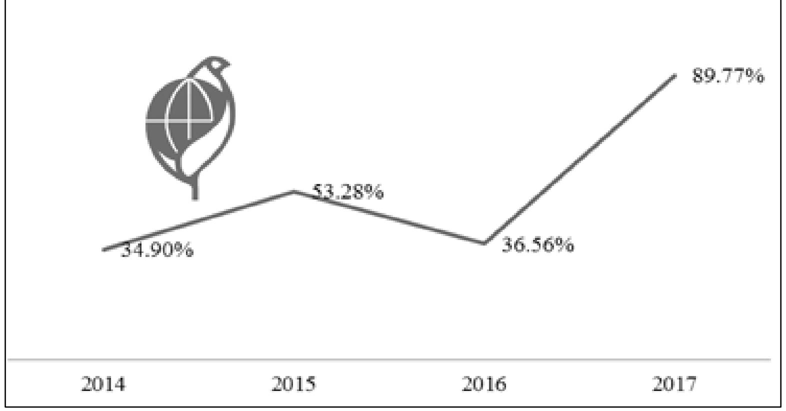
Supplementary information:

(1) If the board dissents or modifies the recommendation made by the committee, specify the date and term of the board meeting and proposal content, board resolution and handling of committee opinion: N/A.

(2) When members dissent or have reservations of a resolution made at the committee meeting with track records or written statements, specify the date and term of the committee meeting, proposal content, opinion of all members, and handling of their opinion: N/A.

III.6. CSR Performance

Assessment Item	Implementation			Non-compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Performance Summary	
1. Corporate governance promotion				
(1) Does the Company establish a CSR policy or system and review the effectiveness of implementation?	✓		1. The Company has established the "CSR Best Practice Principles" and actively implemented environmental protection and energy conservation, and involved in social charity events.	The Company complies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Does the Company arrange CSR training on a regular basis?	✓		2. The Company provides education on occupational safety and health and arranges disaster response exercises at planned intervals.	
(3) Does the Company establish a dedicated (concurrent) unit to promote CSR with authorization from top management and to report the effectiveness of implementation to the board?	✓		3. The Company has formed a dedicated team to promote CSR and related affairs and report the results to the management.	
(4) Does the Company establish a fair compensations policy combing with the employee performance evaluation system and CSR policy and an effective and well-defined reward and punishment system?	✓		4. The Company has defined the organizational reward and punishment policies in the "Employee Work Rules" and has established a well-planned system to evaluate employee performance and reward excellent employees.	
2. Development of a sustainable environment: (1) Does the Company make efforts to enhance resource efficiency and use recycled materials with lower environmental impact?	✓		1. The main packaging materials adopted by the Company's products are categorized into glass, iron/aluminum cans, plastic and paper cases, etc., by nature, which are selected based on the four indicators: (1). Quality and Safety: All packaging materials holding food comply with the "Sanitation Standard for Food Utensils, Containers, and Packages" to ensure the safety of the packaging materials. (2). Environmental Protection and Recycling: The packaging of all products bears the CNS recycling mark to remind consumers that the packaging may be recycled after using the products, and the paper cases are made of eco-friendly pulp. The Company selects suppliers who pass product certification, and uses its best efforts to reduce consumption of the consumables for packaging materials in order to mitigate the rapid decrease of trees due to human being's excessive development and to do its best for the environment and ecology in which human beings are living.	The Company complies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation</th><th rowspan="2">Non-compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Performance Summary</th></tr>
<tr><td></td><td></td><td></td><td>(3). Waste Reduction: The packaging and design of such products as gift boxes have been reviewed and approved in accordance with the “Excessive Product Packaging Restriction” laws and regulations promulgated by Environmental Protection Administration before the product hits the market, in order to prevent the packaging from deriving excessive waste and to protect the environment on the earth.
(4). Green Ecology: Given the increasing green consumption consciousness, paper packaging materials adopted by bulk products, which pass FSC certification, account for 87.6% of all packaging materials, including the long-life milk series already adopting 100% packing materials with FSC certification.
The proportion of recycled pulp in the gross weight


Note: The source of data refers to the data for packaging materials adopted by the products generating top 10 sales of the Company's Dayuan Factory and by the products generating top 2 sales of the Company's Zhongli Factory. The proportion of recycled pulp in the gross weight of the packaging materials refers to the gross weight of recycled eco-friendly pulp ÷ the gross weight of all packaging materials as adopted.</td><td></td></tr>
</table>

Assessment Item	Implementation			Non-compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Performance Summary	
(2) Does the Company establish an appropriate environmental management system (EMS) according to the characteristics of its industry?	✓		2. The Company always spares no effort to protect the environment in response to the environmental protection policies promoted by the government. The Company implements environment management and environmental equipment inspections, and also establishes a dedicated unit to engage in transportation, maintenance, and improvement of various pollution equipment. Meanwhile, the Company adopts a management model consisting of planning (P), deployment (D), checking (C), and auditing (A) to set the indicators about the consumption of power, water, waste water emission, waste articles, and waste gas emission to help it control said conditions from time to time. In response to the implementation of ISO 14001 environmental management system, the Company has successively adopted the air pollution control procedure, wastewater control procedure, industrial waste management regulations, toxic chemical substance operation control, operating standards for noise control, and operating procedures for management of water dispensers since November 2014.	
(3) Has the Company noticed the effect of climate change on its business activities and does it implement GHG inventory and establish an energy conservation and GHG reduction strategy?	✓		3. The Company aggressively implements various energy conservation and emission reduction policies. Apart from implementing continuous process monitoring and equipment efficiency enhancement, we have implemented energy conservation management with different means, such as recycling condensate and hot water from bottle washers to save water and reduce wastewater, installing the dissolved air flotation (DAF) equipment at the wastewater treatment system, increasing wastewater treatment, and enhancing fuel and electricity efficiency, so as to achieve targets for energy conservation, emissions reduction, and GHG reduction.	
3. Implementation of philanthropy (1) Does the Company establish relevant management policies and procedures with reference to relevant international regulations and international human rights treaties?	✓		1. The Company has established the "Employee Work Rules" to protect the rights and benefits of employees and contributed pension funds for employees. The Company has also established the Employee Welfare Committee to undertake various employee welfare affairs.	The Company complies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Does the Company establish mechanisms and channels for and properly handle employee grievances?	✓		2. The Company has established a grievance system and procedures as defined in the "Measures for Workplace Sexual Harassment Prevention" and Regulations for Grievances and Punishment". The Company has also established the Grievance Address Committee to implement the grievance system. Apart from reporting grievances to the committee, employees can file their grievances by grievance hotline or e-mail.	

Assessment Item	Implementation			Non-compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Performance Summary	
(3) Does the Company provide employees with a safe and healthy work environment and regularly arrange safety and health training/education for employees?	✓		3. The Company implements education and training on labor safety and health whenever new employees come onboard, and conducts a health examination for workers at all of the plants in August. In addition, the Company also feeds the employees with information on occupational safety and health of the work environment from time to time.	
(4) Does the Company establish mechanisms for periodic employee communication and reasonably notify employees of significant operational changes that could substantially affect them?	✓		4. The Company holds the employer-employee (labor/management) meeting at planned intervals and has set up a suggestion box on the intranet mechanism to interact with employees. In addition, the Company gives notices to employees through harmonious employer-employee communication and maintains sound and harmonious employer-employee relations, to prevent significant operational changes.	
(5) Does the Company establish effective training programs for employees to develop employability?	✓		5. The Company provides a diversified learning environment, by virtue of the systematic general education courses, inter-departmental on-the-job training and practice, research counseling from senior consultants, participating in projects, attendance at theme meetings, inter-departmental and inter-company job rotation, management's continuing education abroad, and self-learning by reading designated reading materials, in order to facilitate personal and team development and growth.	
(6) Does the Company establish policies and procedures to protect consumer rights and benefits in R&D, procurement, production, operation, and service processes?	✓		6. The Company provides a hotline of the contact window for stakeholders on the corporate website to provide immediate services and assistance so as to maintain and protect consumer rights and benefits.	
(7) Does the Company follow relevant regulations and international standards to market and label products and services?	✓		7. The Company labels foods and manages advertisements with reference to the "Act Governing Food Safety and Sanitation" and discloses ingredient supplier information with reference to the "Regulations Governing the Registration of Food Businesses".	
(8) Does the Company assess if suppliers have records of causing impacts on the environment and society?	✓		8. The Company evaluates each supplier prior to having business with them. The evaluation also includes if suppliers have food safety records and assesses the severity of their offences, so as to select excellent suppliers as partners through the supplier evaluation process.	
(9) When signing contracts with major suppliers, does the Company include the following terms in the contract: when suppliers violate the Company's CSR policy and have significant impact on the environment and society, the Company	✓		9. Given food safety is the most important thing to protect consumer rights and benefits, although the Company does not include CSR-related terms in contracts signed with suppliers, through periodic visits and annual evaluation and audit of active suppliers, the Company reinforces supplier management to ensure the quality (Q), cost (C), delivery (D), and service (S) of suppliers and ingredients conform to production needs and thereby ensure consumer health	

Assessment Item	Implementation			Non-compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Performance Summary	
may terminate or rescind the contract at any time?			and safety.	
4. Reinforcement of disclosure of CSR information. (1) Does the Company disclose relevant and reliable CSR information on the corporate website and MOPS?	✓		The Company has formed a dedicated team to promote CSR affairs, and has completed the CSR Reports for 2015-2017 and established the “CSR” site on the Company's website for the public to download the same Report from the site.	The Company complies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.

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

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

Item	Beneficiary	Item	Beneficiary
1	Chinese Christian Relief Association	11	Taoyuan City Health Family Education Association
2	Taipei Communications Educational Foundation	12	Taiwanese Association of Diabetes Educators
3	Taipei Trend Study Educational Foundation	13	Taiwan Association for Food Science and Technology
4	Chinese Taiwan Businessmen Unite Promotion Association	14	Taiwan Economy and Industry Association
5	Sun Yun-suan Foundation	15	Yu-Cheng Social Welfare Foundation
6	Taiwan Functional Food Industry Association	16	Changhua County Private Christian Joy Nursery
7	Hai Ching Foundation	17	Good Shepherd Social Welfare Foundation
8	Chinese Christian Evangelistic Association	18	Taiwan Institute of Directors
9	Taipei Campus Evangelical Fellowship	19	Hualien Road Running Association
10	International Life Sciences Institute Taiwan	20	Consumers’ Foundation, Chinese Taipei

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

III.7. Enforcement of fair and ethical business operations

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

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

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation</th><th rowspan="2">Non-compliance with Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Performance Summary</th></tr>
<tr><td>facilitate reporting of unfair and unethical business operations and assign appropriate personnel to handle a reported case?
(2) Does the Company establish a SOP and a non-disclosure mechanism of relevant investigations?
(3) Does the Company establish and implement an informer protection policy to ensure no informer will receive indecent treatment?</td><td>
✓

✓</td><td></td><td>with reference to the Company’s “Ethical Corporate Management Best Practice Principles” and human resources regulations.</td><td>Principles for TWSE/TPEX Listed Companies.</td></tr>
<tr><td>4. Reinforcement of information disclosure
(1) Does the Company disclose the content and effectiveness of implementation of the Code of Business Ethics on the corporate website and MOPS?</td><td>✓</td><td></td><td>The Company posts the annual report on the corporate website for investors to download to understand relevant information.</td><td>The Company complies with the spirit of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</td></tr>
<tr><td colspan="5">5. If the Company has established own code of business ethics with reference to the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies,” specify its operation and non-compliance with the best practice principles:
The Company has established the “Ethical Corporate Management Best Practice Principles” and put it into practice in compliance with the best practice principles.</td></tr>
<tr><td colspan="5">6. Other material information enabling a better understanding of fair and ethical business operations (such as review and revise the code of business ethics):
(1) The Company always observes the Company Act, Securities and Exchange Act, Business Entity Accounting Act, relevant rules and regulations governing TWSE/TPEX listed companies, and other business behaviors to implement fair and ethical business operations.
(2) The Company has specified the policy for avoiding conflicts of interest in the “Rules of Procedure for Board Meetings”. Under this policy, for proposals constituting a conflict of interest between himself/herself or his/her representatives that may harm the interest of the Company, a director may express opinions and answer to interpellation but is not allowed to join relevant discussions and vote for the proposal. In addition, this director should recur from the discussions and voting of the proposal.
(3) The Company has established the “Insider Trading Prevention Regulations” to prohibit directors, managers, and employees from disclosing material internal information to a third party or from enquiring or collecting undisclosed material internal information unrelated with own duties from those acknowledging such material internal information.
They are also requested not to disclose to others undisclosed material internal information acknowledged from work.</td></tr>
</table>

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

(1) Please visit our corporate website at http://www.sfworldwide.com for updates of corporate governance.

(2) Corporate website information collected and maintained by dedicated personnel, and all major policies such as Corporate Governance Best Practice Principles are posted on the corporate website for public retrieval.

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

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

III.10.1. Statement of Internal Control

Standard Foods Corporation
Statement of Compliance of the Internal Control System

Date: March 22, 2019

This Company makes the following statements on the compliance of the internal control system in 2018 with reference to self-assessment results.

1. We understand that it is the responsibility of the Company's management to establish, implement, and maintain the internal control system. The Company has established the internal control system to provide a reasonable assurance for the realization of operating effectiveness and efficiency (including profits, performance, and assets safety), the reliability, timeliness, transparency, and compliance of reports, and the conformity to relevant laws and regulations.
2. The internal control system is designed with limitations; therefore, no matter how perfect it is designed, an effective internal control system ensures only the realization of the aforementioned three objectives. Due to the changes in the environment and conditions, the effectiveness of an internal control system could change at any time. Our internal control system is designed with self-monitoring mechanisms; therefore, we are able to have corrective actions initiated upon identifying any nonconformity.
3. We have based the internal control criteria on the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (referred to as “the Governing Rules” hereinafter) to determine the effectiveness of internal control design and enforcement. The internal control criteria of the “Governing Rules” are the management control processes. The internal control, are divided into five elements: (1) environment control, (2) risk analysis, (3) control process, (4) information and communication, and (5) supervision. Each element is subdivided into several items. Please refer to the “Governing Rules” for the details of the said items.
4. We have established the aforementioned internal control criteria to assess the effectiveness of internal control design and enforcement.
5. According to the aforementioned assessment results, the Company’ s internal control system on December 31, 2018 (including the supervision and management of subsidiaries), including the understanding of business performance and efficiency, the reliability, timeliness, transparency, and regulatory compliance of reports, the conformity to governing regulations, and the design and enforcement of the internal control system are effective and feasible to ensure the realization of the aforementioned objectives.
6. The Declaration of Internal Control is in our annual report and prospectus for public information. For any forgery and concealment of the aforementioned information to the public, we will be held responsible by law in accordance with Securities Transaction Regulation No. 20, No. 32, No. 171 and No. 174.
7. We hereby declare that the Declaration of Internal Control was approved by the seven directors at the board meeting unanimously on March 22, 2019

Standard Foods Corporation

Chairman: Ter-Fung Tsao (Signature)

President: Yao Steven Yih Chun (Signature)

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

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

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

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

Date	Meeting	Proposals	Resolutions
March 22, 2018	Board of Directors	1. The motion for the Company's Financial Statements and Consolidated Financial Statements for 2017. 2. The motion for the distribution of 2017 earnings. 3. The motion for the allocation of the remuneration to Directors and compensation for employees in 2017. 4. The motion for amendment to the "Operating Procedure for Making Endorsements/Guarantees" of the Company. 5. The motion for amendment to the "Procedure for the Loaning of Funds" of the Company. 6. The motion for the Company's Statement of Compliance with the Internal Control System 2017. 7. The motion of the application for a rollover of the credit limit with Mega Bank amounting to NT$300 million. 8. The motion for the Company's undertaking of endorsement/guarantee for the application filed by its subsidiary, Standard Beverage Co., Ltd., with ANZ Bank (Taiwan) Limited for a rollover of the credit limit amounting to US$5 million. 9. The motion for amendment to the "Articles of Association of the Audit Committee" of the Company. 10. The motion for establishment of the "Regulations Governing the Performance Evaluation of Directors and Managers".	1. Unanimously approved as proposed by all attending Directors. 2. Unanimously approved as proposed by all attending Directors. 3. Unanimously approved as proposed by all attending Directors. 4. Unanimously approved as proposed by all attending Directors. 5. Unanimously approved as proposed by all attending Directors. 6. Unanimously approved as proposed by all attending Directors. 7. Unanimously approved as proposed by all attending Directors. 8. Unanimously approved as proposed by all attending Directors. 9. Unanimously approved as proposed by all attending Directors. 10. Unanimously approved as proposed by all attending Directors.

Date	Meeting	Proposals	Resolutions
		11. The motion of the authorization of the Chairman to act on behalf of and in the name of the Company in affixing a signature to documents related to financing and derivatives trading. 12. The motion of setting the date and the agenda for the General Shareholders' Meeting of 2018. 13. The motion of the payment of salaries and remuneration to the Managers in 2017 and the estimated salaries and remuneration in 2018.	11. Unanimously approved as proposed by all attending Directors. 12. Unanimously approved as proposed by all attending Directors. The General Shareholders' Meeting was held on June 15, 2018. 13. Unanimously approved as proposed by all attending Directors.
May 08, 2018	Board of Directors	1. Motion for disposition of the Company's real property including land and factory premises in Wugu.	1. Unanimously approved as proposed by all attending Directors.
July 11, 2018	Board of Directors	1. The motion of setting the record date and release date for cash dividends in 2018. 2. The motion of opening an account with the branch of Hwatai Bank.	1. Unanimously approved as proposed by all attending Directors. 2. Unanimously approved as proposed by all attending Directors.
August 07, 2018	Board of Directors	1. The motion for the Consolidated Financial Statements of Q2 2018. 2. The motion for periodic assessment of independence and competence of the CPAs.	1. Unanimously approved as proposed by all attending Directors. 2. Unanimously approved as proposed by all attending Directors.
November 07, 2018	Board of Directors	1. The motion for remuneration to the CPAs in 2018. 2. The motion for the Consolidated Financial Statements of Q3 2018. 3. The audit plan in 2019. 4. The motion of the application for a rollover of the credit limit amounting to NT$500 million and the credit limit for derivative trade amounting to NT$30 million with CTBC Bank. 5. The motion of the application for a rollover of the credit limit amounting to NT$320 million with CHB, Chien Kuo Branch.	1. Unanimously approved as proposed by all attending Directors. 2. Unanimously approved as proposed by all attending Directors. 3. Unanimously approved as proposed by all attending Directors. 4. Unanimously approved as proposed by all attending Directors. 5. Unanimously approved as proposed by all attending Directors.

Date	Meeting	Proposals	Resolutions
		6. The motion of the application for a rollover of the credit limit amounting to NT$10 million and the credit limit for derivative trade amounting to US$1 million with HSBC Taiwan, Taipei Branch. 7. Motion for the Company's undertaking of endorsement/guarantee for the application filed by the Company's BVI subsidiary, Eike Information Co., Ltd., for a rollover of the credit limit. 8. The motion for the limit of performace evaluation bonus in 2018. 9. The motion for proportion of provision of compensation for employees and remuneration for Directors in 2018.	6. Unanimously approved as proposed by all attending Directors. 7. Unanimously approved as proposed by all attending Directors. 8. Unanimously approved as proposed by all attending Directors. 9. Unanimously approved as proposed by all attending Directors.
March 22, 2019	Board of Directors	1. The motion for business plan and budget in 2019. 2. The motion for amendment to the "Procedures for Asset Acquisition and Disposal". 3. The motion for performance evaluation on Directors and managers in 2018. 4. The motion for the allocation of the remuneration for Directors and compensation for employees in 2018. 5. The motion for the Company's Financial Statements and Consolidated Financial Statements for 2018. 6. The motion for the distribution of 2018 earnings. 7. The motion for the Company's Statement of Compliance With the Internal Control System 2018. 8. The motion for re-election of the Directors (including Independent Directors) of the 13th Board. 9. The motion for setting the time limit for nomination of candidates for Directors of 13th Board, the number of Directors (including Independent Directors) to be elected, and the venue where the nomination is accepted.	1. Unanimously approved as proposed by all attending Directors. 2. Unanimously approved as proposed by all attending Directors. 3. Unanimously approved as proposed by all attending Directors. 4. Unanimously approved as proposed by all attending Directors. 5. Unanimously approved as proposed by all attending Directors. 6. Unanimously approved as proposed by all attending Directors. 7. Unanimously approved as proposed by all attending Directors. 8. Unanimously approved as proposed by all attending Directors. 9. Unanimously approved as proposed by all attending Directors.

Date	Meeting	Proposals	Resolutions
		10. The motion for review of the candidates for Directors (including Independent Directors) nominated by the Board of Directors.	10. Unanimously approved as proposed by all attending Directors.
		11. The motion for admission for the elected new Directors of 13th Board to hold the position as Director, Supervisor, or manager of another company engaged in business identical with or similar to the Company's.	11. Unanimously approved as proposed by all attending Directors.
		12. The motion of setting the date and the agenda for the General Shareholders' Meeting of 2019.	12. Unanimously approved as proposed by all attending Directors. The General Shareholders' Meeting was held on June 13, 2019.
		13. The motion for establishment of a team dedicated to CSR affairs.	13. Unanimously approved as proposed by all attending Directors.
		14. The motion for establishment of a "team dedicated to corporate governance affairs".	14. Unanimously approved as proposed by all attending Directors.
		15. The motion for transfer of CEO.	15. Unanimously approved as proposed by all attending Directors except for Director Arthur Tsao, who excused himself from the meeting due to a conflict of interest in accordance with the Company Act and Rules of Procedure for Board of Directors Meetings.
		16. The motion of the application for a rollover of the credit limit with Mega Bank amounting to NT$300 million.	16. Unanimously approved as proposed by all attending Directors.
		17. The motion for the application with ANZ Bank (Taiwan) Limited, Sales Dept. for a rollover of the credit limit amounting to US$25 million.	17. Unanimously approved as proposed by all attending Directors.

2. Important resolutions made at the Company's 2018 general shareholders' meeting:

(1) Adoption of the Business Report and Financial Statements for 2017: Approved.

(2) Adoption of 2017 Earnings Distribution: The motion was approved per the resolution made by the Shareholders' Meeting. The Company's unappropriated earnings amounted to NT$1,174,833,753 at the beginning of 2017. Plus the net income amounting to NT$2,173,043,400 in 2017, the Company's allocable earnings were NT$2,922,397,249. Less the legal reserve to be provided, the 2017 earnings were distributed as the first priority and at NT$2 per share for the cash dividend. The unappropriated earnings after the distribution were NT$1,092,218,067.

(3) Amendment to the "Operating Procedure for Making Endorsements/Guarantees" of the Company: The motion was approved per the resolution made by the Shareholders' Meeting.

The information about Shareholders' Meetings has also been disclosed on the MOPS on June 15, 2018.

(4) Amendment to the "Procedure for the Loaning of Funds" of the Company: The motion was approved per the resolution made by the Shareholders' Meeting. The information about Shareholders' Meetings has also been disclosed on the MOPS on June 15, 2018.

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

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

Title	Name	Inauguration	Discharge	Reasons for Resignation/Discharge
Chairman & CEO	Ter-Fung Tsao	May 5, 2017	March 22, 2019	Chairman Upon Job Rotation

IV. CPA's fees

CPA Fee Bracket

CPA Firm	CPA's name		Auditing period	Remarks
Deloitte Touche Tohmatsu CPA Firm	Tza-Li Kung, CPA	Ching-Chen Yang, CPA	January 2018-December 2018	

Unit: NT$ Thousand

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

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

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

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

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

V. CPA's change information:

V.1. Regarding former CPAs

<table>
<tr><td>Replacement date</td><td colspan="3">June 2018</td></tr>
<tr><td>Cause of replacement</td><td colspan="3">Internal duty adjustment of Deloitte Taiwan</td></tr>
<tr><td rowspan="3">Specify the reasons for replacement: Termination of appointment by the client or the CPA or rejection of appointment</td><td>Party Concerned
Condition</td><td>CPA</td><td>Client</td></tr>
<tr><td>Voluntary termination of appointment</td><td colspan="2" rowspan="2">N/A</td></tr>
<tr><td>Rejection of (successive) appointment</td></tr>
<tr><td>Opinions and reasons for audit reports other than "unqualified opinion" issued within the past two years.</td><td colspan="3">N/A</td></tr>
<tr><td rowspan="7">Opinions different from the issuer</td><td rowspan="5">Yes</td><td></td><td>Accounting principles or practice</td></tr>
<tr><td></td><td>Disclosure of financial statements</td></tr>
<tr><td></td><td>Scope or procedure of audit</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td></td><td></td></tr>
<tr><td>None</td><td colspan="2">V</td></tr>
<tr><td colspan="3">Explanation</td></tr>
<tr><td>Other Information to Disclose
(Information to be disclosed in Items 1-4 to 1-7, Paragraph 6, Article 10 of these Regulations)</td><td colspan="3">None</td></tr>
</table>

V.2. Regarding successive CPAs

<table>
<tr><td>Firm</td><td>Deloitte Taiwan</td></tr>
<tr><td rowspan="2">CPA's name</td><td>CPA Tza-Li Kung</td></tr>
<tr><td>CPA Ching-Chen Yang</td></tr>
<tr><td>Appointment date</td><td>June 2018</td></tr>
<tr><td>Consultation of the accounting processing method or accounting principles and potential opinion expressed for financial statements for specific transactions prior to appointment and results.</td><td>N/A</td></tr>
<tr><td>Written opinions different from the opinions expressed by former CPAs</td><td>N/A</td></tr>
</table>

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

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

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

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

Unit: Shares

Title	Name	2018		As of April 15	
		Shares Increase (Decrease)	Shares Under Pledge Increase (Decrease)	Shares Increase (Decrease)	Shares Under Pledge Increase (Decrease)
Chairman	Mu Te Investment Co., Ltd. Representative: Ter-Fung Tsao	0	0	0	0
Director	Mu Te Investment Co., Ltd. Representative: Jason Hsuan				
Director	Mu Te Investment Co., Ltd. Representative: Wendy Tsao				
Director	Charng Hui Ltd. Representative: Arthur Tsao	0	0	0	0
Independent Director	Ben Chang	0	0	0	0
Independent Director	George Chou	0	0	0	0
Independent Director	Daniel Chiang	0	0	0	0
And also major shareholder holding 10% or more	Ter-Fung Tsao	0	0	0	0
CEO	Arthur Tsao (Date of Taking Office: March 22, 2019)	0	0	0	0
President	Yao Steven Yih Chun	20,000	0	0	0
Group CFO	Chris Hong	0	0	1,000	0
Sales Division Director	Hsiang-Jung Huang	0	0	0	0
R&D Division	Hsin-Chuan Wang	0	0	0	0
Marketing Division Director	Yen-Lin Cheng	0	0	1,000	0
E-Commerce Director	Yi-Ting Huang	0	0	1,000	0
Major Shareholder Holding 10% or More	Chia Chieh Investment Co., Ltd. Trust Property Account	105,000	0	0	0

VII.2. Shares transferred: None.

VII.3. Shares mortgaged: N/A.

VIII. Relationships of the top ten shareholders

April 15, 2019 Unit: Share, %

Name (Note 1)	Shares held by shareholder		Shareholding of spouse and minor children		Shares held in other's names		Name and relationship of spouse or relative who is a top-ten shareholder and is within the second degree of lineal consanguinity of another top-ten shareholder (Note 3)		Remarks
	Shares	Shareholding ratio% (note 2)	Shares	Shareholding ratio	Shares	Shareholding ratio%	Name	Relationship	
Mu Te Investment Co., Ltd. Trust Property Account	156,998,400	17.16	0	0	0	0	Ter-Fung Tsao	Chairman of Mu Te	
							Chia Yun Investment Co., Ltd. Trust Property Account	The Chairman of Mu Te also holds the position as theDirector of Chia Yun.	
							Chia Chieh Investment Co., Ltd. Trust Property Account	The Chairman of Mu Te also holds the position as theDirector of Chia Chieh.	
							Mu Te Investment Co., Ltd.	Mu Te is the trustee.	
Representative: Ter-Fung Tsao	40,848,203	4.46	0	0	22,651,211	2.48	Chia Yun Investment Co., Ltd. Trust Property Account	Director of Chia Yun	
							Chia Chieh Investment Co., Ltd. Trust Property Account	Director of Chia Chieh	
							Mu Te Investment Co., Ltd.	Chairman of Mu Te	

Name (Note 1)	Shares held by shareholder		Shareholding of spouse and minor children		Shares held in other's names		Name and relationship of spouse or relative who is a top-ten shareholder and is within the second degree of lineal consanguinity of another top-ten shareholder (Note 3)		Remarks
	Shares	Shareholding ratio% (note 2)	Shares	Shareholding ratio	Shares	Shareholding ratio%	Name	Relationship	
Chia Yun Investment Co., Ltd. Trust Property Account	133,125,408	14.55	0	0	0	0	Ter-Fung Tsao	Director of Chia Yun	
							Mu Te Investment Co., Ltd. Trust Property Account	The Chairman of Chia Yun also holds the position as the Director of Mu Te.	
							Chia Chieh Investment Co., Ltd. Trust Property Account	The Chairman of Chia Yun also holds the position as the Director of Chia Chieh.	
							Mu Te Investment Co., Ltd.	The Chairman of Chia Yun also holds the position as the Director of Mu Te.	
Representative: Yi-Ling Chen	10,988	0.00	0	0	0	0	Mu Te Investment Co., Ltd. Trust Property Account	Director of Mu Te	
							Chia Chieh Investment Co., Ltd. Trust Property Account	Director of Chia Chieh	
							Mu Te Investment Co., Ltd.	Director of Mu Te	

Name (Note 1)	Shares held by shareholder		Shareholding of spouse and minor children		Shares held in other's names		Name and relationship of spouse or relative who is a top-ten shareholder and is within the second degree of lineal consanguinity of another top-ten shareholder (Note 3)		Remarks
	Shares	Shareholding ratio% (note 2)	Shares	Shareholding ratio	Shares	Shareholding ratio%	Name	Relationship	
Chia Chieh Investment Co., Ltd. Trust Property Account	108,398,160	11.85	0	0	0	0	Ter-Fung Tsao	Director of Chia Chieh	
							Mu Te Investment Co., Ltd. Trust Property Account	The Chairman of Chia Chieh also holds the position as a Director of Mu Te.	
							Chia Yun Investment Co., Ltd. Trust Property Account	The Chairman of Chia Chieh also holds the position as a Director of Chia Yun.	
							Mu Te Investment Co., Ltd.	The Chairman of Chia Chieh also holds the position as a Director of Mu Te.	
Representative: Xiu-Zhen Hsiao	5,871	0.00	0	0	0	0	Mu Te Investment Co., Ltd. Trust Property Account	Director of Mu Te	
							Chia Yun Investment Co., Ltd. Trust Property Account	Director of Chia Yun	
							Mu Te Investment Co., Ltd.	Director of Mu Te	

Name (Note 1)	Shares held by shareholder		Shareholding of spouse and minor children		Shares held in other's names		Name and relationship of spouse or relative who is a top-ten shareholder and is within the second degree of lineal consanguinity of another top-ten shareholder (Note 3)		Remarks
	Shares	Shareholding ratio% (note 2)	Shares	Shareholding ratio	Shares	Shareholding ratio%	Name	Relationship	
Ter-Fung Tsao	40,848,203	4.46	0	0	22,651,211	2.48	Mu Te Investment Co., Ltd. Trust Property Account	Chairman of Mu Te	
							Chia Yun Investment Co., Ltd. Trust Property Account	Director of Chia Yun	
							Chia Chieh Investment Co., Ltd. Trust Property Account	Director of Chia Chieh	
							Mu Te Investment Co., Ltd.	Chairman of Mu Te	
Bilai Investment Co., Ltd.	33,039,081	3.61	0	0	0	0	-	-	
Representative: Su-Win Tseng	163,822	0.02	0	0	0	0	-	-	
HSBC as Trustee of RBC Emerging Markets Equity Fund	20,699,259	2.48	0	0	0	0	-	-	
Mu Te Investment Co., Ltd. Representative: Ter-Fung Tsao	22,650,057	2.48	0	0	0	0	Ter-Fung Tsao	Chairman of Mu Te	
							Mu Te Investment Co., Ltd. Trust Property Account	Mu Te is the trustee.	
							Chia Yun Investment Co., Ltd. Trust Property Account	The Chairman of Mu Te also holds the position as the Chairman of Chia Yun.	

Name (Note 1)	Shares held by shareholder		Shareholding of spouse and minor children		Shares held in other’s names		Name and relationship of spouse or relative who is a top-ten shareholder and is within the second degree of lineal consanguinity of another top-ten shareholder (Note 3)		Remarks
	Shares	Shareholding ratio% (note 2)	Shares	Shareholding ratio	Shares	Shareholding ratio%	Name	Relationship	
							Chia Chieh Investment Co., Ltd. Trust Property Account	The Chairman of Mu Te also holds the position as the Chairman of Chia Chieh.	
	40,848,203	4.46	0	0	22,651,211	2.48	Mu Te Investment Co., Ltd. Trust Property Account	Chairman of Mu Te	
							Chia Yun Investment Co., Ltd. Trust Property Account	Director of Chia Yun	
							Chia Chieh Investment Co., Ltd. Trust Property Account	Director of Chia Chieh	
Nan Shan Life Insurance Co., Ltd.	13,153,240	1.44	0	0	0	0	-	-	
Representative: Ying-Zhog Du	0	0	0	0	0	0	-	-	
Chun-Yao Lin	12,140,000	1.33	0	0	0	0	-	-	
Fubon Life Insurance Co., Ltd.	10,660,815	1.17	0	0	0	0	-	-	
Representative: Ming-Hsing Tsai	0	0.00	0	0	0	0	-	-	

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

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

March 31, 2019; Unit: Shares

Transfer Invested Business (Note 1)	The Company's Investment		Investment of Director, Supervisor, Management, and a Business Controlled by the Company Directly or Indirectly		Comprehensive Investment	
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio
Standard Dairy Products Taiwan Ltd.	30,000,000	100.0%	–	–	30,000,000	100.0%
Standard Beverage Co., Ltd.	7,907,000	100.0%	–	–	7,907,000	100.0%
Charng Hui Ltd.	24,100,000	100.0%	–	–	24,100,000	100.0%
Domex Technology Corporation	10,374,399	52.0%	–	–	10,374,399	52.0%
Le Bonta Wellness International Co.	N/A (Note 2)	100.0%	–	–	N/A (Note 2)	100.0%
Accession Ltd.	123,600,000	100.0%	–	–	123,600,000	100.0%
Dermalab S.A.	–	–	400	100.0%	400	100.0%
Shanghai Standard Foods Co.	–	–	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Shanghai Le Ben De Health Technology Co., Ltd.	–	–	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Swissderma, SL	–	–	3,000	100.0%	3,000	100.0%
Standard Investment (Cayman) Ltd.	150,124,814	100.0%	–	–	150,124,814	100.0%
Standard Corporation (Hong Kong) Ltd.	–	–	150,050,814	100.0%	150,050,814	100.0%
Standard Investment (China) Ltd.	–	–	N/A (Note 2)	99.0%	N/A (Note 2)	99.0%
Standard Foods (China) Ltd.	–	–	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Shanghai Dermalab Corporation	–	–	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Le Bonta Wellness Co., Ltd.	N/A (Note 2)	51.0%	N/A (Note 2)	49.0%	N/A (Note 2)	100.0%
Standard Foods (Xiamen) Ltd.	–	–	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Shanghai Le Ho Industrial Co., Ltd.	–	–	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Shanghai Le Min Industrial Ltd.	–	–	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%

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

Four. Stock Subscription

I. Capital and shares

(I) History of capitalization

1. History of capitalization:

Year / Month	Issuing price (NTD)	Authorized shares		Issued shares		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital (NTD)	Non-money Capital	Others
1986/06	100	50,000	5,000,000	47,883	4,788,300	Incorporation	None	1986.06.06 MOEA. Investment Bureau (75) Kong-Son-Tzi No. 2799
1986/06	100	50,000	5,000,000	47,884	4,788,400	Capital increased by cash NT$ 100	None	1986.06.27 MOEA. Investment Bureau (75) Kong-Son-Tzi No. 3149
1986/09	100	150,000	15,000,000	150,000	15,000,000	Capital increased by cash NT$ 10,211,600	None	1986.09.22 MOEA. Investment Bureau (75) Kong-Son-Tzi No. 4718
1988/04	100	450,000	45,000,000	450,000	45,000,000	Capitalization from retained earnings for NT$ 30,000,000	None	1988 04.09 MOEA. Investment Bureau (77) Kong-Son-Tzi No. 1831
1990/05	10	16,200,000	162,000,000	16,200,000	162,000,000	Capitalization from retained earnings for NT$ 117,000,000	None	1990.05.16 MOEA. Investment Bureau (79) Kong-Son-Tzi No. 3425
1991/07	10	19,440,000	194,400,000	19,440,000	194,400,000	Capitalization from retained earnings for NT$ 32,400,000	None	1991.05.15 SFE Ruling (80) Tai-Tsai-Cheng (1) No.00935
1992/03	10	30,715,200	307,152,000	30,715,200	307,152,000	Capital increased by cash NT$ 48,600,000 Capitalization from retained earnings for NT$ 64,152,000	None	1992.02.17 SFE Ruling (81) Tai-Tsai-Cheng (1) NO.00269
1993/07	10	43,001,280	430,012,800	43,001,280	430,012,800	Capitalization from retained earnings for NT$ 122,860,800	None	1993.04.13 SFE Ruling (82) Tai-Tsai-Cheng (1) No.00771
1994/02	10	60,201,792	602,017,920	60,201,792	602,017,920	Capitalization from retained earnings for NT$ 172,005,120	None	1994.01.14 SFE Ruling (83) Tai-Tsai-Cheng (1) No.49242
1995/03	10	84,833,857	848,338,570	84,833,857	848,338,570	Capitalization from retained earnings for NT$ 240,807,170 Capitalization from employee bonus for NT$ 5,513,480	None	1995.01.07 SFE Ruling (84) Tai-Tsai-Cheng (1) No.52905
1996/02	10	119,116,843	1,191,168,430	119,116,843	1,191,168,430	Capitalization from retained earnings for NT$ 339,335,420 Capitalization from employee bonus for NT$ 3,494,440	None	1995.12.04 SFE Ruling (84) Tai-Tsai-Cheng (1) No.62578
1997/03	10	167,205,291	1,672,052,910	167,205,291	1,672,052,910	Capitalization from retained earnings for NT$ 476,467,380 Capitalization from employee	None	1996.12.24 SFE Ruling (85) Tai-Tsai-Cheng (1) No.74787

Year / Month	Issuing price (NTD)	Authorized shares		Issued shares		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital (NTD)	Non-money Capital	Others
						bonus for NT$ 4,417,100		
1998/03	10	330,000,000	3,300,000,000	209,470,236	2,094,702,360	Capitalization from retained earnings for NT$ 418,013,220 Capitalization from employee bonus for NT$ 4,636,230	None	1997.12.16 SFE Ruling (86) Tai-Tsai-Cheng (1) No.92147
1999/02	10	330,000,000	3,300,000,000	262,360,651	2,623,606,510	Capitalization from retained earnings for NT$ 523,675,590 Capitalization from employee bonus for NT$ 5,228,560	None	1998.12.28 SFE Ruling (87) Tai-Tsai-Cheng (1) No.106085
2000/02	10	330,000,000	3,300,000,000	302,264,506	3,022,645,060	Capitalization from retained earnings for NT$ 393,540,980 Capitalization from employee bonus for NT$ 5,497,570	None	1999.12.24 SFE Ruling (88) Tai-Tsai-Cheng (1) No.109947
2001/02	10	330,000,000	3,300,000,000	320,918,442	3,209,184,420	Capitalization from retained earnings for NT$ 181,358,710 Capitalization from employee bonus for NT$ 5,180,650	None	2001.01.02 SFE Ruling (90) Tai-Tsai-Cheng (1) No.103971
2009/08	10	330,000,000	3,300,000,000	322,523,034	3,225,230,340	Capitalization from retained earnings for NT$ 16,045,920	None	2009.07.03 FSC Far.Tzi No. 0980033057 Letter
2010/08	10	380,000,000	3,800,000,000	370,901,489	3,709,014,890	Capitalization from retained earnings for NT$ 483,784,550	None	2010.07.05 FSC Far.Tzi No. 0990034588 Letter
2011/08	10	480,000,000	4,800,000,000	463,626,861	4,636,268,610	Capitalization from retained earnings for NT$ 927,253,720	None	2011.07.04 FSC Far.Tzi No. 1000030659 Letter
2012/08	10	580,000,000	5,800,000,000	574,897,307	5,748,973,070	Capitalization from retained earnings for NT$ 1,112,704,460	None	2012.06.26 FSC Far.Tzi No. 1010027983 Letter
2013/07	10	680,000,000	6,800,000,000	661,131,903	6,611,319,030	Capitalization from retained earnings for NT$ 862,345,960	None	2013.07.02 FSC Far.Tzi No. 1020025191 Letter
2014/08	10	740,000,000	7,400,000,000	720,633,774	7,206,337,740	Capitalization from retained earnings for NT$595,018,710	None	2014.07.11 FSC Far.Tzi No. 1030026432 Letter
2015/08	10	800,000,000	8,000,000 ,000	792,697,151	7,926,971,510	Capitalization from retained earnings for NT$720,633,770	None	2015.07.29 FSC Far.Tzi No. 1040028838 Letter
2016/08	10	880,000,000	8,800,000,000	879,893,837	8,798,938,370	Capitalization from retain earning for NT$ 871,966,860	None	2016.09.01 JinSoSunTzi No. 10501215010
2017/09	10	920,000,000	9,200,000,000	915,089,591	9,150,895,910	Capitalization from retain earning for NT$ 351,957,540	None	2017.09.04 JinSoSunTzi No. 10601126490

2. Type of Share:

Type of Share	Authorized shares			Remarks
	Outstanding shares (Available for trading on the TWSE)	Un-issued shares	Total	
Registered common shares	915,089,591	4,910,409	920,000,000	

3. Relevant information on the declaration system: None.

(II)Shareholder structure April 15, 2019

Shareholder structure QTY / Quantity	Government agencies	Financial institutions	Other institutional investors	Natural persons	Foreign institutions & natural persons	Total
Number of persons	0	13	148	35,737	465	36,363
Share held	0	32,170,127	495,262,401	199,476,054	188,181,009	915,089,591
Shareholding ratio %	0.00%	3.52%	54.12%	21.80%	20.56%	100.00%

(III) Dispersal of shareholding NTD 10 Par value April 15, 2019

Classification	Number of Shareholders	Share Held	Shareholding ratio %
1-999	11,534	2,447,253	0.27%
1,000-5,000	18,519	38,852,097	4.25%
5,001-10,000	3,271	23,730,913	2.59%
10,001-15,000	1,049	12,888,054	1.41%
15,001-20,000	523	9,272,330	1.01%
20,001-30,000	525	13,093,726	1.43%
30,001-40,000	216	7,505,920	0.82%
40,001-50,000	154	6,980,882	0.76%
50,001-100,000	274	19,039,246	2.08%
100,001-200,000	124	16,952,779	1.85%
200,001-400,000	61	17,299,093	1.89%
400,001-600,000	20	9,925,288	1.08%
600,001-800,000	18	12,607,863	1.38%
800,001-1,000,000	7	6,265,038	0.68%
Over 1,000,001 shares	68	718,229,109	78.50%
Total	36,363	915,089,591	100.00%

(IV) Major shareholder

April 15, 2019

Name of Major Shareholders \ Shares	Share Held	Shareholding Ratio
Mu Te Investment Co., Ltd. Trust Property Account	156,998,400	17.16
Chia Yun Investment Co., Ltd. Trust Property Account	133,125,408	14.55
Chia Chieh Investment Co., Ltd. Trust Property Account	108,503,160	11.86
Ter-Fung Tsao	40,848,203	4.46
Bilai Investment Co., Ltd.	33,039,081	3.61
HSBC as Trustee of RBC Emerging Markets Equity Fund Investment Account	22,699,259	2.48
Mu Te Investment Co., Ltd.	22,650,057	2.48
Nan Shan Life Insurance Co., Ltd.	13,153,240	1.44
Chun-Yao Lin	12,140,000	1.33
Fubon Life Insurance Co., Ltd.	10,660,815	1.17

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

Item \ Year			2017	2018	As of March 31, 2019 (Note 5)
Market Price per Share	Highest		82.60	75.30	54.40
	Lowest		72.00	42.90	48.05
	Average		76.47	59.34	51.28
Net Worth per Share	Before Appropriation		16.28	17.40	18.73
	After Appropriation		16.28	(Note 1)	(Note 1)
Earnings per Share	Weighted Average Shares		908,420,120	908,420,120	908,420,120
	Earnings per Share Before Adjustment		2.39	3.25	0.87
	Earnings per Share After Adjustment		2.39	(Note 1)	(Note 1)
Dividends per Share	Cash Dividends		2.0	(Note 1)	-
	Stock	Earnings Distribution	-	(Note 1)	-
		Capital Reserve Distribution	-	-	-
	Accumulated Unpaid Dividends		-	-	-
Analysis of Return on	Price/Earnings Ratio (Note 2)		32.00	18.26	-

Item \ Year		2017	2018	As of March 31, 2019 (Note 5)
Investment	Price/Dividend Ratio (Note 3)	38.24	(Note 1)	-
	Cash Dividends Yield Rate (Note 4)	2.62	(Note 1)	-

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

(VI) Execution of Dividend Policy

1. Dividend Policy:

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

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

2. Proposed Distribution of Dividends:

The Company’s Board of Directors resolved on March 22, 2019 to have stock dividends distributed at $2.5/share; also, the proposal is to be reviewed and discussed at the Annual Meeting of Shareholders on June 13, 2019.

(VII) Impact on operating performances and EPS that resulted from the stock dividend distribution of this year: None.

(VIII) Compensations for employees and remunerations to directors and supervisors

1. Information of compensations for employee and remunerations to directors and supervisors:

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

2. The basis of estimating the amount of compensations for employee and remunerations to directors/supervisors for calculating the number of shares to be distributed as stock distribution and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

   The Company's compensations payable to employees and remuneration payable to Directors and Supervisors for 2018 are estimated at NT$31,722,923 and NT$20,959,787 respectively. Said employee compensation and remuneration to the Directors in 2018 are calculated as an amount equivalent to 0.90% and 0.59%, respectively, of the pretax income before the distribution deduction.

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

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

3. Distribution policy proposed by the Board of Directors:

   (1) The distribution of stocks as compensations for employees and remunerations to directors:

   1.1 Compensations for Employees: NT$31,722,923.

   1.2 Stock Compensation for Employees: NT$ 0

   1.3 Remuneration to Directors and Supervisors: NT$20,959,787.

   The aforementioned pro forma employee bonus and remuneration to Directors proposed by the Board was in line with the estimated amount in the 2018 Financial Statements.

   (2)The stock compensations to employees and the ratio of the stock compensations to the total amount of net income and total remuneration to employees: N/A.

4. Actual distribution of dividends to employees and remuneration to directors and in the prior year:

   In 2017, the Company distributed cash bonuses to employees at NT$28,387,825 and remuneration to Directors at NT$15,448,838. These amounts were consistent with the amount adopted in the 2017 Financial Statements.

(IX) Treasury stock: None.

II. Corporate bond: None.

III. Preferred stock: None.

IV. Issuance of global depository receipts

Date of the initial issuance			June 19, 1997
Place of issuance and listing			Issued in the United States and Europe and traded at Euro MTF Market of Luxembourg Stock Exchange.
Total Amount			USD29,070,000
Offering price per GDR (US$)			USD9.69
Units Issued			3,000,000 units
Underlying Securities			Common stock of Standard Foods Corporation held by the shareholders
Common Shares Represented (Shares)			15,000,000 share
Rights and Obligation of GDR Holders			Same as those of Common Share Holders
Trustee			None
Depository Bank			The Bank of New York Mellon Corporation
Custodian Bank			Trust Department, Mega Bank
GDRs Outstanding (Units) as of March 31, 2019			7,046.4 units
Apportionment of the expenses for the Issuance and the maintenance			All fees and expenses related to the issuance of GDRs were borne by the selling shareholders while the maintenance expenses were borne by issuer
Terms and Conditions in the Deposit Agreement and the Custody Agreement			Please see the Deposit Agreement and the Custody Agreement for details
Market price per unit (USD)	2018	Highest	12.91
		Lowest	7.01
		Average	9.91
	As of March 31, 2019	Highest	8.79
		Lowest	7.85
		Average	8.26

V. Employee stock option certificates: None.

VI. Restricted employee rights and new shares issue: None

VII. Mergers and acquisitions: None.

VIII. Fund implementation plan

(I) Plan Details

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

(II) Execution

The implementation of the aforementioned plans: N/A.

Five. Overview of Business Operations

I. Principal activities

(I) Operating scope:

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

2. Operating ratio of current products

Product type	2018 Business ratio
Nutritious Foods	40%
Cooking products Food	51%
Others	9%
Total	100%

(II) Industry overview:

1. Status and Development of Industry

   With the nation's increasing attention on the food safety issue, the related food safety laws and regulations have become stricter. Therefore, food suppliers need to keep improving their inspection ability to protect consumers' "food" safety. Additionally, medical treatment technology has made progress and has thereby extended the life expectancy. People increasingly value routine healthcare and upgrading of life quality. The sport trend is therefore booming domestically. Meanwhile, the market for functional dietary supplement products grows accordingly. Taiwan is moving forward toward an aging society. The demand for elderly meals and dietary supplement products tends to be increasing. Various food suppliers are using their best efforts to develop the market.

2. Correlation of the Up-stream, Mid-stream, and Down-stream Dealers in the Industry
   (1) Upstream Dealers in the Industry: For agriculture, livestock husbandry, and packaging materials, etc.
   (2) Mid-stream Dealers in the Industry: For R&D, manufacturing, and inspection, etc.
   (3) Down-stream Dealers in the Industry: For transportation, warehousing, and various distribution channels, etc.

3. Product Development Trends
   (1)Integrate the element of a "health concept" into existing products to provide consumers with a new choice.
   (2)Develop new nutritional dietary supplement products to provide the nutrients lacked by citizens and resolve the trouble in health for citizens in their daily life, and apply for health certification for the products.
   (3)Launch "clean label" products in response to consumers' pursuit of pure natural products.

4. Competition

(1) With the relatively low criteria required to enter the food industry and multiple competitors in the same trade, the products are easily copied, thus market competition has become increasingly intense.

(2) The main raw materials and supplies adopted by the food industry, namely farm and pasture products, might be affected by natural conditions significantly in the process of production. Such factors as climate change, plant diseases and pests, and rotation tillage or suspension of farming will affect the supply and also increase the purchasing costs.

(3) Given the expanding channel scale, the channels take advantage of their strength in distribution channels to develop products under their private brands and thereby threaten suppliers' survival and profitability.

(III) Technology research and development

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

Unit: NT$ thousand

	2018	As of April 30, 2019
Amount	167,794	35,611

2. Successfully developed technology and products with R&D expenses in last year and by the report publishing date:

(1) Newly Launched Quaker Complete Nutrition Food Products:
Complete Nutrients for Meals - Launch of double effect balancing powder.
Complete Nutrients for Meals - Launch of low-sugar and vanilla flavor.
Complete Nutrients for Meals - Launch of new care and balancing nutritional formula.

(2) New Milk Powder Products on the Market-
Launch of three beneficial probiotic dietary supplement products for mothers, choice milk powder for children, three beneficial probiotic grow-up milk powders, three beneficial probiotic milk powders for children, collagen and high-iron milk powder, vitamin high-calcium milk powder, and dream care high calcium milk powder with an upgraded formula.
First launch of Immu grow up milk powder and Immu milk powder for children.

(3) Launch of New Cereal and Grain Products -
Launch of seven new Quaker So Right breakfast series.
Launch of Quaker Organic Oats Drink.
Launch of Great Day Organic Rice.

(4) Launch of New Health Tonic Series -
Development of Quaker cranberry extract.
Development and launch of the new 42ml Cubilose product.

(5) Completion of Research of Process and Packaging Materials -
Completion of research on light-resistant and oxygen-resistant PET packing materials - already developed packaging materials satisfying needs.
Completion of research on Complete Nutrients for Meals vacuum blending process - already applied to the formal process.

Completion of research on low-temperature purification technology - already replaced new purification equipment which was already applied to the formal process.

3. R&D Projects in the Latest Year:
   (1) Application for permit for infant formula food (special nutrition food).
   (2) Development and research of herbal meals.
   (3) Research of room temperature cereal and grain drinks.
   (4) Research of puffed wheat or rice.
   (5) Research of elements and formulas of soft capsule series.
   (6) Research of efficacy experiment and production technology of lactic acid bacteria.
   (7) Basic research of bead coating technology.
   (8) Development of an application for nutritional supplements for patients.
   (9) Development of health food and applications.
   (10) Research of light-resistant and oxygen-resistant PP packaging materials.

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

1. Short-term business development plans
   (1) Control the latest consumption trends and tides in the market to launch products which satisfy consumers' needs.
   (2) Listen to customers' needs and ideas, and pursue growth together with customers.
   (3) Optimize the official website and online shopping platforms, in the hopes of communicating with and serving consumers more directly.
2. Long-term business development plans
   (1) Win consumers' reliance and care about consumers' health with high-standard product quality.
   (2) Integrate resources in Taiwan and China and share experience to upgrade the effect and expand the business scale in the market.
   (3) Continue to deepen the development of brands and corporate social responsibility to enable the Company to become the most reliable food company for consumers.

II. Market analysis and the conditions of sales and production

(I) Market analysis

Sales regions: For Taiwan and China only.
Market supply and demand:

Nutritious Foods:

1. Oats

(1) Market share

Our cereal products, including instant oats, three-in one cereal, canned cereal powder, package cereal powder, and Quaker oats drink, are well received among consumers. Our brand has been seen as trustworthy by local consumers and continued to lead the cereal product market in Taiwan in 2018.

(2) Future supply and demand and market growth:

Consumers in Taiwan tend to increasingly value food safety and quality. In line with the market trends, the Company continues to make investments and manage the quality to provide consumers with excellent products ahead of others in the market of cereals and grains. The Company will take comforting quality and satisfaction of needs as the first priority to provide comforting and guaranteed products reliable to consumers and to allow the public to eat more happily, healthily, and with more relief.

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

The Company voluntarily studies the demands of consumers in cereal and grain products with a proper balance in the development of products for good health, good taste, high quality, and diversity. In 2018, the Company expanded its cereal and grain product series, and launched the Quaker So Right breakfast series imported from New Zealand as it has high quality in response to consumers' need for high-quality products. Meanwhile, the Company continued to investing in advertisements to allow more consumers know about Quaker.

With respect to the existing cereal and grain products, the Company continued to promote the health advantages in fine-quality cereals and grains to enable the young population to accept the healthy Quaker cereal and grain series and also to expand the popularity of cereals and grains. In 2019, the Company will continue to promote the comforting quality and fine-quality products with identified origin of product to consumers. Meanwhile, the Company will also launch more tasty products to gain popularity among more consumers.

In the future, the Company will continue to develop a wider array of grain products so that grains of Standard Foods will be the brand preferred by consumers of all ages and could satisfy the choice of different groups of consumers for different health reasons. In addition, the Company will continue to unveil new products, invest in advertisement for new appeals, upgrade brand value, and broaden the product portfolio to drive further business growth.

2. Herbal tonic drink

(1) Market share

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

(2) Future supply and demand and market growth:

With the rise of health awareness from consumers and Taiwan's moving forward toward an aging society, the demand for healthcare is growing stably. Consumers may live longer and desire to pursue a better life. The sale of such functional products as dietary supplement products for joints and sight, etc. is optimistic. Accordingly, functional products which may satisfy consumers' needs are growing.

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

The Company is used to playing the role of a pioneer in the herbal tonic drink market. The QUAKER Ginseng Essence, Essence of Herbs, and Reishi drinks launched by the Company are leading brands in the market for the time being. The Company will continue to invest in omnimedia advertisements and business development to build its health image and good reputation as a healthcare and nutrition expert in the mind of consumers. With abundant product lines and innovative spirit, the Company transcends others in the market. Therefore, the Company will keep growing with remarkable development potential in the future.

The Company uses its best efforts to provide consumers with products of higher quality. In 2018, it continued to strongly promote Quaker chicken essence products and provide consumers with a better experience with its exclusive process and quality control. Therefore, the Company will continue to develop the market by launching its health and dietary supplement products made of excellent and genuine materials. Since the glucosamine drink has become a leading brand recognized by the senior group, the Company will continue to promote it. Further, in response to citizen's preference for 3C products, the Lutein drink launched by the Company in 2017 was well received by consumers. The Company will tie Lutein with such tonic foods as Lycium chinense and cranberries to provide consumers with a more bright and healthy choice.

In the upcoming year, the Company will continue to use its best efforts to develop and promote innovative dietary supplement products to satisfy different consumers' needs. Meanwhile, the Company will continue to invest in advertisements to strive for the market of health dietary supplement products through diversified merchandising activities, and upgrade the market share and popularity to create better sales for health herbal drinks and do its best for modern people's health.

3. Baby food

(1) Market share

Quaker knows that all mothers wish to save the best for their babies. Based on health science, the Quaker Infant and Young Child Nutrition Research Center is engaged in providing products which satisfy the need for infant nutrition and provide high quality in Taiwan. The three beneficial probiotics grow up milk powder, organic rice extract, and organic malt extract series are Quaker's most popular foods for infants and young children. Aiming to enable babies to take every bite comfortably and with relief, we have launched milk powder for mothers, side food, milk powder for infants, grow up milk powder, milk powder for young children, and more convenient liquid grow up milk formula as the best choices bridging breast milk and growth at various stages, in order to take care of the babies in Taiwan attentively.

(2) Future supply and demand and market growth:

There were approximately 180,000 new born babies in 2018 (down by 6% from the previous year). This was echoed, by the sustained effort of the government in the advocacy of breast feeding, with breast feeding being on the rise in Taiwan, and the breastfeeding rate increased accordingly. The entire market size for infant and children's food shrank. Currently, each family usually raises only -2 babies on average. The consumption behaviors of the new generation of parents have shifted to value formula nutrition and product safety more and more. Quaker will continue to invest in product conformity to the trends of the demand for infants' nutritional value with innovation so that Quaker brand and babies can grow up healthily together.

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

Despite the limited infant and young child market size of Taiwan, Quaker brands still persists in pursuing good nutrition and continues its development. In addition to the three beneficial probiotics which are healthy for the digestive system of babies with accreditation on the effect, the products imported from Denmark as they have become the first choice when mothers wish to change milk for their babies, and the accredited organic rice extract produced in Taiwan may serve as the pure side food for babies. The Company also launched the all new Quaker brand Love Milk Powder series aimed at enabling babies to have balanced nutrition after quitting breast milk. The only Quaker liquid grow up formula milk which passes the accreditation of immunity may upgrade babies' immunity effectively, and Quaker's commitment to provide babies with the best formula is therefore realized.

The influence of foreign suppliers still remained at the beginning of 2018. Given the disadvantageous factors about brands and sales, Quaker launched the brand new premium DHA nutrition milk powder for mothers and Immu premium LF series to better satisfy new generation mothers' needs and babies' nutrition. Meanwhile, the Company will continue to invest in creative brand image commercials on TV and online, and also tangible and digital merchandising activities. It will also accumulate its resources in the Quaker Mother Classroom and professional health education to manage its business with due diligence, in order to enable Quaker to be one of the most popular brands for consumers and the most popular infant and young child brand for mothers in Taiwan.

<u>Dairy products and drinks:</u>

4. Powdered milk

(1) Market share

The Company's adult milk powder plays a leading role in Taiwan's low-fat milk powder market. According to the Kantar Worldpanel market survey, given the increasing demand for functional and healthy products in Taiwan's market, Quaker adult milk powder has been and is still the leader in the adult low-fat milk powder market since 2001, with over 40% of market share in Taiwan.

(2) Future supply and demand and market growth:

Although the adult milk powder market in Taiwan is growing sluggishly, Quaker will exercise its expertise in health and nutrition, and keep launching quality and multifunctional products to satisfy consumers' needs for health, as well as constant innovative marketing strategies and comprehensive channel communication to win recognition from consumers.

Looking out to market opportunities, in consideration of the demographic change to the senior group and demand for healthcare in Taiwan, the market potential of adult milk powder is still promising. In response to the demand of the senior group to live longer, better, and healthier, the adult milk powder market is more eager to invest in health and, therefore, Quaker will upgrade the product formula again, and keep investing oriented toward the appeal for health, functionality, and nutrition.

In response to citizens needs for nutrition, he Company's R&D team has prepared a series of healthy milk powder exclusive to individuals. In 2018, the Company upgraded the milk powder exclusive for females, and also launched Quaker High-Iron Milk Powder with Collagen Formula containing seven times the collagen protein. In addition, the Company designed the Dream Care High-Calcium Milk Powder for females over 40 years old to enhance the appeal for soy isoflavones again.

The main products including Quaker High Calcium Milk Powder with double health certificates and glucosamine milk powder helped build the Company's more solid leadership in the adult nutrition market and win reliance and positive recognition from consumers. Quaker will continue to meet the needs of more consumers and continuously strengthen the Company's leadership within the low-fat milk powder market.

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

For the overall physical health of the people, the Company continuously spares no effort to make improvement. After launching the ready-to-drink "Quaker Nutri System Food" in 2007, we launched formulas for diabetes, dialysis, and cancer patients to meet the market needs. With comprehensive marketing campaigns and celebrity endorsers, we boosted up sales. Later, we continued to launch new products meeting the market trend, such as the original flavor sugar-free, enhanced and enhanced nutrition series to fulfill the needs of different consumer groups so that consumers can "enjoy balanced nutrition in one can" and to strengthen Quaker's status in the market of medical grade nutrition supplements.

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

5 Distribution product

(1) Adult milk powder:

Given the significant growth of whole-fat milk powder, the Fernleaf whole-fat series outperformed. Among the other things, the Fernleaf premium milk powder 2.6kg unit marketed through Costco exclusively has hit records consecutively in 2018, and was in short supply frequently. Low-fat milk powder is shrinking. By brand exposure, communication with media and merchandising, Anlene's market share was growing slightly. The Company will continue to upgrade the market share and enhance brand power as its annual target. The new Fernleaf low-fat series, "Energy High-Calcium 1.5kg", was launched in October 2018. Blended with Zinc and Vitamin B complex, the series strove for the functional milk powder market actively.

(2) Children's milk powder:

The market of children's milk powder declined under the influence of a low birth rate and children's earlier exit from the market. The sales volume and value of the entire market declined accordingly. However, the Fernleaf milk powder sales kept growing, as it continued to attract new customers. In response to the e-commerce development trend, the Company adopted the Shopee channel for the first time since 2018 and focused development on the e-commerce market for appliances for mothers and infants. In the upcoming year, Fernleaf will still focus its development on the new customer solicitation plan, and attract old customers and upgrade old customers' purchases by means of preferential activities and fine-quality complimentary gifts, so as to upgrade sales in diversified manners.

(3) Sliced cheese:

The entire market grew slightly. Sliced cheese still ranked as the top 1 in sales in the cheese market. Among the other things, Cheesedale sliced cheese sales were in the first place among all sliced cheese products. In December 2017, the 180g top grade cheese of Cheesedale was launched. Its sales were beyond expectations and, therefore, it became the most important star product of Cheesedale. According to a survey conducted by Kantar in Q4 of 2017, the popularity and purchase volume of Cheesedale sliced cheese were growing year by year. Cheesedale launched the new jumbo package 1145g in December 2018, in hopes of controlling the momentum for purchase of Cheesedale products and solidifying the market share for loyal consumers.

In the upcoming year, the Company will work with Fonterra Brands (Far East) Limited, Taiwan Branch closely to keep promoting competitive merchandising activities and upgrading the market share actively via stable operation of channels to hit the record again.

Cooking oil:

6. Cooking oil

(1) Market share

Aiming to provide families in Taiwan with high quality cooking oil, we have been wholeheartedly running the “Great Day” brand over the last three decades. The sunflower oil, canola oil, Five Precious Oil from Great Day, pure olive oil, and grape seed oil are preferred and supported by consumers for its healthy and quality image, making it the leading brand in Taiwan. As the leader of all varieties of cooking oil, sales of Great Day products are stable.

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

(2) Future supply/demand and market growth

The increasing concern from consumers for quality and safety drove them for pure oil and imported oil gradually. We believe sales of sunflower and olive oil will grow steadily under this trend. Since the Great Day series has emerged as the leading cooking oil in Taiwan, we will continue with the trend for consumer health and continue to promote Great Day Pure Sunflower Oil as the top choice for housewives owning to its persistence in quality. The sales of Great Day pure olive oil imported from Italy as it grows steadily, so we will continue to invest in advertising to boost sales further via TV commercials and merchandising activities. Great Day Blended Five Precious Oil has passed the national health food certification and is also a popular product. It emerged and remained as the product of top sales in the market of blended edible oil.

In the market of China, competitive items were launched to the consumer market under a cut-throat strategy without a pause for a larger market share. This made the market of severe competition even more complicated. Yet, the appeal of health of the consumers with good quality products can still be the way to earn the trust and recognition of consumers so far as health is concerned. Likewise, “Duo Li” sunflower oil, squeezed under a scientific method and preserved packaging process, has gradually earned the recognition of consumers in appealing to good health.

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

As the concern about cooking oil safety rises, family cooking styles also change to a macrobiotic diet and healthy cooking oil. Pure sunflower oil and pure olive oil has thus become the market mainstream and the niche of stable growth for “Great Day”. Both have secured the market shares in the first place.

Great Day has been certified by SQF, the highest international standard on food safety in 2017 to provide full protection of quality and safety for consumers. This implies that Great Day has met the highest international standard in raw materials, production processes, and product quality. In 2018, higher quality edible oil was promoted to consumers as a result of the aggressive investment in various merchandising activities.

In the upcoming year, the edible oil market is expected to keep growing stably. Great Day will uphold its professional technology and experience and continue to offer more choices of healthy edible oil for customers in Taiwan for household needs.

We will continue to upgrade brand value and the image of health. In addition, we will use the spirit of brand innovation to produce good edible oil, to upgrade product value and quality, and to satisfy consumers in Taiwan in need of healthy edible oil. In the China market, we will also continue to control the changes in channels, expand the sales network, and combine channels to organize joint events, and improve the healthy image of “Duo Li” cooking oil with nationwide promotional activities.

Others:

7 Distribution product

(1) Market share

According to the market survey conducted by AC Nielsen, the momentum of the candy market turned out to be such leisure food as cough drops and chocolate and the market size shrank accordingly in 2018. However, Mentos and Chupa Chups continued to keep growing in the shrinking candy market, by launching short-term seasonal products and theme products in convenient chain stores on a quarterly basis to continue attracting consumers and upgrading consumers’ purchases.

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

In 2018, we went through the fiercest competition in the mint candy market. The two leading mint candy brands, Halls and Eclipse, competed with each other intensively, and Wm. Wrigley Jr. Company and Arrow were merged. For Mentos and Chupa Chups, we will continue to launch new seasonal packages and permanent best-sellers to maintain their leadership in the candy and lollipop market.

8. EMS service (Subsidiary- Domex Corp.):

(1) Market share

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

(2) Future supply/demand and market growth

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

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

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

(II) Application and production process of major products

1. Application of major products

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

2. Production Process of Major Products

Processing Flow Chart for Oat flake:
Raw material → cutting → pressing → cooling → sieving → packaging
Processing Flow Chart for Oat powder:
Raw material → foam slurry → gelatinization → drying → graining → sieving → packaging
Processing Flow Chart for Tonic Drinks:
Raw material → extracting → filtering → mixing → bottling → packaging
Processing Flow Chart for Dairy Products:
Raw material → homogenization → pasteurization → refrigerating → bottling → packaging
Processing Flow Chart for Refined Oil:
Raw oil → refining, de-acidification → bleaching → deodorization → winterization → packaging
Processing Flow Chart for Three Treasure Oats:
Raw material → extrusion → drying → cooling → packaging
EMS service production process (Subsidiary –Domex Corp.):
Components → SMT → DIP → Assembly → Testing → Packaging

(III) Supply of major ingredients

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

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

1. Major Customers in the past two fiscal years

Unit: NT$ Thousand

	2017				2018				As of March 31, 2019 (Note 2)			
Item	Name	Amount	Percentage of total net sale amount (%)	Relationship with the issuer	Name	Amount	Percentage of total net sale amount (%)	Relationship with the issuer	Name	Amount	Percentage of total net sale amount up to the last quarter (%)	Relationship with the issuer
1	A Company (Note 2)	4,329,907	16.4		A Company (Note 2)	4,533,832	16.6		A company	1,169,274	15.9	
	Others	22,148,017	83.6		Others	22,806,755	83.4		Others	6,167,892	84.1	
	Net sale amount	26,477,924	100.0		Net sale amount	27,340,587	100.0		Net sale amount	7,337,166	100.0	

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

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

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

2. Major Suppliers in the past two fiscal years

Unit: NT$ Thousand

	2017				2018				As of March 31, 2019			
Item	Name	Amount	Percentage of net purchase amount (%)	Relationship with the issuer	Name	Amount	Percentage of net purchase amount (%)	Relationship with the issuer	Name	Amount	Net purchase amount up to the last quarter (%)	Relationship with the issuer
1					A Company	2,284,259	13.5					
	Others	17,560,257	100.0		Others	14,695,165	86.5		Others	4,323,625	100.0	
	Net Purchase Amount	17,560,257	100.0		Net Purchase Amount	16,979,424	100.0		Net Purchase Amount	4,323,625	100.0	

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

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

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

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

Unit: 1 tons / NTD Thousand

Fiscal year / QTY & Value	2017			2018		
Major Products	Capacity	Production Quantity	Production Value	Capacity	Production Quantity	Production Value
Nutritious Foods	131,854	86,552.76	6,118,787	131,854	91,457.94	6,464,859
Cooking products Food product type	669,676	264,541.41	10,352,763	669,676	284,810.21	10,840,472
Others	(Note 1)	12,038.69	259,266	(Note 1)	13,131.26	320,136
	(Note 2)	1,254,143 (Note 3)	1,982,313	(Note 2)	1,162,748 (Note 3)	1,561,377
Total	801,530	363,132.86 1,254,143 (Note 3)	18,713,129	801,530	389,399.41 1,162,748 (Note 3)	17,625,466

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

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

Unit: 1 tons / NTD Thousand

Fiscal year / Sales Quantities and Value	2017				2018			
Major Products	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Nutritious Foods	93,478.90	10,114,799	1,037.10	87,943	101,183.40	10,855,924	683.50	73,983
Cooking products Food product type	22,750.70	1,820,916	233,863.60	11,311,473	23,344.40	1,937,524	246,208.10	11,879,761
Others	11,881.10	2,360,323	0.00	782,470	12,730.50	1,788,938	0.00	804,457
	0.00 (Note 1)		316,959.00 (Note 1)		0.00 (Note 1)		520,632.00 (Note 1)	
	805,015.00 (Note 2)		380,274.00 (Note 2)		578,756.00 (Note 2)		384,267.00 (Note 2)	
Total	128,110.70	14,296,038	234,900.70	12,181,886	137,258.30	14,582,386	246,891.60	12,758,201
	0.00 (Note 1)		316,959.00 (Note 1)		0.00 (Note 1)		520,632.00 (Note 1)	
	805,015.00 (Note 2)		380,274.00 (Note 2)		578,756.00 (Note 2)		384,267.00 (Note 2)	

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

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

Fiscal year		2017	2018	As of April 30, 2019
Number of Employees	Management & Staff	2,652	2,657	2,637
	Technicians & Laborers	938	948	909
	Total	3,590	3,605	3,546
Average Age		35.18	36.66	36.74
Average Years of Service		5.65	5.77	5.89
Education distribution	Ph. D.	14	12	16
	Masters	194	206	208
	College/ University	1,818	1,866	1,774
	Senior High School	1,159	1,126	1,183
	Junior	405	395	365

Note: Contracted personnel and foreign laborers are included.

IV. Expenditure on environmental protection

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

(I) In 2018 until the date of publication of the Annual Report, Standard Foods has been punished with a fine in the amount of NT$26,000 due to its failure to submit the wastewater pollution mitigation plan to the competent authority for approval prior to performance of the construction in accordance with Article 18 of the Water Pollution Control Act and Paragraph 1 of Article 10 of the Water Pollution Control Measures and Test Reporting Management Regulations (Doc. No.: 30-107-090002) on September 4, 2018.

(II) Response strategy and potential expenses

1. Planned improvement actions

(1) Planned Improvement Actions: In 2018, the Company has executed training for engineering personnel to strengthen the descriptions and training about environmental protection requirements for engineering construction and processes thereof to prevent the same defect from occurring again.

(2) Potential Expenditures: For a total of three dry machine wet scrubbers for air pollution emission equipment, and update of parts and upgrading of functions in 2019, the expenditure is estimated to be NT$ 1 million.

(3) Estimated environmental protection expenses in the next three years

Year	2019	2020	2021
Pollution fighting equipment or expenditure planned	Environmental protection equipment operating expense and garbage clean up expense	Environmental protection equipment operating expense and garbage clean up expense	Environmental protection equipment operating expense and garbage clean up expense
Corrective action planned	Maintain environmental protection equipment and clean up garbage	Maintain environmental protection equipment and clean up garbage	Maintain environmental protection equipment and clean up garbage
Amount	NT$14,800 thousand	NT$15,540 thousand	NT$15,540 thousand

(4) Impact afterwards

Year	2019	2020	2021
Impact on net income	Minor	Minor	Minor
Impact on competitiveness	None	None	None

V. Employee / Employer Relations

(I) Major coordination and implementation of current labor issues

1. Employee's welfare package

Employees' welfare is arranged as follows:

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

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

(3) Annual bonus and performance prize money from retained earnings are distributed to employees.

(4) Physical check-ups for employees are arranged periodically.

(5) Gifts are distributed to employees on Moon Festival, Dragon Boat Festival, Chinese New Year, and Labor Day.

The Employee Welfare Committee will handle the employees' welfare as follows:

(1) Gifts are distributed to employees on Moon Festival, Dragon Boat Festival, and Chinese New Year.

(2) Birthday gift money

(3) The Committee offers wedding, birth, consolation and condolence, and disability subsidies to employees.

(4) Company tour compensation.

(5) Group activity compensation.

(6) Festival celebration activities.

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

2. Retirement plan

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

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

3. Education and training

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

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

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

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

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

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

Standard Foods used its best efforts to train professional talents and, therefore, was awarded the silver medal for "Taiwan Train Quality System (TTQS)" by the Workforce Development Agency, Ministry of Labor, Executive Yuan. It participated in the evaluation again and won the higher honor after it won the bronze medal in 2014. TTQS refers to the national talent evaluation system and is an indicator key to labor quality. The award presented to the Company represents that the Company's performance in upgrading the quality of human resources is remarkable.

The education and training expenses of the Company in 2018 amounted to NT$13,439 thousand.

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

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

(1) Establishment of Labor Health & Safety Committee: Meetings are held annually to discuss labor health and safety and firefighting plans.
(2) Stipulation of occupational hazards prevention plan: Protect labor safety and prevent occupation hazards from occurring.
(3) Stipulation of health and safety inspection plan: Inspect machine and equipment safety automatically to prevent accidents from occurring.
(4) Stipulation of health and safety code: It is stipulated by the Labor Health & Safety Committee and the labor representative to ensure its enforcement by employees.
(5) Employee's health check-up: It includes the physical check-up and health management arranged for the contracted laborers, new recruits, and employees.
(6) Labor health and safety education and training: Labor health & safety education and disaster prevention training are arranged periodically.
(7) Special training: Machine and equipment operators must be trained by the independent training institutions that are contracted by the government and must receive a certificate of qualification.
(8) Transportation of female workers for graveyard shifts: The Company will have transportation arranged for female workers who get off duty after 22:00 at night.
(9) Employee's dormitory: The Company has a dormitory arranged for male workers and female workers who live too far away or who work the graveyard shift.
(10) Appointment of labor health & safety personnel: The Company has labor health & safety personnel and Class A labor health & safety managers designated in accordance with laws.
(11) Designation of medical personnel: Medical personnel are arranged in the factory to care for the employees in accordance with laws.
(12) Occupational disaster investigation: Analyze the status and causes of occupational disasters and have preventive action stipulated and report the incidents to labor inspection units for the record.
(13) Subcontractor management: A review committee is organized by subcontractors and the Company to study work safety and prevent occupational disasters from occurring.
(14) Operational environment test: Inspect the noise level in the working area annually to protect worker's hearing.
(15) Substantiate control processes: Substantiate fire control processes, restrictive space processes, and firefighting system suspension process according to the standard operation procedure.
(16) Labor health & safety audit: Firefighting directors of each unit and department head are to tour the factory daily to prevent accidents from occurring and to protect the safety of life and property.

5. Employee's rules

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

(1) Employees are obligated to perform tasks responsibly and diligently, follow the reasonable instructions and supervision of the management in all levels and may not take their job responsibilities lightly or dodge and disobey work assignments. The management is obligated to guide employers in a friendly manner.
(2) Employees are expected to work hard, take care of public property, reduce losses, improve product quality, increase productivity, and to keep business and job responsibilities in confidence to the outsiders.
(3) Employees are to report for work to their direct supervisors according to the chain of command, except in an emergency.
(4) Employees without the consent of the Company may not bring in any friend or family to work for the Company.
(5) Employees may not take advantage of the position held within the Company to benefit themselves or any third party.
(6) With the written consent from the Company, employees may not work for another company that operates similar business, which would cause a breach of the employment contract.
(7) Employees may not demand entertainment or accept gifts, kickback or any illegal gains by performing or not performing job duties.
(8) Employees may not bring ammunition, knives or guns, dangerous objects (anything that are irrelevant to their job performance, which may cause physical harm to anyone and lead to work accident, or any chemicals and flammables that are not for work purpose), illegal items by law, or any non-work associated items to the work venue.
(9) Employees may not, at will, take the property of the Company off the premises or the factory, lease the property of the Company to any outside party without authorization.
(10) The employment contract is negotiated and stipulated by both the employer and the employee by free will. The following guidelines shall be followed when the employer deem there's necessity to make adjustment:
   i. For the needs of the Company's operation and not for undue motive or purpose, unless stipulated in law otherwise.
   ii. No adverse changes to the employee's salary or working condition.
   iii. Employee is still eligible to perform the new assignment, in both physical and skill-set terms.
   iv. Employer shall give necessary assistance when the employee is relocated in a remote location.
   v. Taking the welfare of employee and his/her family life for consideration.

6. Employer-employee relations

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

(II) Losses resulting from labor disputes in the most recent years and up to the printing of the annual report: None.

VI. Important commitments

April 30, 2019

Nature of agreement	Client	Agreement period	Content	Restrictive clauses
Technological Cooperation	Quaker Co.	July,1994 – July11, 2029 (Note 1)	Quaker Oatmeal and Baby Oatmeal Powder in Taiwan	(Note 2)
Exclusive Distributor	Fonterra Brands (Far East) Limited	April 28,2008- April 27, 2021 (Note 3)	Exclusive Sales Agent in Taiwan for Fonterra Brand Products	(Note 3)
Supply and Sales Agreement	MND PX Ministry	October 23, 2018- October 22, 2019 (Note 4)	Welfare for Military Personnel and Their Spouses	None
Long-term Loan	Shin Kong Commercial Bank	December 15, 2017- December 15, 2021	The guarantee limit amounted to NT$50 million.	None

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

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

Note 3: The renewal shall be decided within three months prior to expiration of the Agreement. Unless otherwise agreed by both parties, the Agreement shall be renewed for another three years based on the original terms and conditions upon expiration of the Agreement, and so on.

Note 4: Renewed per year.

Six. Financial Information

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

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

Condensed Balance Sheet – IFRS -Consolidated

Unit: NT$ Thousands

Item \ Fiscal year		Financial Information over the last five years					As of March 31, 2019 Financial Information (Note 2)
		2014	2015	2016	2017	2018	
Current Assets		13,501,577	15,391,892	15,127,876	15,496,940	17,107,047	16,579,979
Property, Plant and Equipment		3,691,574	3,783,949	4,684,441	5,676,084	5,478,238	5,506,039
Intangible Assets		7,504	166,422	144,702	78,066	73,050	74,787
Other Assets		940,694	1,187,011	1,862,067	1,458,398	1,339,321	1,427,874
Total Assets		18,141,349	20,529,274	21,819,086	22,709,488	23,997,656	23,588,679
Current Liabilities	Before appropriation	5,659,720	6,441,771	6,865,895	7,137,271	7,510,934	6,068,785
	After appropriation	6,812,734	7,710,086	8,273,725	8,967,450	(Note 2)	(Note 2)
Noncurrent Liabilities		378,442	584,030	535,430	548,609	446,397	502,315
Total Liabilities	Before appropriation	6,038,162	7,025,801	7,401,325	7,685,880	7,957,331	6,571,10
	After appropriation	7,191,176	8,294,116	8,809,155	9,516,059	(Note 2)	(Note 2)
Equity attributable to owners of the parent		11,955,482	13,306,157	14,217,975	14,785,740	15,806,926	16,764,584
Capital Stock		7,206,338	7,926,972	8,798,939	9,150,897	9,150,897	9,150,897
Capital Surplus		51,331	63,153	72,397	83,124	93,045	93,045
Retained Earnings	Before appropriation	4,232,457	5,022,383	5,449,618	5,833,327	6,915,111	7,703,760
	After appropriation	2,358,809	2,882,101	3,689,830	4,003,148	(Note 2)	(Note 2)
Other equity		486,538	314,831	(81,797)	(260,426)	(330,945)	(161,936)
Treasury Stock		(21,182)	(21,182)	(21,182)	(21,182)	(21,182)	(21,182)
Non-controlling interest		147,705	197,316	199,786	237,868	233,399	252,995
Total equity	Before appropriation	12,103,187	13,503,473	14,417,761	15,023,608	16,040,325	17,017,579
	After appropriation	10,950,173	12,235,158	13,009,931	13,193,429	(Note 2)	(Note 2)

Note 1: Reviewed by CPA.

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

Condensed Comprehensive Income Statement - IFRS - Consolidated

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

Item \ Fiscal year	Financial information over the last five years					As of March 31, 2019 Financial Information (Note. 1)
	2014	2015	2016	2017	2018	
Sales revenue	21,800,013	25,514,586	27,073,564	26,477,924	27,340,587	7,337,166
Gross Profit	6,222,406	8,040,850	8,005,049	7,399,955	8,254,345	2,235,865
Operating Income	2,457,158	3,287,048	3,011,552	2,794,878	3,149,836	1,013,091
Non-operating Income/expense	112,867	111,503	268,253	(49,475)	526,396	18,431
Earnings before tax	2,570,025	3,398,551	3,279,805	2,745,403	3,676,232	1,031,522
Net income from continuing operations	2,090,360	2,752,467	2,637,756	2,209,909	2,968,307	798,264
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	2,090,360	2,752,467	2,637,756	2,209,909	2,968,307	798,264
Other comprehensive income (net after tax)	223,874	(191,612)	(438,072)	(214,628)	(138,749)	178,990
Current comprehensive income/loss	2,314,234	2,560,855	2,199,684	1,995,281	2,829,558	977,254
Net earnings attributable to owners of the parent	2,075,851	2,730,613	2,606,544	2,173,044	2,949,089	788,649
Net earnings attributable to non-controlling interest	14,509	21,854	31,212	36,865	19,218	9,615
Comprehensive income/loss attributable to owners of the parent	2,299,759	2,538,837	2,170,889	1,964,868	2,813,107	957,658
Comprehensive income/loss attributable to non-controlling interest	14,475	22,018	28,795	30,413	16,451	19,596
Earnings per share (Note 2)	2.29	3.01	2.87	2.39	3.25	0.87

Note 1: Reviewed by CPA.

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

Condensed Balance Sheet – IFRS -Individual

Unit: NT$ Thousand

Item \ Fiscal year		2014	2015	2016	2017	2018
		Financial information over the last five years				
Current Assets		5,515,351	6,343,538	5,048,559	5,266,070	6,625,406
Property, Plant and Equipment		1,291,293	1,324,881	1,363,441	1,409,677	1,420,548
Intangible Assets		6,490	6,438	3,558	3,375	1,672
Other Assets		7,498,763	8,596,705	10,097,381	10,295,641	10,308,831
Total Assets		14,311,897	16,271,562	16,512,939	16,974,763	18,356,457
Current Liabilities	Before appropriation	2,053,387	2,599,476	1,914,283	1,790,235	2,220,075
	After appropriation	3,206,401	3,867,791	3,322,113	3,620,414	(Note 1)
Noncurrent Liabilities		303,028	365,929	380,681	398,788	329,456
Total Liabilities	Before appropriation	2,356,415	2,965,405	2,294,964	2,189,023	2,549,531
	After appropriation	3,509,429	4,233,720	3,702,794	4,019,202	(Note 1)
Capital Stock		7,206,338	7,926,972	8,798,939	9,150,897	9,150,897
Capital Surplus		51,331	63,153	72,397	83,124	93,045
Retained Earnings	Before appropriation	4,232,457	5,022,383	5,449,618	5,833,327	6,915,111
	After appropriation	2,358,809	2,882,101	3,689,830	4,003,148	(Note 1)
Other equity		486,538	314,831	(81,797)	(260,426)	(330,945)
Treasury Stock		(21,182)	(21,182)	(21,182)	(21,182)	(21,182)
Total equity	Before appropriation	11,955,482	13,306,157	14,217,975	14,785,740	15,806,926
	After appropriation	10,802,468	12,037,842	12,810,145	12,955,561	(Note 1)

Note 1: Subject to the approval of annual shareholders' meeting.

Condensed Comprehensive Income Statement - IFRS - Individual

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

Item \ Fiscal year	Financial information over the last five years				
	2014	2015	2016	2017	2018
Sales revenue	11,488,057	11,746,796	11,655,791	11,259,683	12,187,907
Gross Profit	3,547,802	3,895,187	3,835,072	3,689,421	4,082,297
Operating Income	2,024,934	2,283,059	2,191,994	2,136,045	2,370,064
Non-operating Income/expense	427,912	934,105	883,742	427,729	1,117,097
Earnings before tax	2,452,846	3,217,164	3,075,736	2,563,774	3,487,161
Net income from continuing operations	2,075,851	2,730,613	2,606,544	2,173,044	2,949,089
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	2,075,851	2,730,613	2,606,544	2,173,044	2,949,089
Other comprehensive income (net after tax)	223,908	(191,776)	(435,655)	(208,176)	(135,982)
Total current comprehensive income/loss	2,299,759	2,538,837	2,170,889	1,964,868	2,813,107
Earnings per share (Note 1)	2.29	3.01	2.87	2.39	3.25

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

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

Fiscal year	CPA Firm	CPA's name	Auditing opinion
2018	Deloitte Touche Tohmatsu CPA Firm	Tza-Li Kung, Ching-Chen Yang	Unqualified
2017	Deloitte Touche Tohmatsu CPA Firm	Ting-Chen Hsu, Tza-Li Kung	Unqualified
2016	Deloitte Touche Tohmatsu CPA Firm	Ting-Chen Hsu, Tza-Li Kung	Unqualified
2015	Deloitte Touche Tohmatsu CPA Firm	Ting-Chen Hsu, Hung-Hsiang Tsai	Unqualified
2014	Deloitte Touche Tohmatsu CPA Firm	Ting-Chen Hsu, Hung-Hsiang Tsai	Unqualified

II. Financial analysis in the past five years

(1) Financial Analysis - IFRS (consolidated)

Item (Note 1) / Fiscal year		Financial analysis over the last five years					As of March 31, 2019 (Note)
		2014	2015	2016	2017	2018	
Financial structure (%)	Ratio of liabilities to assets (%)	33.28	34.22	33.92	33.84	33.16	27.86
	Long-term capital to property, plant, and facility (%)	338.11	372.30	319.21	274.35	300.95	318.19
Solvency (%)	Current ratio (%)	238.55	238.94	220.33	217.13	227.76	273.20
	Quick ratio (%)	142.08	144.83	127.07	129.47	150.05	183.31
	(Times) interest earned ratio	108.12	147.77	62.24	37.26	46.53	98.62
Operating ability	Accounts receivable turnover (times)	5.37	5.83	5.57	5.11	4.86	5.18
	Days sales in accounts receivable	67.97	62.61	65.53	71.42	75.10	70.46
	Inventory turnover (times)	4.24	4.67	4.80	4.31	4.36	4.98
	Accounts payable turnover (times)	13.80	13.70	9.40	9.96	9.76	10.95
	Average days in sales	86.08	78.16	76.04	84.68	83.71	73.29
	Property, plant and facility turnover (times)	6.43	6.83	6.39	5.11	4.90	5.34
	Total assets turnover (times)	1.28	1.32	1.28	1.19	1.17	1.23
Profitability	Ratio of return on total assets (%)	12.39	14.33	12.67	10.21	12.99	13.56
	Ratio of return on total equities (%)	18.21	21.50	18.89	15.01	19.11	19.32
	Ratio of net income before tax to paid-in capital (%) (Note 7)	35.66	42.87	37.28	30.00	40.17	45.09
	Profit ratio (%)	9.58	10.79	9.74	8.35	10.86	10.88
	Earnings per share ($)	2.29	3.01	2.87	2.39	3.25	0.87
Cash flow	Cash flow ratio (%)	37.31	41.49	32.99	35.62	35.14	12.44
	Cash flow adequacy ratio (%)	117.18	110.34	105.11	88.34	101.02	106.49
	Cash reinvestment ratio (%)	6.89	8.89	5.41	5.88	3.93	3.62
Balance	Degree of operating leverage	1.42	1.37	1.45	1.49	1.47	1.40
	Degree of financial leverage	1.01	1.01	1.02	1.03	1.03	1.01

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

1. The increase in interest earned ratio in 2018 was primarily a result of the increase in operating profit resulting in the increase in net income before tax.
2. The increase in return on total assets and ratio of net income before tax to paid-in capital in 2018 was primarily a result of the increase in the increase in operating revenue of Standard Foods and of Standard Foods (Xiamen).
3. The increase in profit ratio in 2018 was primarily a result of the increase in the investment income and increase in disposition of investment-based real property resulting from the operating profit and profit gained by certain subsidiaries.
4. The increase in EPS in 2018 was primarily a result of the increase in net income from the same period of last year.
5. The decrease in cash reinvestment ratio in 2018 was primarily a result of the increase in cash dividend from last year.

Note: Reviewed by CPAs.

Financial Analysis - IFRS (Individual)

Item (Note 1)		Fiscal year: Financial analysis over the last five years 2014	2015	2016	2017	2018
Financial structure (%)	Ratio of liabilities to assets(%)	16.46	18.22	13.90	12.90	13.89
	Long-term capital to property, plant, and facility%	949.32	1,031.95	1,070.72	1,077.16	1,135.93
Solvency (%)	Current ratio(%)	268.60	244.03	263.73	294.16	298.43
	Quick ratio(%)	147.27	151.70	146.95	170.75	202.26
	(Times) interest earned ratio	14,345.13	12,005.34	1,382.64	-	5,093.75
Operating ability	Accounts receivable turnover (times)	6.25	6.29	5.99	5.74	5.97
	Days sales in accounts receivable	58.40	58.03	60.93	63.59	61.13
	Inventory turnover (times)	4.08	3.87	4.02	4.05	4.36
	Accounts payable turnover (times)	8.64	8.61	9.01	9.39	9.90
	Average days in sales	89.46	94.32	90.80	90.12	83.71
	Property, plant and facility turnover (times)	9.54	8.98	8.67	8.12	8.61
	Total assets turnover (times)	0.85	0.77	0.71	0.67	0.69
Profitability	Ratio of return on total assets (%)	15.31	17.86	15.91	12.98	16.70
	Ratio of return on total equities (%)	18.32	21.62	18.94	14.98	19.29
	Ratio of net income before tax to paid-in capital (%) (Note 5)	34.04	40.59	34.96	28.02	38.12
	Profit ratio (%)	18.07	23.25	22.36	19.30	24.21
	Earnings per share ($)	2.29	3.01	2.87	2.39	3.25
Cash flow	Cash flow ratio (%)	83.91	81.02	106.59	107.93	79.67
	Cash flow adequacy ratio (%)	156.21	145.70	147.59	129.44	119.95
	Cash reinvestment ratio (%)	4.81	6.18	4.74	3.09	(0.34)
Balance	Degree of operating leverage	1.32	1.37	1.40	1.40	1.35
	Degree of financial leverage	1.00	1.00	1.00	1.00	1.00

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

1. The increase in interest earned ratio in 2018 was primarily a result of the interest expenses derived from the leasehold in 2018 and no interest expenses derived in 2017.
2. The increase in ratio of return on total assets in 2018 was primarily a result of the increase in the investment income and increase in disposition of investment-based real property resulting from the operating profit and profit gained by certain subsidiaries.
3. The increase in ratio of return on total equities in 2018 was primarily a result of the increase in the investment income and increase in disposition of investment-based real property resulting from the operating profit and profit gained by certain subsidiaries.
4. The increase in ratio of net income before tax to paid-in capital and profit ratio in 2018 was primarily a result of the increase in net income before tax from the same period of last year.
5. The increase in EPS in 2018 was primarily a result of the increase in net income from the same period of last year.
6. The decrease in cash flow ratio in 2018 was primarily a result of the decrease in net cash flow from operating activities, and increase in accounts payable and other payables.

The decrease in cash reinvestment ratio in 2018 was primarily a result of the increase in cash dividends from last year.

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

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

(3) Inventory turnover = Cost of goods sold / Average inventory amount
(4) Accounts payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation).
(5) Average inventory turnover days = 365 / Inventory turnover
(6) Fixed assets turnover＝Net sales / Average net fixed assets
(7) Total assets turnover = Net sales / Total assets

4. Profitability
(1) Return on assets = [Net income (loss) + interest expense x (1-tax rate)] / Average total assets
(2) Return on shareholder's equity = Net income (loss) / Net average shareholders' equity
(3) Profit ratio = Net income (loss) / Net sales
(4) EPS = (Net earnings attributable to owners of the parent - preferred dividend) / Weighted-average shares issued. (Note 2)

5. Cash flow
(1) Cash flow ratio = Net cash flow from operating activity / Current liability
(2) Cash flow adequacy ratio = Net cash flow from operating activities in the past five years / (Capital expenditure + Inventory increase + Cash dividend) in the past five years
(3) Cash reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long-term investment + other assets + Working capital). (Note 3)

6. Leverage:
(1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income (Note 4).
(2) Degree of financial leverage = Operating income / (Operating income – interest expense).

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

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

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

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

III. Audit committee's report in the most recent year

Standard Foods Corporation
Audit Committee's Audit Report

The Board has submitted the Company's 2018 business report, consolidated and individual financial statements and earnings distribution proposal, where consolidated and individual financial statements have been audited by CPA Tza-Li Kung and CPA Ching-Chen Yang of Deloitte Touch Tohmatsu through the appointment by the Board and an audit report has been issued accordingly.

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

Please kindly review and approve

To:

Standard Foods Corporation 2019 General Shareholders Meeting

Standard Foods Corporation

Audit Committee Convener: Ben Chang

March 23, 2018

IV. Financial Report and consolidated financial statements

IV.1. Financial Report of Standard Foods Corporation and Subsidiaries

Standard Foods Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

Only for English translation

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)

	2018		2017	
ASSETS	**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	17,107,047	71	15,496,940	68
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	6,890,609	29	7,212,548	32
TOTAL	$ 23,997,656	100	$ 22,709,488	100
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	7,510,934	31	7,137,271	32
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	446,397	2	548,609	2
Total liabilities	7,957,331	33	7,685,880	34
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	16,040,325	67	15,023,608	66
TOTAL	$ 23,997,656	100	$ 22,709,488	100

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

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 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)	19,086,242	70	19,077,969	72
GROSS PROFIT	8,254,345	30	7,399,955	28
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	5,251	-	-	-
Total operating expenses	5,104,509	18	4,605,077	17
OPERATING INCOME	3,149,836	12	2,794,878	11
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)	(80,745)	-	(75,715)	-
Total non-operating income and expenses	526,396	2	(49,475)	-
PROFIT BEFORE INCOME TAX	3,676,232	14	2,745,403	11
INCOME TAX EXPENSE (Note 31)	707,925	3	535,494	2
NET PROFIT FOR THE YEAR	2,968,307	11	2,209,909	9
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)	11,060	-	5,397	-
Total items that will not be reclassified subsequently to profit or loss	(31,736)	-	(29,665)	-

(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	(107,013)	(1)	(184,963)	(1)
Other comprehensive loss for the year, net of income tax	(138,749)	(1)	(214,628)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,829,558	10	$ 1,995,281	8
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 2,949,089	11	$ 2,173,044	8
Non-controlling interests	19,218	-	36,865	-
	$ 2,968,307	11	$ 2,209,909	8
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 2,813,107	10	$ 1,964,868	8
Non-controlling interests	16,451	-	30,413	-
	$ 2,829,558	10	$ 1,995,281	8
EARNINGS PER SHARE (Note 32)				
Basic	$ 3.25		$ 2.39	
Diluted	$ 3.24		$ 2.39	

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														
			Retained Earnings				Other Equity								
	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	Total	Treasury Shares	Total	Non-controlling Interests	Total Equity
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															
Legal reserve	-	-	260,654	-	(260,654)	-	-	-	-	-	-	-	-	-	-
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															
Legal reserve	-	-	217,304	-	(217,304)	-	-	-	-	-	-	-	-	-	-
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	2,639,247	2,542,270

(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	10,584	16,500
Net cash used in investing activities	(560,463)	(1,034,728)
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	-	36,853
Net cash used in financing activities	(2,477,714)	(478,719)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(163,800)	(43,691)

(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	3,152,682	2,167,550
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,589,952	$ 3,152,682

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

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.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
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
FVTPL	$ -						
Add: Reclassification from available-for-sale (IAS 39)							
Required reclassification	-	$ 53,023	$ -				b)
Remeasurement of financial assets at cost (IAS 39)	-	-	(421)				a)
	-	53,023	(421)	$ 52,602	$ (1,583)	$ 1,162	
FVTOCI	-						
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	
Amortized cost	-						
Add: Reclassification from loans and receivables (IAS 39)	-	9,192,534	-				c), d)
	-	9,192,534	-	9,192,534	-	-	
	$ -	$ 9,561,790	$ 43,887	$ 9,605,677	$ 2,014	$ 22,584	

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	278,261	(97,726)	180,535
Total effect on liabilities	$ 391,075	$ -	$ 391,075

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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	$ 378,595	$ 214,752	$ 593,347
Total effect on assets	$ 378,595	$ 214,752	$ 593,347
Lease liabilities	$ 6,947	$ 214,752	$ 221,699
Total effect on liabilities	$ 6,947	$ 214,752	$ 221,699

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

<u>2018</u>

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.

<u>2017</u>

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

<u>2018</u>

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.

<u>2017</u>

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

	December 31 2018	December 31 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	490,972	491,959
	$ 2,589,952	$ 3,152,682

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

	December 31 2018	December 31 2017
Bank deposits	0.001%-3.600%	0.010%-3.800%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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
Current	
Investments in equity instruments at FVTOCI	$ 154,439
Non-current	
Investments in equity instruments at FVTOCI	$ 167,260

a. Investments in equity instruments at FVTOCI

	December 31, 2018
Current	
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.	20,295
	$ 154,439
Non-current	
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.	1,000
	$ 167,260

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	$ 1,505,913

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	46,235
	$ 204,078
Non-current	
Emerging market shares	$ 118,943

11. FINANCIAL ASSETS MEASURED AT COST - 2017

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

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	35,631
	$ 48,825

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Current	
Time deposits with original maturities of more than 3 months	$ 639,832

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

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

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	$ 5,637,750	$ 318,778	$ 190,023	$ 15,415	$ -	$ 6,163,966

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	-
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	(118)
Balance at December 31, 2018	$ 8,792

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	10,467
	$ 5,245,916

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	7,139
	$ 268,893

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	-	(255)	(255)
Balance at December 31, 2017	$ 1,700	$ 3,692	$ 5,392

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

14. FINANCE LEASE RECEIVABLES

	December 31	
	2018	2017
Gross investment in leases		
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	18,200	23,000
	40,300	44,400
Less: Unearned finance income	(7,936)	(9,625)
Present value of minimum lease payments	$ 32,364	$ 34,775
Finance lease receivables		
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	16,591	20,454
Financial lease receivables	$ 32,364	$ 34,775

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

	December 31	
	2018	2017
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	84,475	78,318
	$ 4,199,286	$ 4,558,081

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

	December 31	
	2018	2017
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	131,836	445,191
	$ 1,615,672	$ 1,676,153

17. SUBSIDIARIES

Subsidiaries included in consolidated financial statements.

			Proportion of Ownership December 31		
Investor	Investee	Main Business	2018	2017	Remark
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 December 31 2018	2017	Remark
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, ant 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
Cost						
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	$ 702,405	$ 3,378,166	$ 4,017,731	$ 555,165	$ 1,112,048	$ 9,765,515
Accumulated depreciation and impairment						
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	$ -	$ 1,126,492	$ 2,562,300	$ 400,639	$ -	$ 4,089,431
Carrying amount at December 31, 2017	$ 702,405	$ 2,251,674	$ 1,455,431	$ 154,526	$ 1,112,048	$ 5,676,084
Cost						
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	$ 702,405	$ 3,447,188	$ 4,153,208	$ 610,658	$ 1,019,714	$ 9,933,173
Accumulated depreciation and impairment						
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	$ -	$ 1,234,242	$ 2,748,680	$ 472,013	$ -	$ 4,454,935
Carrying amount at December 31, 2018	$ 702,405	$ 2,212,946	$ 1,404,528	$ 138,645	$ 1,019,714	$ 5,478,238

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

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
Cost			
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	(8,554)	(577)	(9,131)
Balance at December 31, 2017	$ 91,195	$ 228,195	$ 319,390
Accumulated amortization and impairment			
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	(164)	(478)	(642)
Balance at December 31, 2017	$ 17,531	$ 224,610	$ 242,141
Carrying amount at December 31, 2017	$ 73,664	$ 3,585	$ 77,249
Cost			
Balance at January 1, 2018	$ 91,195	$ 228,195	$ 319,390
Additions	-	5,572	5,572
Effects of foreign currency exchange differences	115,844	(498)	115,346
Balance at December 31, 2018	$ 207,039	$ 233,269	$ 440,308
Accumulated amortization and impairment			
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	114,690	(487)	114,203
Balance at December 31, 2018	$ 137,269	$ 230,807	$ 368,076
Carrying amount at December 31, 2018	$ 69,770	$ 2,462	$ 72,232

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

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

23. BORROWINGS

a. Short-term borrowings

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

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

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

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
Commercial paper						
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.	20,000	(20)	19,980	1.34%	-	-
	$ 120,000	$ (96)	$ 119,904			$ -

December 31, 2017

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

c. Long-term borrowings

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

* 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

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

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

	December 31	
	2018	2017
Current		
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	866,203	888,256
	$ 2,609,886	$ 2,393,841
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	17,938	16,880
	$ 34,316	$ 278,261
Non-current		
Other liabilities		
Guarantee deposits	$ 19,961	$ 48,769
Others	4,734	5,305
	$ 24,695	$ 54,074

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

	December 31	
	2018	2017
Current		
Customer returns	$ -	$ 112,814

	Customer Returns
Balance at January 1, 2017	$ 21,420
Addition	296,365
Usage	(204,945)
Effect of foreign currency exchange differences	(26)
Balance at December 31, 2017	$ 112,814

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	(437,458)	(334,366)
Net defined benefit liabilities	$ 263,207	$ 370,789

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)	7,428	(3,867)	3,561
Recognized in profit or loss	18,614	(3,867)	14,747
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	9,573	-	9,573
Recognized in other comprehensive income	34,313	749	35,062
Contributions from the employer	-	(14,636)	(14,636)
Contributions from plan participants	2,220	(2,220)	-
Benefits paid	(57,242)	57,242	-
Exchange differences	(2,384)	1,809	(575)
Balance at December 31, 2017	705,155	(334,366)	370,789
Service cost			
Current service cost	10,904	-	10,904
Past service cost and loss on settlements	1,305	-	1,305
Net interest expense (income)	7,901	(3,789)	4,112
Recognized in profit or loss	20,110	(3,789)	16,321
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	9,586	-	9,586
Recognized in other comprehensive income	13,095	(6,758)	6,337

(Continued)

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

(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:

	December 31	
	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:

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

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

	December 31	
	2018	2017
The expected contributions to the plan for the next year	$ 33,078	$ 18,100
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

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

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

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Recognized from the difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	$ 1	$ 1
May be used to offset a deficit		
Changes in percentage of ownership interests in subsidiaries (2)	466	466
Recognized from treasury share transactions	92,578	79,239
May not be used for any purpose		
Share options	-	3,418
	$ 93,045	$ 83,124

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 (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	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

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

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

	For the Year Ended December 31	
	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	(117,413)	(122,290)
Other comprehensive income recognized for the year	(106,286)	(122,290)
Acquisition of further interests in subsidiaries	1,263	-
Balance at December 31	$ (412,869)	$ (307,846)

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

Balance at January 1, 2017	$ 150,729
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	(733)
Other comprehensive income recognized for the year	(56,339)
Balance at December 31, 2017	$ 94,390
Balance at January 1, 2018 per IAS 39	$ 94,390
Adjustment on initial application of IFRS 9	(94,390)
Balance at January 1, 2018 per IFRS 9	$ -

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	116,974
Balance at January 1 per IFRS 9	116,974
Recognized for the year	
Unrealized gain (loss) - equity instruments	(34,736)
Other comprehensive income recognized for the year	(34,736)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(314)
Balance at December 31	$ 81,924

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

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

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	19,289	-
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	(28,718)	(28,718)
Balance at December 31	$ 233,399	$ 237,868

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	256
Number of shares at December 31, 2017	6,669
Number of shares at December 31, 2018	6,669

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

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

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

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from sale of goods	$ 27,340,587	$ 26,477,924

a. Contract balances

	December 31, 2018
Notes receivable (Note 13)	$ 2,887
Trade receivables (Note 13)	$ 6,161,079
Contract liabilities - current	
Sale of goods	$ 360,115

b. Disaggregation of revenue

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

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	578	465
	21,456	24,995
Interest income		
Bank deposits	29,541	46,791
Financial assets at amortized cost	8,701	-
Repurchase agreements collateralized by bonds	150	197
Others	1,525	1,353
	39,917	48,341
Dividends		
Available-for-sale financial assets	-	16,500
Investments in equity instruments at FVTOCI	10,584	-
	10,584	16,500
	$ 71,957	$ 89,836

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	51,859	17,195
	$ 535,184	$ (63,596)

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	367	418
Total interest expense on financial liabilities measured at amortized cost	80,745	75,724
Less: Amounts included in the cost of qualifying asset	-	(9)
	$ 80,745	$ 75,715

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	$ 5,251	$ 186
Inventories (included in operating costs)	$ (4,047)	$ 11,757
Financial assets measured at cost	$ -	$ 48,825
Property, plant and equipment	$ 18,035	$ -

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	2,320	2,699
	$ 473,373	$ 412,926
An analysis of amortization by function		
Operating costs	$ 23,794	$ 25,474
Operating expenses	29,734	26,008
	$ 53,528	$ 51,482

f. Operating expenses directly related to investment properties

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

g. Employee benefits expense

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

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

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

Amount

	For the Year Ended December 31	
	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	(66,369)	(157,480)
Net gain (losses)	$ 10,478	$ (67,137)

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	(5,159)	22,568
	653,011	580,836
Deferred tax		
In respect of the current year	77,051	(45,342)
Effect of tax rate changes	(22,137)	-
	54,914	(45,342)
Income tax expense recognized in profit or loss	$ 707,925	$ 535,494

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

	For the Year Ended December 31	
	2018	2017
Profit before tax	$ 3,676,232	$ 2,745,403
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	(5,159)	22,568
Income tax expense recognized in profit or loss	$ 707,925	$ 535,494

(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
Deferred tax		
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	(1,049)	(5,397)
Total income tax recognized in other comprehensive income	$ (51,224)	$ (30,444)

c. Current tax assets and liabilities

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

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 Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets						
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	18,652	3,010	(7,342)	-	25	14,345
	362,102	53,430	(44,352)	30,349	(878)	400,651
Loss carryforwards	81	14	-	-	-	95
	$ 362,183	$ 53,444	$ (44,352)	$ 30,349	$ (878)	$ 400,746
Deferred tax liabilities						
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	5,226	541	(4,542)	-	13	1,238
	$ 92,979	$ 10,252	$ 32,699	$ 180	$ 13	$ 136,123

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
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	15,096	3,593	-	(37)	18,652
	306,281	26,987	30,146	(1,312)	362,102
Loss carryforwards	-	81	-	-	81
	$ 306,281	$ 27,068	$ 30,146	$ (1,312)	$ 362,183

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax liabilities					
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	8,012	(2,672)	-	(114)	5,226
	$ 111,665	$ (18,274)	$ (298)	$ (114)	$ 92,979

(Concluded)

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

	December 31	
	2018	2017
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	69,645	410
	$ 148,531	$ 91,182
Deductible temporary differences	$ 50,272	$ 114,531

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

	For the Year Ended December 31	
	2018	2017
Basic earnings per share	$ 3.25	$ 2.39
Diluted earnings per share	$ 3.24	$ 2.39

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

Net Profit for the Year

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

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

	For the Year Ended December 31	
	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	742	413
Weighted average number of ordinary shares used in the computation of diluted earnings per share	909,162	908,833

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	(46,970)
Differences recognized from equity transactions	$ (44,494)
Line items adjusted for equity transactions	
Capital surplus - changes in percentage of ownership interests in subsidiaries	$ (44,494)

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	(35,742)
Differences recognized from equity transactions	$ 1,111
Line items adjusted for equity transactions	
Capital surplus - changes in percentage of ownership interests in subsidiaries	$ 1,111

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	5,305	(687)	116	4,734
	$ 2,508,333	$ (572,474)	$ (25,836)	$ 1,910,023

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	52,297	(46,243)	(749)	5,305
	$ 1,617,553	$ 910,715	$ (19,935)	$ 2,508,333

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	-	7,744
	$ 155,631	$ 97,543

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	$ 131,944	$ 124,904

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	18,943	47,696
	$ 37,929	$ 70,025

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	617,790	-	-	617,790
	$ 617,790	$ -	$ 7,315	$ 625,105
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Listed shares and emerging market shares	$ 244,534	$ -	$ -	$ 244,534
Unlisted shares	-	-	77,165	77,165
	$ 244,534	$ -	$ 77,165	$ 321,699

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	46,235	-	-	46,235
	$ 323,021	$ -	$ -	$ 323,021
Financial liabilities at fair value through profit or loss				
Derivative instruments	$ -	$ 11,253	$ -	$ 11,253

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	$ 7,315	$ 77,165	$ 84,480
Recognized in other gains and losses - unrealized	$ 1,147		$ 1,147

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

	December 31	
	2018	**2017**
<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 of decrease. The amount below indicates an increase (decrease) in pre-tax profit associated with the functional currency weakening 3% against the relevant currency. For a 3% strengthening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	RMB Impact		**USD Impact**	
	For the 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
Non-derivative financial liabilities				
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	120,038	240,077	-	-
	$ 1,055,407	$ 1,474,637	$ 2,142,073	$ 77,711

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 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	392,837	1,020,643	980,722	-
	$ 546,311	$ 1,426,637	$ 2,380,516	$ 79,343

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
Gross settled				
Foreign exchange swap contracts				
Inflows	$ -	$ -	$ 179,918	$ -
Outflows	-	-	(191,171)	-
	$ -	$ -	$ (11,253)	$ -

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

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

b. Purchases of goods

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

Purchases from related parties were conducted on normal commercial terms.

c. Payables to related parties

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

The outstanding payables from related parties were unsecured.

d. Compensation of key management personnel

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

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:

	December 31	
	2018	**2017**
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	58,697	60,485
	$ 303,081	$ 256,470

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
Financial assets			
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)	91,155
			$ 1,120,654

(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)	43,007
			$ 44,007
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)	11,262
			$ 245,088

(Concluded)

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
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)	92,147
			$ 754,882
Non-monetary items			
USD	110	6.53 (USD:RMB)	$ 3,260
Financial liabilities			
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)	53,645
			$ 356,107
Non-monetary items			
USD	371	6.53 (USD:RMB)	$ 11,253

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)	(141)	30.90 (CHF:NTD)	268
		$ 10,478		$ (67,137)

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

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	115,921	83,278
	$ 27,340,587	$ 26,477,924

	Non-current Assets	
	December 31	
	2018	2017
Taiwan	$ 2,198,922	$ 2,264,446
Mainland China	3,812,887	4,203,004
Others	28,373	28,817
	$ 6,040,182	$ 6,496,267

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	$ 3,561,949	13.0	$ 4,329,907	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)

TABLE 2

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.

TABLE 3

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	Shares							
	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.	The Company is one of the directors	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	
	Mutual funds							
	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	-	
	Shares							
	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)	
	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	-	
Standard Dairy Products Taiwan Limited	Mutual funds							
	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.	Shares							
	Standard Foods Corporation	Parent of Charng Hui Ltd.	Financial assets at fair value through other comprehensive income - current	6,669,471	331,473	0.7	331,473	Note 2
	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	Financial assets at fair value through other comprehensive income - current	1,596,000	86,503	2.0	86,503	
	Taiwan Semiconductor Manufacturing Co., Ltd.		Financial assets at fair value through other comprehensive income - current	90,000	20,295	-	20,295	
	Mutual funds							
	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)	
	Shares							
	Hong Da Leasing & Finance Co., Ltd.		Financial assets at fair value through profit or loss - non-current	8,297,000	$ -	23.7	$ -	
	CNEX Co., Ltd.	Charng Hui Ltd. is one of the directors	Financial assets at fair value through profit or loss - non-current	1,000,000	-	6.0	-	
Standard Beverage Company Limited	Mutual funds							
	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	Shares							
	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	Shares							
	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)

TABLE 4

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.

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 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 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

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
				$ 178,311		$ -		$ 178,311	$ -	
Accession Limited	Shanghai Standard Foods Co., Ltd.	Accession Limited's subsidiary	Financing receivables	$ 184,290		$ -	-	$ - (Note 1)	$ -	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
				$ 1,151,331		$ -		$ 547,367	$ -	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)	$ -	
			Financing receivables	443,055		-	-	- (Note 1)	-	Note 2
			Other receivables	16,495		-	-	- (Note 1)	-	Note 2
				$ 464,101		$ -		$ 1,166	$ -	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)	$ -	
			Other receivables	48,913		-	-	26,812 (Note 1)	-	Note 2
				$ 1,755,524		$ -		$ 1,260,730	$ -	Note 2
										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)	$ -	
			Financing receivables	190,451		-	-	- (Note 1)	-	
			Other receivables	9,656		-	-	9,656 (Note 1)	-	Note 2
				$ 200,278		$ -		$ 9,757	$ -	Note 2
										Note 2
	Standard Foods (Xiamen) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Trade receivables	$ 30	2.94	$ -	-	$ 30 (Note 1)	$ -	
			Financing receivables	287,064		-	-	- (Note 1)	-	
			Other receivables	23,549		-	-	- (Note 1)	-	Note 2
				$ 310,643		$ -		$ 30	$ -	Note 2

Note 1: Amounts received before March 22, 2019.

Note 2: The amount was eliminated upon consolidation.

TABLE 7

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.

TABLE 8

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	No rate	0.8
		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
		Shangahi 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	-
		Shangahi Le Ho Industrial Co., Ltd.	c.	Financing payables - related parties	635	Interest rate 2.500%	-
		Shangahi Le Ho Industrial Co., Ltd.	c.	Interest expenses	33	Interest rate 2.500%	-
		Shangahi Le Min Industrial Co., Ltd.	c.	Other payables - related parties	63	According to the general conditions	-
		Shangahi Le Min Industrial Co., Ltd.	c.	Financing payables - related parties	841	Interest rate 2.500%	-
		Shangahi 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 INVESTEES
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 December 31, 2018	Original Investment Amount December 31, 2017	As of December 31, 2018 Shares	As of December 31, 2018 %	As of December 31, 2018 Carrying Amount	Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
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)
	Swissderma SL	Spain	Sale of cosmetics	96	96	3,000	100	-	-	-	Indirect subsidiary (Note 5)
Standard Investment (Cayman) Limited	Standard Corporation (Hong Kong) Limited	Hong Kong	Investment business	4,708,566	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)

V. Financial Report of Standard Foods Corporation

Standard Foods Corporation

Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report

Only for English translation

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Standard Foods Corporation

Opinion

We have audited the accompanying financial statements of Standard Foods Corporation (the Company), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Company's financial statements for the year ended December 31, 2018 is stated as follows:

Evaluation of Inventory

The products of the Company 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 14 to the 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.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 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

<u>*Notice to Readers*</u>

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

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

STANDARD FOODS CORPORATION

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 798,695	4	$ 647,061	4
Financial assets at fair value through profit or loss - current (Note 7)	457,500	3	-	-
Financial assets at fair value through other comprehensive income - current (Note 8)	18,926	-	-	-
Available-for-sale financial assets - current (Note 10)	-	-	17,630	-
Financial assets at amortized cost - current (Note 9)	982,763	5	-	-
Debt investments with no active market - current (Note 12)	-	-	451,300	3
Notes receivable (Note 13)	567	-	2,746	-
Trade receivables from unrelated parties (Note 13)	1,984,166	11	1,746,502	10
Trade receivables from related parties (Note 33)	174,492	1	175,966	1
Other receivables (Note 13)	69,246	-	13,307	-
Other receivables from related parties (Note 33)	3,958	-	2,293	-
Inventories (Note 14)	1,833,004	10	1,888,673	11
Prepayments (Note 15)	281,679	2	304,075	2
Other current assets (Note 20)	20,410	-	16,517	-
Total current assets	6,625,406	36	5,266,070	31
NON-CURRENT ASSETS				
Financial asset at fair value through profit or loss - non-current (Note 7)	7,315	-	-	-
Financial asset at fair value through other comprehensive income - non-current (Note 8)	102,900	-	-	-
Available-for-sale financial assets - non-current (Note 10)	-	-	118,943	1
Financial assets measured at cost - non-current (Note 11)	-	-	16,389	-
Investments accounted for using the equity method (Note 16)	9,865,439	54	9,745,304	57
Property, plant and equipment (Note 17)	1,420,548	8	1,409,677	8
Investment properties (Note 18)	-	-	126,375	1
Other intangible assets (Note 19)	1,672	-	3,375	-
Deferred tax assets (Note 28)	315,024	2	269,785	2
Other non-current assets (Note 20)	18,153	-	18,845	-
Total non-current assets	11,731,051	64	11,708,693	69
TOTAL	$ 18,356,457	100	$ 16,974,763	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Note 26)	$ 7,995	-	$ -	-
Notes payable (Note 21)	9,348	-	1,029	-
Trade payables (Note 21)	885,178	5	725,217	4
Trade payables to related parties (Note 33)	13,656	-	3,269	-
Other payables (Note 22)	1,004,863	5	811,301	5
Current tax liabilities (Note 28)	289,077	2	224,762	2
Provisions - current (Note 23)	-	-	19,842	-
Finance lease payables - current	1,499	-	-	-
Other current liabilities (Note 22)	8,459	-	4,815	-
Total current liabilities	2,220,075	12	1,790,235	11
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 28)	134,429	1	90,736	-
Finance lease payables - non-current	3,631	-	-	-
Net defined benefit liabilities (Note 24)	191,196	1	306,997	2
Other non-current liabilities (Note 22)	200	-	1,055	-
Total non-current liabilities	329,456	2	398,788	2
Total liabilities	2,549,531	14	2,189,023	13
EQUITY (Note 25)				
Ordinary shares	9,150,897	50	9,150,897	54
Capital surplus	93,045	-	83,124	1
Retained earnings				
Legal reserve	2,650,503	15	2,433,199	14
Special reserve	260,426	1	81,797	-
Unappropriated earnings	4,004,182	22	3,318,331	20
Total retained earnings	6,915,111	38	5,833,327	34
Other equity	(330,945)	(2)	(260,426)	(2)
Treasury shares	(21,182)	-	(21,182)	-
Total equity	15,806,926	86	14,785,740	87
TOTAL	$ 18,356,457	100	$ 16,974,763	100

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

STANDARD FOODS CORPORATION

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Sales (Notes 26 and 33)	$ 12,187,907	100	$ 11,259,683	100
OPERATING COSTS				
Cost of goods sold (Notes 14, 27 and 33)	8,105,610	66	7,570,262	67
GROSS PROFIT	4,082,297	34	3,689,421	33
OPERATING EXPENSES (Note 27)				
Selling and marketing expenses	1,279,292	10	1,155,740	10
General and administrative expenses	329,152	3	317,957	3
Research and development expenses	104,193	1	79,679	1
Expected credits loss (gain)	(404)	-	-	-
Total operating expenses	1,712,233	14	1,553,376	14
OPERATING INCOME	2,370,064	20	2,136,045	19
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 27 and 33)	30,011	-	33,233	-
Other gains and losses (Notes 18 and 27)	379,164	3	(63,949)	-
Finance costs (Note 27)	(685)	-	-	-
Share of the profit or loss of subsidiaries	708,607	6	458,445	4
Total non-operating income and expenses	1,117,097	9	427,729	4
PROFIT BEFORE INCOME TAX	3,487,161	29	2,563,774	23
INCOME TAX EXPENSE (Note 28)	538,072	5	390,730	4
NET PROFIT FOR THE YEAR	2,949,089	24	2,173,044	19
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 24)	1,343	-	(33,444)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(28,444)	-	-	-

(Continued)

STANDARD FOODS CORPORATION

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**	**%**
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	$ (10,429)	-	$ (1,344)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	7,834	-	5,241	-
Total items that will not be reclassified subsequently to profit or loss	(29,696)	-	(29,547)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	(146,450)	(1)	(147,337)	(1)
Unrealized gain (loss) on available-for-sale financial assets	-	-	(60,208)	(1)
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	-	-	3,869	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 28)	40,164	-	25,047	-
Total items that may be reclassified subsequently to profit or loss	(106,286)	(1)	(178,629)	(2)
Other comprehensive loss for the year, net of income tax	(135,982)	(1)	(208,176)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,813,107	23	$ 1,964,868	17
EARNINGS PER SHARE (Note 29)				
Basic	$ 3.25		$ 2.39	
Diluted	$ 3.24		$ 2.39	

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

STANDARD FOODS CORPORATION

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

			Retained Earnings				Other Equity						
	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	Total	Treasury Shares	Total Equity
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
Appropriation of 2016 earnings													
Legal reserve	-	-	260,654	-	(260,654)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	81,797	(81,797)	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(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
Changes in percentage of ownership interests in subsidiaries	-	466	-	-	-	-	-	-	-	-	-	-	466
Net profit for the year ended December 31, 2017	-	-	-	-	2,173,044	2,173,044	-	-	-	-	-	-	2,173,044
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)
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
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
Effect of retrospective application	-	-	-	-	2,014	2,014	-	(94,390)	116,974	-	22,584	-	24,598
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
Appropriation of 2017 earnings													
Legal reserve	-	-	217,304	-	(217,304)	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	178,629	(178,629)	-	-	-	-	-	-	-	-
Share dividends to shareholders	-	-	-	-	(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
Actual acquisitions of interests in subsidiaries	-	(3,418)	-	-	(44,494)	(44,494)	1,263	-	-	46,970	48,233	-	321
Net profit for the year ended December 31, 2018	-	-	-	-	2,949,089	2,949,089	-	-	-	-	-	-	2,949,089
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)
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
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

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

STANDARD FOODS CORPORATION

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	$ 3,487,161	$ 2,563,774
Adjustments for:		
Depreciation expenses	187,440	175,239
Amortization expenses	10,323	14,181
Expected credit loss reversed on trade receivables	(404)	-
Impairment loss reversal of impairment loss on trade receivables	-	(440)
Net gain on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	(5,178)	-
Finance costs	685	-
Interest income	(15,502)	(13,923)
Dividend income	(3,847)	(7,505)
Share of the profit of subsidiaries	(708,607)	(458,445)
Net loss on disposal of property, plant and equipment	1,341	3,067
Gain on disposal of investment properties	(369,427)	-
Net gain on disposal of investments	-	(96)
Impairment losses recognized on property, plant and equipment	18,035	-
Impairment losses recognized on financial assets measured at cost	-	43,425
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(453,269)	-
Notes receivable	2,179	332
Trade receivables	(237,260)	119,895
Trade receivables from related parties	1,474	(44,819)
Other receivables	(53,660)	7,381
Other receivables from related parties	(1,665)	1,077
Inventories	55,669	(38,772)
Prepayments	22,394	69,585
Other current assets	(3,892)	(4,634)
Contract liabilities	6,131	-
Notes payable	8,320	(2,728)
Trade payables	159,961	(129,095)
Trade payables to related parties	10,387	(22,212)
Other payables	193,562	2,599
Provisions	-	10,645
Other current liabilities	(14,333)	2,084
Net defined benefit liabilities	(114,458)	207
Cash generated from operations	2,183,560	2,290,822
Interest received	13,223	13,369
Interest paid	(685)	-
Income tax paid	(427,304)	(372,068)
Net cash generated from operating activities	1,768,794	1,932,123

(Continued)

STANDARD FOODS CORPORATION

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	$ 799	$ -
Purchase of financial assets at amortized cost	(1,282,163)	-
Refunds of financial assets at amortized cost	750,700	-
Purchases of available-for-sale financial assets	-	(425,000)
Proceeds on sale of available-for-sale financial assets	-	425,096
Purchases of debt investments with no active market	-	(650,900)
Proceeds from sale of debt investments with no active market	-	258,100
Proceeds from capital reduction of financial assets measured at cost	-	549
Payments for property, plant and equipment	(218,023)	(224,412)
Proceeds from disposal of property, plant and equipment	558	176
Payments for intangible assets	(4,881)	(7,761)
Proceeds from disposal of investment properties	495,580	-
(Increase) decrease in other financial assets	1,169	(1,190)
Increase in other non-current assets	(4,219)	(3,783)
Dividends received from subsidiaries	467,351	420,805
Other dividends received	3,847	7,505
Net cash generated from (used in) investing activities	210,718	(200,815)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits received	(855)	-
Increase in finance lease payables	5,130	-
Increase in other financial liabilities	-	50
Dividends paid to owners of the Company	(1,830,179)	(1,407,830)
Acquisition of interest in subsidiaries	(1,974)	(659,328)
Proceeds from capital reduction of subsidiaries	-	300,000
Net cash used in financing activities	(1,827,878)	(1,767,108)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	151,634	(35,800)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	647,061	682,861
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 798,695	$ 647,061

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

STANDARD FOODS CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 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 financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The 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 Company'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 Company 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 Company's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 647,601	$ 647,601	d)
Equity securities	Available-for-sale	Mandatorily at FVTPL	6,789	6,368	a), b)
	Available-for-sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	146,173	151,069	a)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	451,300	451,300	c)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	1,940,814	1,940,814	d)
Refundable deposits	Loans and receivables	Amortized cost	15,212	15,212	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
FVTPL	$ -						
Add: Reclassification from available-for-sale (IAS 39) Required reclassification	-	$ 6,789	$ -				b)
Remeasurement of financial assets at cost (IAS 39)	-	-	(421)				a)
	-	6,789	(421)	$ 6,368	$ (1,583)	$ 1,162	
FVTOCI	-						
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	146,173	-				a)
Remeasurement of financial assets at cost (IAS 39)	-	-	4,896				a)
	-	146,173	4,896	151,069	3,597	21,422	
Amortized cost	-						
Add: Reclassification from loans and receivables (IAS 39)	-	3,054,927	-				c), d)
	-	3,054,927	-	3,054,927	-	-	
	$ -	$ 3,207,889	$ 4,475	$ 3,212,364	$ 2,014	$ 22,584	

a) The Company 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 $94,390 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 $4,896 thousand was recognized in financial assets at FVTOCI and an increase of $4,856 thousand was recognized in other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

   The Company 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.

If the customer has retained a portion of payment to the Company in accordance with the terms of the contract in order to protect the customer from the contractor’s possible failure to adequately complete its obligations under the contract, such payment arrangement does not include a significant financing component and is recognized as a contract asset before the contractual obligation is completed under IFRS 15. Prior to the application of IFRS 15, retention receivables under construction contracts were recognized as receivables and discounted to reflect the time value of money in accordance with IAS 39.

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 Company recognized the estimated sales returns and discounts as provisions. Under IFRS 15, the Company 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	$ -	$ 1,865	$ 1,865
Provisions - current	19,842	(19,842)	-
Other current liabilities	4,815	17,977	22,792
Total effect on liabilities	$ 24,657	$ -	$ 24,657

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

b. 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

New IFRSs	Effective Date Announced by IASB (Note 1)
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 Company 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 Company 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 Company as lessee

Upon initial application of IFRS 16, the Company 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 Company 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 Company 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	$ 5,383	$ 94,071	$ 99,454
Total effect on assets	$ 5,383	$ 94,071	$ 99,454
Lease liabilities	$ 5,130	$ 94,071	$ 99,201
Total effect on liabilities	$ 5,130	$ 94,071	$ 99,201

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

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 Company 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 Company 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 Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These financial statements of the Company are its parent company only financial statements and have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values and net defined benefit liabilities that are determined by deducting the fair value of plan assets from the present value of the defined benefit obligation.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 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, even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

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

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

d. Foreign currencies

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

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

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

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

For the purpose of presenting the financial statements, the functional currencies of the entities (including operations of the subsidiaries in other countries that use currencies which are different from the functional 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; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

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

In relation to a partial disposal of a subsidiary that does not result in the Company losing of control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investment in subsidiaries

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

Subsidiaries are the entities controlled by the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

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

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

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

g. Property, plant and equipment

Property, plant and equipment (including assets held under finance leases) are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the assets' useful lives, such assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates 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 or the fixed-percentage of declining-balance method.

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

<u>2018</u>

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 32.

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 Company 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 Company’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 32.

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 Company's right to receive the dividends is established.

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

iii. Loans and receivables

Loans and receivables (including notes receivable, trade receivables, cash and cash 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

<u>2018</u>

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

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables and finance lease receivables. For all other financial instruments, the Company 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 Company 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 Company 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 Company'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 Company 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 Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

l. Revenue recognition

<u>2018</u>

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

For contracts where the period between the date on which the Company transfers a promised good to a customer and the date on which the customer pays for that good is one year or less, the Company 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 Company; and

   e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Dividend and interest income

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

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

m. 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 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 they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

3) Termination benefits

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

n. 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 Company 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 Company'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

	December 31	
	2018	**2017**
Cash on hand	$ 1,434	$ 1,384
Checking accounts and demand deposits	414,277	373,037
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	382,984	272,640
	$ 798,695	$ 647,061

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

	December 31	
	2018	**2017**
Bank deposits	0.001%-3.600%	0.010%-3.800%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	$ 457,500	$ -
Financial assets at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	$ 7,315	$ -

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

	December 31, 2018
Current	
Investments in equity instruments at FVTOCI	$ 18,926
Non-current	
Investments in equity instruments at FVTOCI	$ 102,900

Investments in Equity Instruments at FVTOCI

	December 31, 2018
Current	
Listed shares and emerging market shares	
Ordinary shares - Far Eastern International Bank	$ 13,434
Ordinary shares - Chunghwa Telecom Co., Ltd.	5,492
	$ 18,926
Non-current	
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
	$ 102,900

These investments in equity instrument 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 Company's strategy of holding these investments for long-term purposes. These investments in 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 January 2018, the Company sold its shares in GeneFerm Biotechnology Co., Ltd. in order to manage credit concentration risk. The shares sold had a fair value of $799 thousand and the Company transferred a gain of $578 thousand from other equity to retained earnings.

Dividend of $3,847 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	$ 982,763

The interest rate for time deposits with original maturities of more than 3 months was ranging from 0.79%-1.97% 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	$ 17,630
Non-current	
Emerging market shares	$ 118,943

11. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-current	
Unlisted shares	$ 16,389
Mutual funds	-
	$ 16,389
Classified according to measurement categories	
Available-for-sale	$ 16,389

Management believed that above unlisted equity investments held by the Company had fair values which cannot be reliably measured, because of the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

The Company recognized impairment loss on financial assets measured at cost as follows:

	For the Year Ended December 31, 2017
Unlisted shares	$ 7,794
Mutual funds	35,631
	$ 43,425

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Current	
Time deposits with original maturities of more than 3 months	$ 451,300

As of December 31, 2017, the market interest rate of the time deposits with original maturities of more than 3 months was ranging from 0.65%-1.06%.

13. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	2017
Notes receivable		
Operating	$ 567	$ 2,746
Trade receivables		
At amortized cost		
Gross carrying amount	$ 1,985,594	$ 1,748,334
Less: Allowance for impairment loss	(1,428)	(1,832)
	$ 1,984,166	$ 1,746,502
Other receivables		
Accrued interest	$ 3,871	$ 1,592
Payment on behalf of others	491	1,643
Others	64,884	10,072
	$ 69,246	$ 13,307

In 2018

The average credit period of sales of goods was 30-90 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts.

The Company 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 Company 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 Company 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 Company'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	0.01%	6.99%	16.95%	35.76%	100.00%	
Gross carrying amount	$ 1,979,232	$ 4,564	$ 1,392	$ 495	$ 478	$ 1,986,161
Loss allowance (Lifetime ECL)	(218)	(319)	(236)	(177)	(478)	(1,428)
Amortized cost	$ 1,979,014	$ 4,245	$ 1,156	$ 318	$ -	$ 1,984,733

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	$ 1,832
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	1,832
Less: Net remeasurement of loss allowance	(404)
Balance at December 31, 2018	$ 1,428

In 2017

The Company 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	$ 1,762,555
Past due 1-30 days	272
Past due 31-90 days	897
Past due 91-180 days	466
Past due 181 days or more	197
	$ 1,764,387

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

As of December 31, 2017, there were no trade receivables that were past due but not impaired.

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	$ 141	$ 2,272
Less: Impairment losses reversed	(431)	(9)	(440)
Balance at December 31, 2017	$ 1,700	$ 132	$ 1,832

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

14. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 471,073	$ 557,156
Finished goods	782,158	786,643
Work in progress	104,106	124,365
Raw materials	425,645	377,540
Packing materials	50,022	42,969
	$ 1,833,004	$ 1,888,673

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2018 included $4,356 thousand loss on write-downs of inventories and $5,431 thousand loss on abandonment of inventories. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2017 included $6,795 thousand loss on write-downs of inventories, $7,466 thousand loss on abandonment of inventories and $129 thousand of unallocated overheads.

15. PREPAYMENTS

	December 31	
	2018	2017
Prepayments for purchases	$ 192,721	$ 232,382
Prepayments for equipment parts	16,225	18,006
Prepayments for fuel oil	3,216	6,772
Prepayments for insurance	12,019	704
Prepayments for advertisements	280	120
Others	57,218	46,091
	$ 281,679	$ 304,075

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 9,865,439	$ 9,745,304
Unlisted companies		
Accession Limited	$ 3,450,370	$ 3,416,802
Standard Investment (Cayman) Limited (“Cayman Standard”)	4,772,853	4,668,537
Standard Dairy Products Taiwan Limited (“Standard Dairy Products”)	950,516	944,177
Charng Hui Ltd. (“Charng Hui”)	252,543	251,912
Domex Technology Corporation (“Domex Technology”)	210,974	202,614
Standard Beverage Company Limited (“Standard Beverage”)	80,577	80,353
Le Bonta Wellness International Corporation (“Le Bonta Wellness”)	12,288	13,564
Shanghai Le Ben Tuo Health Technology Co., Ltd. (“Shanghai Le Ben Tuo”)	135,318	167,345
	$ 9,865,439	$ 9,745,304

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	2018	2017
Accession Limited	100.0%	100.0%
Cayman Standard	100.0%	100.0%
Standard Dairy Products	100.0%	100.0%
Charng Hui	100.0%	100.0%
Domex Technology	52.0%	52.0%
Standard Beverage	100.0%	100.0%
Le Bonta Wellness	100.0%	100.0%
Shanghai Le Ben Tuo	51.0%	51.0%

Standard Investment (China) Co., Ltd. (“China Standard Investment”, a subsidiary of the Company) originally held 100% interest in Shanghai Le Ben Tuo. After the Company invested $181,048 thousand in Shanghai Le Ben Tuo in April 2017, the Company and China Standard Investment hold 51% interest and 49% interest, respectively, in Shanghai Le Ben Tuo and the Company holds 100% interest in Shanghai Le Ben Tuo.

Refer to Note 36 for the details of the subsidiaries indirectly held by the Company.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Other Equipment	Property in Construction	Total
Cost						
Balance at January 1, 2017	$ 396,356	$ 866,922	$ 2,019,485	$ 201,996	$ 103,469	$ 3,588,228
Additions	-	-	-	-	224,412	224,412
Disposals	-	(25,482)	(75,267)	(26,411)	-	(127,160)
Transferred to investment properties	-	-	-	-	(120)	(120)
Reclassified	-	62,170	67,425	11,690	(141,285)	-
Balance at December 31, 2017	$ 396,356	$ 903,610	$ 2,011,643	$ 187,275	$ 186,476	$ 3,685,360
Accumulated depreciation and impairment						
Balance at January 1, 2017	$ -	$ 533,045	$ 1,527,936	$ 163,806	$ -	$ 2,224,787
Disposals	-	(25,482)	(72,144)	(26,291)	-	(123,917)
Depreciation expenses	-	44,356	116,666	13,791	-	174,813
Balance at December 31, 2017	$ -	$ 551,919	$ 1,572,458	$ 151,306	$ -	$ 2,275,683
Carrying amount at December 31, 2017	$ 396,356	$ 351,691	$ 439,185	$ 35,969	$ 186,476	$ 1,409,677
Cost						
Balance at January 1, 2018	$ 396,356	$ 903,610	$ 2,011,643	$ 187,275	$ 186,476	$ 3,685,360
Additions	-	-	-	-	218,023	218,023
Disposals	-	(8,024)	(25,410)	(8,955)	-	(42,389)
Reclassified	-	79,856	102,054	16,570	(198,480)	-
Balance at December 31, 2018	$ 396,356	$ 975,442	$ 2,088,287	$ 194,890	$ 206,019	$ 3,860,994
Accumulated depreciation and impairment						
Balance at January 1, 2018	$ -	$ 551,919	$ 1,572,458	$ 151,306	$ -	$ 2,275,683
Disposals	-	(8,021)	(25,409)	(7,060)	-	(40,490)
Depreciation expenses	-	48,587	123,662	14,969	-	187,218
Impairment losses recognized	-	7,288	10,747	-	-	18,035
Balance at December 31, 2018	$ -	$ 599,773	$ 1,681,458	$ 159,215	$ -	$ 2,440,446
Carrying amount at December 31, 2018	$ 396,356	$ 375,669	$ 406,829	$ 35,675	$ 206,019	$ 1,420,548

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

18. INVESTMENT PROPERTIES

	Completed Investment Property
Cost	
Balance at January 1, 2017	$ 141,150
Transferred from property, plant and equipment	120
Balance at December 31, 2017	$ 141,270
Accumulated depreciation and impairment	
Balance at January 1, 2017	$ 14,469
Depreciation expenses	426
Balance at December 31, 2017	$ 14,895
Carrying amount at December 31, 2017	$ 126,375
Cost	
Balance at January 1, 2018	$ 141,270
Disposals	(141,270)
Balance at December 31, 2018	$ -
Accumulated depreciation and impairment	
Balance at January 1, 2018	$ 14,895
Depreciation expenses	222
Disposals	(15,117)
Balance at December 31, 2018	$ -
Carrying amount at December 31, 2018	$ -

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

Building	
Main buildings	40 years
Electrical and mechanical equipment	24-25 years
Engineering	28 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 total selling price was $508,620 thousand (included business tax), and the gain from disposal was $369,427 thousand (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 was $314,595 thousand as of December 31, 2017. The management of the Company arrived at the fair value amounts by reference to market evidence of transaction prices for similar properties.

The Company has freehold interests in all of its investment properties.

19. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2017	$ 190,177
Additions	7,761
Balance at December 31, 2017	$ 197,938
Accumulated amortization and impairment	
Balance at January 1, 2017	$ 186,619
Amortization expenses	7,944
Balance at December 31, 2017	$ 194,563
Carrying amount at December 31, 2017	$ 3,375
Cost	
Balance at January 1, 2018	$ 197,938
Additions	4,881
Balance at December 31, 2018	$ 202,819
Accumulated amortization and impairment	
Balance at January 1, 2018	$ 194,563
Amortization expenses	6,584
Balance at December 31, 2018	$ 201,147
Carrying amount at December 31, 2018	$ 1,672

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

Computer software	2-3 years

20. OTHER ASSETS

	December 31	
	2018	2017
Current		
Advances to officers	$ 20,410	$ 16,517

(Continued)

	December 31	
	2018	2017
Non-current		
Refundable deposits	$ 14,041	$ 15,212
Others	4,112	3,633
	$ 18,153	$ 18,845

(Concluded)

21. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2018	2017
Notes payable		
operating	$ 9,348	$ 1,029
Trade payables		
Trade payables	$ 885,178	$ 725,217

The average credit period of payables for purchases of goods was 30-90 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

22. OTHER LIABILITIES

	December 31	
	2018	2017
Current		
Other payables		
Payable for salaries or bonus	$ 146,997	$ 117,654
Payable for compensation of employees	31,723	23,388
Payable for remuneration of directors	20,960	15,449
Payable for commission and rebate	382,860	331,382
Payable for advertisement	133,109	98,902
Payable for royalties	23,806	20,704
Payable for freight	5,876	6,477
Payable for purchases of equipment	80,993	82,626
Payable for labor and health insurance	14,661	13,197
Payable for environmental recycling fee	11,056	8,629
Others	152,822	92,893
	$ 1,004,863	$ 811,301

(Continued)

	December 31	
	2018	2017
Other liabilities		
Advance receipts from customers	$ -	$ 3,960
Refund liability	7,263	-
Others	1,196	855
	$ 8,459	$ 4,815
Non-current		
Other liabilities		
Guarantee deposits	$ 200	$ 1,055

(Concluded)

23. PROVISIONS

	December 31	
	2018	2017
Current		
Customer returns	$ -	$ 19,842

	Customer Returns
Balance at January 1, 2017	$ 9,197
Addition	103,312
Usage	(92,667)
Balance at December 31, 2017	$ 19,842

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.

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan of the Company is operated by the 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 makes monthly contributions to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plan were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 506,793	$ 529,249
Fair value of plan assets	(315,597)	(222,252)
Net defined benefit liability	$ 191,196	$ 306,997

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2017	$ 510,410	$ (237,064)	$ 273,346
Service cost			
Current service cost	4,944	-	4,944
Net interest expense (income)	5,742	(2,714)	3,028
Recognized in profit or loss	10,686	(2,714)	7,972
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	478	478
Actuarial loss - changes in demographic assumptions	25,849	-	25,849
Actuarial loss - experience adjustments	7,117	-	7,117
Recognized in other comprehensive income	32,966	478	33,444
Contributions from the employer	-	(7,765)	(7,765)
Benefits paid	(24,813)	24,813	-
Balance at December 31, 2017	529,249	(222,252)	306,997
Service cost			
Current service cost	4,888	-	4,888
Net interest expense (income)	5,954	(2,545)	3,409
Recognized in profit or loss	10,842	(2,545)	8,297
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,448)	(6,448)
Actuarial loss - changes in demographic assumptions	3,905	-	3,905
Actuarial loss - experience adjustments	1,200	-	1,200
Recognized in other comprehensive income	5,105	(6,448)	(1,343)
Contributions from the employer	-	(122,755)	(122,755)
Benefits paid	(38,403)	38,403	-
Balance at December 31, 2018	$ 506,793	$ (315,597)	$ 191,196

Through the defined benefit plan under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2018	**2017**
Discount rate	1.125%	1.125%
Expected rate of salary increase	3.000%	3.000%

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

	December 31	
	2018	**2017**
Discount rate		
0.250% increase	$ (13,141)	$ (13,892)
0.250% decrease	$ 13,636	$ 14,422
Expected rate of salary increase		
0.250% increase	$ 13,150	$ 13,908
0.250% decrease	$ (12,743)	$ (13,471)

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

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 24,899	$ 7,966
The average duration of the defined benefit obligation	10.9 years	11 years

25. EQUITY

a. Share capital

1) Ordinary shares

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

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

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Recognized from the difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	$ 1	$ 1
May be used to offset a deficit		
Changes in percentage of ownership interests in subsidiaries (2)	466	466
Recognized from treasury share transactions	92,578	79,239
May not be used for any purpose		
Share options	-	3,418
	$ 93,045	$ 83,124

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 27(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.

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 (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	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 reserve

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

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

	For the Year Ended December 31	
	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	(117,413)	(122,290)
Other comprehensive income recognized for the year	(106,286)	(122,290)
Acquisition of further interests in subsidiaries	1,263	-
Balance at December 31	$ (412,869)	$ (307,846)

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

Balance at January 1, 2017	$ 150,729
Recognized for the year	
Unrealized gain (loss) on revaluation of available-for-sale financial assets	(60,112)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of subsidiaries accounted for using the equity method	3,869
Reclassification adjustment	
Disposal of available-for-sale financial assets	(96)
Other comprehensive income recognized for the year	(56,339)
Balance at December 31, 2017	$ 94,390
Balance at January 1, 2018 per IAS 39	$ 94,390
Adjustment on initial application of IFRS 9	(94,390)
Balance at January 1, 2018 per IFRS 9	$ -

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	116,974
Balance at January 1 per IFRS 9	116,974
Recognized for the year	
Unrealized gain (loss) - equity instruments	(34,736)
Other comprehensive income recognized for the year	(34,736)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(314)
Balance at December 31	$ 81,924

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

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

f. 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	256
Number of shares at December 31, 2017	6,669
Number of shares at December 31, 2018	6,669

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

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
December 31, 2018			
Chang Hui	6,669	$ 21,182	$ 331,473

(Continued)

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
December 31, 2017			
Chang Hui	$ 6,669	$ 21,182	$ 493,541

(Concluded)

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.

26. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from sale of goods	$ 12,187,907	$ 11,259,683

a. Contract balances

	December 31, 2018
Notes receivable (Note 13)	$ 567
Trade receivables (Note 13)	$ 1,984,166
Contract liabilities - current	
Sale of goods	$ 7,995

b. Disaggregation of revenue

	Reportable Segments			
	Nutritious Foods	Cooking Products	Others	Total
For the year ended December 31, 2018				
Type of goods or services				
Sale of goods	$ 9,863,953	$ 1,945,877	$ 378,077	$ 12,187,907
For the year ended December 31, 2017				
Type of goods or services				
Sale of goods	$ 9,101,553	$ 1,828,188	$ 329,942	$ 11,259,683

27. NET PROFIT

Net Profit

a. Other income

	For the Year Ended December 31 2018	2017
Rental income		
Operating lease rental income		
Investment properties	$ 1,995	$ 3,420
Interest income		
Bank deposits	10,360	13,852
Financial assets at amortized cost	5,008	-
Repurchase agreements collateralized by bonds	116	-
Others	18	71
	15,502	13,923
Royalties	8,667	8,385
Dividends	3,847	7,505
	$ 30,011	$ 33,233

b. Other gains and losses

	For the Year Ended December 31 2018	2017
Gain on disposal of financial assets		
Available-for-sale financial assets	$ -	$ 96
Fair value changes of financial assets and financial liabilities		
Net gain on financial assets mandatorily classified as at FVTPL	5,178	-
Financial assets measured at cost	-	(43,425)
Net foreign exchange gains (losses)	4,165	(31,443)
Net loss on disposal of property, plant and equipment	(1,341)	(3,067)
Net gain on disposal of investment properties	369,427	-
Impairment losses recognized on property, plant and equipment	(18,035)	-
Government grants	1,200	-
Others	18,570	13,890
	$ 379,164	$ (63,949)

c. Finance costs

	For the Year Ended December 31 2018	2017
Interest on bank loans	$ -	$ 9
Obligations under finance leases	685	-
Total interest expense on financial liabilities measured at amortized cost	685	9
Less: Amounts included in the cost of qualifying assets	-	(9)
	$ 685	$ -

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ -	$ 9
Capitalization rate	-	0.8%

d. Impairment losses recognized (reversed)

	For the Year Ended December 31	
	2018	2017
Trade receivables	$ (404)	$ (440)
Inventories (included in operating costs)	4,356	6,795
Financial assets measured at cost	-	43,425
Property, plant and equipment	18,035	-
	$ 21,987	$ 49,780

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating costs	$ 151,294	$ 137,935
Operating expenses	35,924	36,878
Non-operating income and expenses	222	426
	$ 187,440	$ 175,239
An analysis of amortization by function		
Operating costs	$ 2,899	$ 5,460
Operating expenses	7,424	8,721
	$ 10,323	$ 14,181

f. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2018	2017
Direct operating expenses of investment properties that generated rental income	$ 44	$ 412

g. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plans	$ 30,102	$ 27,449
Defined benefit plans (see Note 24)	8,297	7,972
	38,399	35,421
Other employee benefits	997,340	877,482
Total employee benefits expense	$ 1,035,739	$ 912,903
An analysis of employee benefits expense by function		
Operating costs	$ 483,690	$ 439,716
Operating expenses	552,049	473,187
	$ 1,035,739	$ 912,903

h. Employees' compensation of 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

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

Amount

	For the Year Ended December 31	
	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 financial statements were authorized for issue, the differences will be recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years 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 at 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	$ 25,921	$ 49,685
Foreign exchange losses	(21,756)	(81,128)
Net gain (loss)	$ 4,165	$ (31,443)

28. 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	$ 463,443	$ 369,527
Land value increment tax	27,947	-
Income tax on unappropriated earnings	-	46,528
Adjustments for prior years	230	2,172
	491,620	418,227
Deferred tax		
In respect of the current year	64,629	(27,497)
Effect of tax rate changes	(18,177)	-
Income tax expense recognized in profit or loss	$ 538,072	$ 390,730

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

	For the Year Ended December 31	
	2018	2017
Profit before tax	$ 3,487,161	$ 2,563,774
Income tax expense calculated at the statutory rate	$ 697,432	$ 435,842
Nondeductible expenses in determining taxable income	13,374	10,476
Tax-exempt income	(182,734)	(104,288)
Income tax on unappropriated earnings	-	46,528
Adjustments for prior years' tax	230	2,172
Land value increment tax	27,947	-
Effect of tax rate changes	(18,177)	-
Income tax expense recognized in profit or loss	$ 538,072	$ 390,730

The applicable corporate income tax rate used by the Company was 17% in 2017.In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

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
Deferred tax		
Effect of tax rate changes	$ (19,365)	$ -
In respect of the current year		
Exchange differences on translating the financial statements of foreign operations	(29,037)	(25,047)
Remeasurement of defined benefit plans	487	(5,685)
Fair value changes of financial assets at FVTOCI	(83)	-
Share of other comprehensive income (loss) of subsidiaries	-	444
Total income tax recognized in other comprehensive income	$ (47,998)	$ (30,288)

c. Current tax liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	$ 289,077	$ 224,762

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	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of Tax Rate Changes	Closing Balance
Deferred tax assets					
Temporary differences					
Investments accounted for using the equity method	$ 92,479	$ (17,709)	$ -	$ 16,330	$ 91,100
Exchange differences on translating the financial statements of foreign operations	63,052	-	29,037	11,127	103,216
Defined benefit plans	51,589	54	(269)	9,104	60,478
Deferred sales returns and allowances	3,661	(2,131)	-	646	2,176
Allowance for inventory loss	2,709	871	-	478	4,058
FVTOCI financial assets	41,930	(5,527)	83	7,400	43,886
Others	14,365	(6,790)	-	2,535	10,110
	$ 269,785	$ (31,232)	$ 28,851	$ 47,620	$ 315,024
Deferred tax liabilities					
Temporary differences					
Investments accounted for using the equity method	$ 53,736	$ 37,241	$ -	$ 9,483	$ 100,460
Reserve for land value increment tax	33,685	-	-	-	33,685
Others	3,315	(3,844)	218	595	284
	$ 90,736	$ 33,397	$ 218	$ 10,078	$ 134,429

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
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	44,548	1,356	5,685	51,589
Deferred sales returns and allowances	2,615	1,046	-	3,661
Allowance for inventory loss	3,798	(1,089)	-	2,709
Financial assets measured at cost	34,548	7,382	-	41,930
Others	11,183	3,182	-	14,365
	$ 227,594	$ 11,903	$ 30,288	$ 269,785
Deferred tax liabilities				
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
Others	3,307	8	-	3,315
	$ 106,330	$ (15,594)	$ -	$ 90,736

e. Income tax assessments

The income tax returns of the Company through 2016 have been assessed by the tax authorities.

29. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31 2018	2017
Basic earnings per share	$ 3.25	$ 2.39
Diluted earnings per share	$ 3.24	$ 2.39

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

Net Profit for the Year

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

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

	For the Year Ended December 31	
	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	742	413
Weighted average number of ordinary shares used in the computation of diluted earnings per share	909,162	908,833

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.

30. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Operating leases relate to leases of buildings with lease terms between 1 and 10 years. The Company does not have a bargain purchase option to acquire the leased buildings at the expiration of the lease periods.

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

	December 31	
	2018	2017
Not later than 1 year	$ 22,465	$ 23,100
Later than 1 year and not later than 5 years	79,198	6,713
Later than 5 years	-	7,744
	$ 101,663	$ 37,557

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	$ 36,643	$ 39,673

b. The Company as lessor

Operating leases relate to investment properties owned by the Company with lease terms for 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	$ -	$ 3,420
Later than 1 year and not later than 5 years	-	9,930
	$ -	$ 13,350

31. CAPITAL MANAGEMENT

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

32. 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 funds	457,500	-	-	457,500
	$ 457,500	$ -	$ 7,315	$ 464,815
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Listed shares and emerging market shares	$ 109,021	$ -	$ -	$ 109,021
Unlisted shares	-	-	12,805	12,805
	$ 109,021	$ -	$ 12,805	$ 121,826

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Listed shares and emerging market shares				
Equity securities	$ 136,573	$ -	$ -	$ 136,573

There were no transfers between Level 1 and Level 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	Financial Assets at FVTOCI	Total
	Equity Instruments	Equity Instruments	
Balance at January 1, 2018	$ 6,368	$ 14,496	$ 20,864
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)	-	(1,691)	(1,691)
Sales/settlements	(1,978)	-	(1,978)
Capital reduction of shares return	(200)	-	(200)
Balance at December 31, 2018	$ 7,315	$ 12,805	$ 20,120
Recognized in other gains and losses - unrealized	$ 1,147		$ 1,147

For the year ended December 31, 2017

None.

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

The fair values of unlisted equity securities - ROC in debt investments with no active market were determined using the market approach and the asset approach (adjusted net asset method).

The market approach uses prices and other relevant information that have been generated by market transactions that involved underlying assets.

The asset approach is that assets and liabilities of an investee are measured at fair value with the objective of obtaining the fair value of the investee’s underlying asset at the measurement date.

b. Categories of financial instruments

	December 31	
	2018	**2017**
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 464,815	$ -
Loans and receivables (1)	-	3,054,387
Available-for-sale financial assets (2)	-	152,962
Financial assets at amortized cost (3)	4,027,928	-
Financial assets at FVTOCI		
Equity instruments	121,826	-
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (4)	989,375	813,196

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables, other receivables, and other financial assets.

2) The balances 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, notes receivable, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties and refundable deposits.

4) The balances include financial liabilities measured at amortized cost, which comprise notes payable, trade payables, trade payables from related parties, payables for purchases of equipment and guarantee deposits.

c. Financial risk management objectives and policies

The Company's major financial instruments include cash and cash equivalents, equity and debt investments, mutual funds, trade receivables and trade payables. The Company's Financial Department provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 35.

Sensitivity analysis

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

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

	RMB Impact For the Year Ended December 31		USD Impact For the Year Ended December 31	
	2018	**2017**	**2018**	**2017**
Profit or loss	$ 683 (i)	$ 2,206 (i)	$ 8,736 (ii)	$ 3,073 (ii)

	EUR Impact For the Year Ended December 31		AUD Impact For the Year Ended December 31	
	2018	**2017**	**2018**	**2017**
Profit or loss	$ 1,378 (iii)	$ (671) (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 and payables which were not hedged at the end of the reporting period.

iii. This was mainly attributable to the exposure of outstanding EUR bank deposits and payables which were not hedged at the end of the reporting period.

iv. This was mainly attributable to the exposure of outstanding AUD bank deposits and payables which were not hedged at the end of the reporting period.

b) Interest rate risk

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 437,147	$ 73,040
Financial liabilities	5,130	-
Cash flow interest rate risk		
Financial assets	928,600	650,900

Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would increase/decrease by $9,286 thousand and $6,509 thousand, respectively.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax profit for the year ended December 31, 2018 would have increased/decreased by $4,648 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 $1,218 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 $1,366 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 Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and due to financial guarantees provided by the Company could arise from:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantees issued by the Company.

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

The Company's concentration of credit risk of 77% in total trade receivables as of December 31, 2018 and 2017, was related to the Company's four largest customers.

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

December 31, 2018

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by Collateral	Maximum Exposure to Credit Risk Mitigated by Other Credit Enhancements	Total
Credit-impaired financial instruments according to impairment criteria in IFRS 9				
Receivables	$ 1,984,733	$ 54,812	$ 11,189	$ 66,001

December 31, 2017

	Maximum Exposure to Credit Risk Mitigated by Collateral	Maximum Exposure to Credit Risk Mitigated by Other Credit Enhancements	Total
Receivables	$ 72,533	$ 14,002	$ 86,535

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Company had available unutilized bank loan facilities in the amounts of $2,585,204 thousand and $2,842,586 thousand, respectively.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The 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.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from interest rate curve at the end of the reporting period.

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 81,293	$ 176,243	$ 731,639	$ -
Finance lease liabilities	168	336	1,512	3,956
Contract liabilities	2,665	5,330	-	-
	$ 84,126	$ 181,909	$ 733,151	$ 3,956

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 67,406	$ 138,081	$ 606,654	$ 1,055

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

33. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and relationships

Name of Related Party	Relationship with the Company
Standard Dairy Products	Subsidiaries
Standard Beverage	Subsidiaries
Standard Foods (China) Co., Ltd. (“China Standard Foods”)	Subsidiaries
Shanghai Dermalab Corporation	Subsidiaries
Shanghai Le Ben Tuo Health Technology Co., Ltd.	Subsidiaries
Dermalab Corporation	Subsidiaries
GeneFerm Biotechnology Co., Ltd. (“GeneFerm”)	The Company is one of the directors

b. Operating revenue

Line Items	Related Party Category/Name	For the Year Ended December 31 2018	2017
Sales	Subsidiaries		
	Standard Dairy Products	$ 1,506,386	$ 1,335,518
	Others	6,480	85
		$ 1,512,866	$ 1,335,603

Sales to related parties were conducted on normal commercial terms.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2018	2017
Subsidiaries		
Standard Dairy Products	$ 739,330	$ 608,762
Others	7,532	1,792
The Company is one of the directors		
GeneFerm	25,529	25,572
	$ 772,391	$ 636,126

Purchases from related parties were conducted on normal commercial terms.

d. Receivables from related parties

Line Items	Related Party Category/Name	December 31 2018	2017
Trade receivables	Subsidiaries		
	Standard Dairy Products	$ 174,492	$ 175,881
	Others	-	85
		$ 174,492	$ 175,966
Other receivables	Subsidiaries		
	Standard Dairy Products	$ 3,819	$ 2,178
	Others	139	115
		$ 3,958	$ 2,293

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized on receivables from related parties.

e. Payables to related parties

Line Items	Related Party Category/Name	December 31 2018	December 31 2017
Trade payables	Subsidiaries		
	Standard Beverage	$ 307	$ -
	Dermalab S.A	4,747	-
	The Company is one of the directors		
	GeneFerm	8,602	3,269
		$ 13,656	$ 3,269

The outstanding payables from related parties are unsecured.

f. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category/Name	December 31 2018	December 31 2017
Subsidiaries		
Standard Beverage		
Amount endorsed	$ 153,575	$ 148,800
Amount utilized	22,000	30,000
Subsidiaries		
Accession Limited		
Amount endorsed	184,290	178,560
Amount utilized	-	-

g. Other transactions with related parties

Line Items	Related Party Category/Name	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Royalty revenue	Subsidiaries		
	Standard Dairy Products	$ 8,667	$ 8,385
Service revenue	Subsidiaries		
	Standard Beverage	$ 1,320	$ 1,320
Other expenses	Subsidiaries	$ -	$ 841

h. Compensation of key management personnel

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

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

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 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$3,975 thousand and EUR€488 thousand.

c. Unrecognized commitments for acquisition of property, plant and equipment of approximately $94,309 thousand.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 9,678	30.72 (USD:NTD)	$ 297,260
RMB	5,094	4.47 (RMB:NTD)	22,780
EUR	1,661	35.20 (EUR:NTD)	58,453
AUD	4,717	21.67 (AUD:NTD)	102,184
			$ 480,677
Non-monetary items			
Investments accounted for using the equity method			
RMB	1,867,769	4.48 (RMB:NTD)	$ 8,358,541
Financial liabilities			
Monetary items			
USD	198	30.72 (USD:NTD)	$ 6,067
EUR	356	35.20 (EUR:NTD)	12,535
AUD	551	21.67 (AUD:NTD)	11,944
SGD	501	22.48 (SGD:NTD)	11,262
			$ 41,808

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 5,532	29.76 (USD:NTD)	$ 164,642
RMB	16,110	4.57 (RMB:NTD)	73,544
			$ 238,186
Non-monetary items			
Investments accounted for using the equity method			
RMB	1,813,777	4.55 (RMB:NTD)	$ 8,252,684
Financial liabilities			
Monetary items			
USD	2,091	29.76 (USD:NTD)	$ 62,225
EUR	631	35.57 (EUR:NTD)	22,450
AUD	875	23.18 (AUD:NTD)	20,280
			$ 104,955

The significant 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)
USD	30.72 (USD:NTD)	$ (2,596)	29.76 (USD:NTD)	$ 16,003
RMB	4.47 (RMB:NTD)	99	4.57 (RMB:NTD)	1,679
EUR	35.20 (EUR:NTD)	(2,073)	35.57 (EUR:NTD)	1,277
AUD	21.67 (AUD:NTD)	(2,433)	23.18 (AUD:NTD)	494
Others		193		44
		$ (6,810)		$ 19,497

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financings provided: See Table 1 attached.

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

3) Marketable securities held (excluding investments in subsidiaries): See Table 3 attached.

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: See Table 4 attached.

7) 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.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 6 attached.

9) Trading in derivative instruments: See Table 7 attached.

10) Information on investees (excluding investees of mainland China): See Table 8 attached.

b. Information on investment in mainland China

1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: See Table 9 attached.

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss: None.

TABLE 1

STANDARD FOODS CORPORATION

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.	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 (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)	
		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

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 Foods (China) Co., Ltd.	d.	1,501,780 (Note 5)	461,260	-	-	-	-	2,989,479 (Note 6)	-	-	Y	
		Standard Investment (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 (Xiamen) Co., Ltd.	b.	3,009,368 (Note 7)	1,382,390	-	-	-	-	3,761,710 (Note 8)	-	-	Y	
		Standard Foods (China) Co., Ltd.	b.	3,009,368 (Note 7)	1,183,701	-	-	-	-	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 $12,104,239 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”.

TABLE 3

STANDARD FOODS CORPORATION

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	
Standard Foods Corporation	Shares							
	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.	The Company is one of the directors	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	
	Mutual funds							
	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	-	
	Shares							
	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	
	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	-	
Standard Dairy Products Taiwan Limited	Mutual funds							
	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.	Shares							
	Standard Foods Corporation	Parent of Charng Hui Ltd.	Financial assets at fair value through other comprehensive income - current	6,669,471	331,473	0.7	331,473	Note 2
	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	Financial assets at fair value through other comprehensive income - current	1,596,000	86,503	2.0	86,503	
	Taiwan Semiconductor Manufacturing Co., Ltd.		Financial assets at fair value through other comprehensive income - current	90,000	20,295	-	20,295	
	Mutual funds							
	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	
	Shares							
	Hong Da Leasing & Finance Co., Ltd.		Financial assets at fair value through profit or loss - non-current	8,297,000	$ -	23.7	$ -	
	CNEX Co., Ltd.	Charng Hui Ltd. is one of the directors	Financial assets at fair value through profit or loss - non-current	1,000,000	-	6.0	-	
Standard Beverage Company Limited	Mutual funds							
	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	Shares							
	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	Shares							
	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 amounts presented above were eliminated upon consolidation.

(Concluded)

TABLE 4

STANDARD FOODS CORPORATION

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.

TABLE 5

STANDARD FOODS CORPORATION

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 amounts presented above were eliminated upon consolidation.

TABLE 6

STANDARD FOODS CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 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
				$ 178,311		$ -		$ 178,311	$ -	
Accession Limited	Shanghai Standard Foods Co., Ltd.	Accession Limited's subsidiary	Financing receivables	$ 184,290		$ -	-	$ - (Note 1)	$ -	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
				$ 1,151,331		$ -		$ 547,367	$ -	
	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
				$ 464,101		$ -		$ 1,166	$ -	
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
				$ 1,755,524		$ -		$ 1,260,730	$ -	
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
				$ 200,278		$ -		$ 9,757	$ -	
	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
				$ 310,643		$ -		$ 30	$ -	

Note 1: Amounts received before March 22, 2019.

Note 2: The amounts presented above were eliminated upon consolidation.

STANDARD FOODS CORPORATION

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

INFORMATION ON INVESTEES
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
	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
	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
	Charng Hui Ltd.	Taipei, Taiwan	Investment business	230,000	230,000	24,100,000	100	252,543	15,104	1,765	Subsidiary
	Domex Technology Corporation	Hsinchu, Taiwan	Manufacture and sale of computer peripherals and computer and information products	114,116	114,116	10,374,399	52	210,974	39,972	20,789	Subsidiary
	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
	Le Bonta Wellness International Corporation	Yilan, Taiwan	Sale of health foods	14,350	14,350	Note 4	100	12,288	585	585	Subsidiary
Accession Limited	Dermalab S.A.	Switzerland	Development and sale of cosmetics	266,587	206,905	400	100	105,014	3,674		Indirect subsidiary
Dermalab S.A.	Swiss Line Cosmetics China Limited	Hong Kong	Sale of cosmetics	39	39	10,000	100	-	-		Indirect subsidiary
	Swissderma SL	Spain	Sale of cosmetics	96	96	3,000	100	-	-		Indirect subsidiary
Standard Investment (Cayman) Limited	Standard Corporation (Hong Kong) Limited	Hong Kong	Investment business	4,708,566	4,707,394	150,012,815	100	4,771,781	186,412		Indirect subsidiary

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

Note 2: This amount was the share of profit of the investee of $440,456 thousand minus the unrealized gain on sidestream 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.

STANDARD FOODS CORPORATION

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	$ -	
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	-	
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	-	
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)	-	
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	-	
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	-	
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	-	
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	-	
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	-	

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, b, 2).

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.

(Concluded)

STANDARD FOODS CORPORATION

THE CONTENTS OF SCHEDULES OF MAJOR ACCOUNTING ITEMS

STANDARD FOODS CORPORATION

SCHEDULE OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Interest Rate	Amount
Cash on hand			$ 1,434
Cash in banks			
Checking account deposits			31,270
Demand deposits		0.010%-0.350%	254,791
Foreign currency demand deposits	Including RMB572 thousand @4.47, EUR1,660 thousand @35.2 and US$1,685 thousand @30.72	0.001%-0.480%	128,216
			414,277
Cash equivalents			
Time deposits	Expired in February 2019	0.700%	100,000
Foreign time deposits	Including RMB4,500 thousand @4.47, US$7,500 thousand @30.72 and AUD1,500 thousand @21.67 expired in January 2019	2.100%-3.600%	282,984
			382,984
			$ 798,695

STANDARD FOODS CORPORATION

SCHEDULE OF FINANCIAL ASSETS AT FAIR VALUE THOUGH PROFIT OR LOSS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Financial Assets	Shares/Units	Par Value (NT$)	Total Amount	Acquisition Cost	Fair Value		Changes in Fair Value Attributed to Credit Risk	Note
					Unit Price	Total Amount		
Mutual fund								
Jih Sun Money Market Fund	6,770,618.23	$14.79	$ 100,161	$ 100,000	$14.79	$ 100,161	$ 161	
Taishin 1699 Money Market Fund	5,928,855.19	13.51	80,084	80,004	13.51	80,084	80	
Hua Nan Phoenix Money Market Fund	13,259,603.70	16.23	215,238	215,00	16.23	215,238	238	
CTBC Hwa-Win Money Market Fund	5,635,846.70	11.00	62,017	62,000	11.00	62,017	17	
	31,594,923.82		$ 457,500	$ 457,004		$ 457,500	$ 496	

SCHEDULE 3

STANDARD FOODS CORPORATION

SCHEDULE OF DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Financial Assets	Shares	Par Value (NT$)	Total Amount	Acquisition Cost	Accumulated Impairment	Fair Value Unit Price	Fair Value Total Amount
Listed shares							
Fur Eastern International Commercial Bank Co., Ltd.	1,343,427	$ 10	$ 13,434	$ 17,114	$ -	$ 10	$ 13,434
Chunghwa Telecom Co., Ltd.	48,600	10	486	4,063	-	113	5,492
			$ 13,920	$ 21,177	$ -		$ 18,926

SCHEDULE 4

STANDARD FOODS CORPORATION

SCHEDULE OF FINANCIAL ASSETS AT AMORTIZED COST - CURRENT
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Name	Description	Number	Par Value	Currencies	Total Amount	Annual Interest Rate	Book Value	Remark
Far Eastern International Bank time deposit	Expired in October 2019, maturity interest	5	$ 2,900	NTD	$ 14,500	1.06%	$ 14,500	Floating
Far Eastern International Bank time deposit	Expired in November 2019, maturity interest	9	4,900	NTD	44,100	1.06%	44,100	Floating
Far Eastern International Bank time deposit	Expired in December 2019, maturity interest	6	4,900	NTD	29,400	1.06%	29,400	Floating
Far Eastern International Bank time deposit	Expired in January 2019, maturity interest	1	2,500	NTD	2,500	1.06%	2,500	Floating
Far Eastern International Bank time deposit	Expired in January 2019, maturity interest	1	2,000	NTD	2,000	1.06%	2,000	Floating
Far Eastern International Bank time deposit	Expired in February 2019, maturity interest	7	2,900	NTD	20,300	1.06%	20,300	Floating
Far Eastern International Bank time deposit	Expired in March 2019, maturity interest	8	2,900	NTD	23,200	1.06%	23,200	Floating
Far Eastern International Bank time deposit	Expired in August 2019, maturity interest	9	4,900	NTD	44,100	1.06%	44,100	Floating
The Shanghai Commercial & Saving Bank time deposit	Expired in February 2019, maturity interest	70	4,990	NTD	349,300	0.79%	349,300	Floating
The Shanghai Commercial & Saving Bank time deposit	Expired in May 2019, maturity interest	40	4,990	NTD	199,600	0.79%	199,600	Floating
The Shanghai Commercial & Saving Bank time deposit	Expired in March 2019, maturity interest	40	4,990	NTD	199,600	0.79%	199,600	Floating
HSBC Bank (Taiwan) Limited foreign currency time deposit	Expired in March 2019, maturity interest	1	1,000	AUD	21,665	1.97%	21,665	Fixed (@21.67)
HSBC Bank (Taiwan) Limited foreign currency time deposit	Expired in March 2019, maturity interest	1	1,500	AUD	32,498	1.97%	32,498	Fixed (@21.67)
					$ 982,763		$ 982,763	

STANDARD FOODS CORPORATION

SCHEDULE OF TRADE RECEIVABLES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
Company A	$ 634,621
Company B	379,094
Company C	108,820
Company D	403,420
Others (Note)	459,639
	1,985,594
Less: Allowance for impairment loss	(1,428)
	$ 1,984,166
Related party	
Standard Dairy Products Taiwan Limited	$ 174,492

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

STANDARD FOODS CORPORATION

SCHEDULE OF INVENTORIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Merchandise	$ 471,073	$ 643,794
Finished goods	782,158	1,441,465
Work in progress	104,106	193,573
Raw materials	425,645	694,648
Packaging materials	50,022	71,648
	$ 1,833,004	$ 3,045,128

STANDARD FOODS CORPORATION

SCHEDULE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2018		Addition		Deduction		Accumulated Reversal of Impairment Loss	Balance, December 31, 2018		Collateral	Accumulated Impairment	Remark
	Shares/Units	Fair Value	Shares/Units	Amount	Shares/Units	Amount		Shares/Units	Fair Value			
Global Strategic Investment Co., Ltd.	850,500	$ 4,433	-	$ 772	-	$ -	$ -	850,500	$ 5,205	Nil	-	Note 2
Paradigm Venture Capital Corporation	200,418	1,935	-	375	20,042	200	-	180,376	2,110	Nil	-	Notes 1, 2
Authenex, Inc.	2,424,242	-	-	-	-	-	-	2,424,242	-	Nil	-	-
Techgains Pan-Pacific Corporation	500,000	-	-	-	-	-	-	500,000	-	Nil	-	-
U-Teck Environment Corporation, Ltd.	11,200	-	-	-	-	-	-	11,200	-	Nil	-	
Octamer, Inc. - Series E preferred stock	800,000	-	-	-	-	-	-	800,000	-	Nil	-	-
Octamer, Inc. - Series F preferred stock	107,815	-	-	-	-	-	-	107,815	-	Nil	-	-
ForteMedia, Inc. - Series D preferred stock	3,455	-	-	-	-	-	-	3,455	-	Nil	-	-
ForteMedia, Inc. - Series E preferred stock	71,397	-	-	-	-	-	-	71,397	-	Nil	-	-
ForteMedia, Inc. - Series F preferred stock	29,173	-	-	-	-	-	-	29,173	-	Nil	-	-
ForteMedia, Inc. - Series G preferred stock	31,135	-	-	-	-	-	-	31,135	-	Nil	-	-
ForteMedia, Inc. - Series I preferred stock	29,102	-	-	-	-	-	-	29,102	-	Nil	-	-
ForteMedia - common stock	12,938	-	-	-	-	-	-	12,938	-	Nil	-	-
Verisilicon Holdings Co., Ltd. - series A preferred stock	21,393	-	-	-	-	-	-	21,393	-	Nil	-	-
Verisilicon Holdings Co., Ltd. - series B preferred stock	2,756	-	-	-	-	-	-	2,756	-	Nil	-	-
Verisilicon Holdings Co., Ltd. - series C preferred stock	2,157	-	-	-	-	-	-	2,157	-	Nil	-	-
Verisilicon Holdings Co., Ltd. - series E preferred stock	3,431	-	-	-	-	-	-	3,431	-	Nil	-	-
Verisilicon Holdings Co., Ltd. - common stock	324	-	-	-	-	-	-	324	-	Nil	-	-
		$ 6,368		$ 1,147		$ 200	$ -		$ 7,315			

Note 1: The number of shares was reduced this year due to the investee's reduction in capital; the amount of investment in the investee decreased because of the investee's return of investment in cash.

Note 2: The amount of investment in the investee increased due to the changes in the fair value.

SCHEDULE 8

STANDARD FOODS CORPORATION

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

	Balance, January 1, 2018		Addition		Deduction		Unrealized	Balance, December 31, 2018		Accumulated		
Item	Shares	Fair Value	Shares	Amount	Shares	Amount	Gain (Loss)	Shares	Fair Value	Impairment	Collateral	Remark
Emerging market shares												
GeneFerm Biotechnology Co., Ltd.	2,168,110	$ 118,943	-	$ -	23,000	$ 220	$ (28,628)	2,145,110	$ 90,095	$ -	Nil	
Dah Chung Bills Finance Corp	1,243,213	14,496	-	-	-	-	(1,691)	1,243,213	12,805	-	Nil	
		$ 133,439		$ -		$ 220	$ (30,319)		$ 102,900	$ -		

STANDARD FOODS CORPORATION

SCHEDULE OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2018		Addition		Decrease		Balance, December 31, 2018			Net Assets Value		Collateral	Remark
	Shares/Unit	Amount	Shares/Unit	Amount	Shares/Unit	Amount	Shares/Unit	%	Amount	Unit Price (NT$)	Total Price		
Accession Limited	123,600,000	$ 3,416,802	-	$ 93,873	-	$ 60,305	123,600,000	100.00	$ 3,450,370	$ 28.04	$ 3,466,096	Nil	Note 1
Standard Dairy Products Taiwan Limited	30,000,000	944,177	-	435,854	-	429,515	30,000,000	100.00	950,516	32.18	965,466	Nil	Note 2
Charng Hui Ltd.	24,100,000	251,912	-	15,103	-	14,472	24,100,000	100.00	252,543	24.23	584,016	Nil	Note 3
DOMEX Technology Corporation	10,374,399	202,614	-	41,790	-	33,430	10,374,399	52.00	210,974	20.28	210,376	Nil	Note 4
Standard Beverage Company Limited	7,907,000	80,353	-	1,619	-	1,395	7,907,000	100.00	80,577	10.13	80,089	Nil	Note 5
Standard Investment (Cayman) Limited	150,060,815	4,668,537	-	188,182	-	83,866	150,060,815	100.00	4,772,853	31.81	4,772,853	Nil	Note 6
Le Bonta Wellness International Corporation		13,564	-	585	-	1,861	-	100.00	12,288	-	12,029	Nil	Notes 7 and 9
Shanghai Le Ben Tuo Health Technology Co., Ltd.	-	167,345	-	-	-	32,027	-	51.00	135,318	-	135,318	Nil	Notes 8 and 9
		$ 9,745,304		$ 777,006		$ 656,871			$ 9,865,439		$ 10,226,243		

Note 1: The total amount of increase was $93,873 thousand of which $942 thousand was the investment and $92,931 thousand was the equity method adopted for the accounting of the investment income. The decrease of $58,834 thousand recognized this year was due to the translation adjustment. The other comprehensive income of $689 thousand and $782 thousand was the result of changes in adjustment on initial application of IFRS 9.

Note 2: The amount increased this year due to the investment income accounted for under the equity method of $434,349 thousand and $1,505 thousand was the result of the effect of change in tax rate. The amount decreased this year due to the receipt of the cash dividend of $423,200 thousand issued by the investee and the decrease of $6,315 thousand recognized this year was due to the other comprehensive income.

Note 3: This is a subsidiary of the Company, and because it held the shares of the Company, it received cash dividend from the Company. Therefore, an increase in the aggregate was $15,103 thousand of which $13,338 thousand was the adjustment to the capital surplus and $1,765 thousand was the investment income accounted for under the equity method. The amount decreased this year due to the receipt of the cash dividend of $9,772 thousand issued by the investee and the other comprehensive income of $4,700 thousand.

Note 4: The amount increased this year due to the investment income accounted for under the equity method of $20,789 thousand and $20,905 thousand was the result of changes in adjustment on initial application of IFRS 9 and $96 thousand was the result of the effect of change in tax rate. The amount decreased this year due to the receipt of the cash dividend of $31,123 thousand issued by the investee and of other comprehensive income of $2,307 thousand.

Note 5: The increase of $1,619 thousand recognized this year was due to the equity method adopted for the accounting of the investment income of $1,520 thousand and of the other comprehensive income of $99 thousand. The amount decreased this year due to the receipt of the cash dividend of $1,395 thousand issued by the investee.

Note 6: The total amount of increase was $188,182 thousand of which $1,974 thousand was the investment and $186,208 thousand was the equity method adopted for the accounting of the investment income. The decrease of $83,866 thousand recognized this year was due to the translation adjustment.

Note 7: The amount increased this year due to the investment income accounted for under the equity method of $585 thousand. The amount decreased this year due to the receipt of the cash dividend of $1,861 thousand issued by the investee.

Note 8: The decrease of $32,027 thousand recognized this year was due to the equity method adopted for the accounting of the investment loss of $29,540 thousand and the translation adjustment of $2,487 thousand.

Note 9: This is a limited company with no issued shares.

STANDARD FOODS CORPORATION

SCHEDULE OF TRADE PAYABLES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Unrelated parties	
Company A	$ 185,999
Company B	53,805
Others (Note)	645,374
	$ 885,178
Related party	
Standard Beverage Company	$ 307
Dermalab S.A.	4,747
GeneFerm Biotechnology Co., Ltd.	8,602
	$ 13,656

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

STANDARD FOODS CORPORATION

SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Quantity (Tons)	Amount
Nutritious foods	90,169	$ 11,383,107
Cooking products	23,560	2,169,204
Others	12,817	448,760
Total sales		14,001,071
Less: Sales returns		(110,443)
Sales allowances		(1,702,721)
Net sales		$ 12,187,907

SCHEDULE 12

STANDARD FOODS CORPORATION

SCHEDULE OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of goods sold - finished goods	
Raw materials, beginning of year	$ 420,509
Add: Raw materials purchased	4,803,483
Transferred from other accounts	7,530
Gain on physical inventory of raw materials	616
Less: Sales of raw materials	(53,212)
Raw materials scrapped	(2,395)
Raw materials, end of year	(475,667)
Raw materials consumed	4,700,864
Direct labor	227,117
Manufacturing expenses	893,784
Manufacturing costs	5,821,765
Work in progress, beginning of year	124,365
Less: Work in progress scrapped	(568)
Loss on physical inventory of work in progress	(47)
Other use	(12,144)
Cost of finished goods	5,933,371
Work in progress, end of year	(104,106)
Finished goods, beginning of year	786,643
Less: Transferred to other accounts	(75,516)
Loss on physical inventory of finished goods	(1)
Finished goods scrapped	(1,842)
Finished goods, end of year	(782,158)
Cost of goods sold - finished goods	5,756,391
Cost of goods sold - merchandise	
Merchandise, beginning of year	557,156
Add: Merchandise purchased	2,215,208
Less: Other use	(9,521)
Merchandise scrapped	(626)
Loss on physical inventory of merchandise	(16)
Merchandise, end of year	(471,073)
Cost of goods sold - merchandise	2,291,128
Cost of sales of raw materials	53,212
Loss on physical inventory	(552)
Inventory scrap losses	5,431
	$ 8,105,610

STANDARD FOODS CORPORATION

SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Amount
Advertising expenses	$ 761,437	$ -	$ -	$ 761,437
Salaries and pensions	251,281	206,729	33,933	491,943
Freight expenses	103,052	-	-	103,052
Taxes	21,470	168	17	21,655
Professional service fees	1,163	17,740	1,131	20,034
Rental	15,619	11,392	118	27,129
Insurance premiums	24,787	13,534	2,996	41,317
Amortization	1,500	5,924	-	7,424
Depreciation	12,780	8,143	15,001	35,924
Traveling expenses	21,485	3,384	739	25,608
Repair and maintenance expenses	10,291	411	5,809	16,511
Computer expenses	1,272	15,817	447	17,536
Meal expenses	6,789	2,039	698	9,526
Postage and telephone charges	1,265	906	200	2,371
Entertainment expenses	1,719	7,941	413	10,073
Employee welfare	7,626	2,677	753	11,056
Utilities	5,162	1,826	1,606	8,594
Donations	2,356	21,275	-	23,631
Others	28,238	27,353	40,332	95,923
Cost-sharing sectors (Note)	-	(18,511)	-	(18,511) (Note)
	$ 1,279,292	$ 328,748	$ 104,193	$ 1,712,233

Note: Transferred to manufacturing expenses.

STANDARD FOODS CORPORATION

SCHEDULE OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Year Ended December 31							
	2018				2017			
Item	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Expense	Total
Labor cost								
Salary and bonus	$ 400,577	$ 450,390	$ -	$ 850,967	$ 356,769	$ 383,780	$ -	$ 740,549
Labor and health insurance	36,922	34,623	-	71,545	35,348	31,272	-	66,620
Pension	17,806	20,593	-	38,399	16,903	18,518	-	35,421
Remuneration of directors	-	20,960	-	20,960	-	15,449	-	15,449
Others	28,385	25,483	-	53,868	30,696	24,168	-	54,864
	$ 483,690	$ 552,049	$ -	$ 1,035,739	$ 439,716	$ 473,187	$ -	$ 912,903
Depreciation	$ 151,294	$ 35,924	$ 222	$ 187,440	$ 137,935	$ 36,878	$ 426	$ 175,239
Amortization	$ 2,899	$ 7,424	$ -	$ 10,323	$ 5,460	$ 8,721	$ -	$ 14,181

As of December 31, 2018 and 2017, the Company had 976 and 922 employees, respectively, of which 5 directors were not concurrently appointed as employees.

VI. Financial difficulties of the company and related parties in the current year and up to the printing of the annual report: None.

Seven. Review of Financial Position, Financial Performance, and Risk Management

I. Financial position

Comparative financial analysis

Unit: NTD Thousand

Item \ Date	As of December 31, 2017	As of December 31, 2018	Difference	
			Amount	%
Current Assets	15,496,940	17,107,047	1,610,107	10.39
Property, Plant and Equipment	5,676,084	5,478,238	(197,846)	(3.49)
Intangible Assets	78,066	73,050	(5,016)	(6.43)
Other Assets	1,458,398	1,339,321	(119,077)	(8.16)
Total Assets	22,709,488	23,997,656	1,288,168	5.67
Current Liabilities	7,137,271	7,510,934	373,663	5.24
Noncurrent Liabilities	548,609	446,397	(102,212)	(18.63)
Total Liabilities	7,685,880	7,957,331	271,451	3.53
Equity attributable to owners of the parent	14,785,740	15,806,926	1,021,186	6.91
Capital Stock	9,150,897	9,150,897	-	-
Capital Surplus	83,124	93,045	9,921	11.94
Retained Earnings	5,833,327	6,915,111	1,081,784	18.54
Other equity	(260,426)	(330,945)	(70,519)	(27.08)
Treasury Stock	(21,182)	(21,182)	-	-
Non-controlling interest	237,868	233,399	(4,469)	(1.88)
Total equity	15,023,608	16,040,325	1,016,717	6.77

Remark:
1. The decrease in other equity in 2018 was primarily a result of the decrease in exchange differences on translation of foreign financial statements by NT$105 million from the same period of last year.

II. Financial performance

(I) Comparative analysis of operational results

Unit: NT$ Thousand

Fiscal year / Item	2017	2018	Increase (decrease) amount	Increase (decrease)
Sales revenue	26,477,924	27,340,587	862,663	3.26%
Gross Profit	7,399,955	8,254,345	854,390	11.55%
Operating Income	2,794,878	3,149,836	354,958	12.70%
Non-operating Income/expense	(49,475)	526,396	575,871	1,163.96%
Earnings before tax	2,745,403	3,676,232	930,829	33.91%
Income tax expense	535,494	707,925	172,431	32.20%
Net income from continuing operations	2,209,909	2,968,307	758,398	34.32%
Loss from discontinued operations	-	-	-	-
Net income (loss)	2,209,909	2,968,307	758,398	34.32%
Other comprehensive profit and loss for the period (Net amount after tax)	(214,628)	(138,749)	75,879	35.35%
Current comprehensive income/loss	1,995,281	2,829,558	834,277	41.81%

Analysis of financial ratio change:

1. The increase in non-operating revenue and expenditure in 2018 was primarily a result of the increase in disposition of the Wugu Factory by NT$369 million from the same period of last year.
2. The increase in net income before tax in 2018 was primarily a result of the increase in non-operating revenue and expenditures by NT$576 million this year, the increase in operating revenue of Standard Foods by NT$928 million from the same period of last year, and the increase in operating revenue of Standard Foods (Xiamen) by NT$2.014 billion.
3. The increase in income tax expenses in 2018 was primarily a result of the increase in income tax expenses derived from the net income before tax calculated at the statutory tax rate by NT$345 million this year.
4. The increase in income from continuing operations in 2018, increase in net income, and the total comprehensive income were primarily a result of the increase in non-operating revenue and expenditures by NT$576 million this year, the increase in operating revenue of Standard Foods by NT$928 million from the same period of last year, and the increase in operating revenue of Standard Foods (Xiamen) by NT$2.014 billion.
5. The decrease in other comprehensive income in 2018 was primarily a result of the decrease in defined benefit plan remeasurement and the decrease in unrealized evaluation income on equity instrument under other comprehensive income at fair value from the unrealized income on available-for-sale financial assets of last year.

(II) Potential impact on and significant change of the future business operations of the Company: None.

III. Analysis of cash flows

(I) Cash flow analysis of the current year

Unit: NT$ Thousand

Cash and cash equivalents beginning of the year (1)	Net cash inflows from operating activities during the year (2)	Other cash outflows (3)(Note)	Cash surplus (Deficit) (1)+(2) - (3)	Remedy for cash shortfall	
				Investing plans	Financing plans
3,152,682	2,639,247	3,201,977	2,589,952	N/A	N/A

1. Operating activities: Net cash inflow in the current period amounted to NT$2,639,247 thousand mainly from operating income.
2. Investing activities: The net cash outflow, NT$560,463 thousand, was primarily a result of the purchase of the financial assets at amortized cost.
3. Financing activities: The net cash outflow, NT$2,477,714 thousand, was primarily a result of the decrease in short-term borrowing and payment of cash dividends.

Note: It includes the effect of exchange rate on cash and cash equivalents.

(II) Corrective action for insufficient liquidity and liquidity analysis

1. No insufficient liquidity occurred for the year.
2. Analysis of liquidity over the past two years

Item \ Fiscal year	2017(1)	2018(2)	Increase (decrease) (2)-(1) / (1)
Cash flow ratio	35.62	35.14	(1.35) %
Cash flow adequacy ratio	88.34	101.02	14.35%
Cash reinvestment ratio	5.88	3.93	(33.16) %
Analysis of financial ratio change: Cash Reinvestment Ratio: The decrease in cash reinvestment ratio in 2018 was primarily a result of the increase in cash dividends from last year.			

(III) Forecast of cash liquidity for the next fiscal year

Unit: NT$Thousand

Cash and cash equivalents beginning of the year (1)	Net cash inflows from operating activities during the year (2)	Other cash outflows (3)	Cash surplus (deficit) (1)＋(2) - (3)	Remedy for cash shortfall	
				Investing Plans	Financing Plans
2,589,952	1,456,124	2,500,055	1,546,021	N/A	N/A

1. **Cash flow analysis for the next fiscal year**
   - **(1) Sales activities:** Estimated cash inflows were the results of estimated operating profit.
   - **(2) Investment activities:** It was mainly due to the increase of property, plant and equipment.
   - **(3) Investment activities:** Mainly due to cash dividend distribution.

2. **Corrective action for insufficient cash liquidity and liquidity analysis:** N/A.

IV. Impact of major capital expenditure on finance and business in the current year.

(I) Major capital expenditure and the funding sources of the year

Unit: NT$ Thousand

Projects Item	Actual or Expected Sources of Capital	Actual or Expected Dates of Completion	Total Capital Needed	Actual or expected capital expenditures				
				2018	2019	2020	2021	2022
Procurement of machinery, transportation and office equipment and computer software; betterment projects for premises and buildings and land use	Self-sufficient capital	2019	647,402	386,244	261,158	-	-	-

(II) Expected effectiveness from expansion plans:

1. **Expected increase in production and sales volume, value and gross profit:** Annual production volume increased by 8% with annual sales increased by 9% and annual gross margin up by 12%.

2. **Other effects:** The upgrade of plant and equipment could help to increase production capacity and reduce the dependence on outsourcing. In addition, demand in nearby market could be met efficiently that helped to reduce the cost of logistics and improve the overall profit of the Company.

V. Reasons and remedial plans for investment gain or loss occurred in the current year and the investment plan for the next year

Unit: NT$ Thousand

Item \ Remark	2018 Income (Loss) Amount	Policies	Reasons for gain or loss	Remedial plans	Investment plan in one year
Shanghai Standard Foods Co.	80,043	Investment had been mainly focusing on the food-related industry and has shifted to production for the group's cooking oil brands in China in recent years.	Increased market demand and rising capacity utilization.	Work with the team together to integrate all resources.	Will be based on future market development.
Standard Dairy Products Taiwan Ltd.	440,456	Focus on the product development and sales of food-related industry for increasing market share and generating profits.	Stable sales growth and high production capacity utilization.	Grasp the pulse of the market, continue to develop new products to meet customer needs with innovative ideas, and manage costs and expenses to maintain profits.	No defined investment plan is made so far.
Standard Investment (China) Ltd.	187,205	Established as Standard Food Group's investment and sales head office in China to expand sales from the local market and generate profits.	Stable growth in sale performance with profit increased incrementally.	Initiates focused marketing by market segmentation, optimizing product structure, and expanding marginal contribution.	Depends on future changes in market demand to enhance multi-channel development and improve competitive advantages.
Standard Foods (China) Ltd.	146,474	Establish as the production base for edible oil and nutritious food products.	Increased market demand and rising capacity utilization.	Expand product lines to fully utilize production capacity and reduce fixed cost amortization.	Continue to implement relevant product expansion plans.
Standard Foods (Xiamen) Co., Ltd.	84,641	Designed as the base for the production of edible oil and nutritional foods.	Demand in market surged with improved use of capacity utilization rate.	Expansion of product lines for full utilization of production capacity and reduced the allocation of fixed cost.	Continue the implementation of related product development plans.
Dermalab S.A.	3,674	Plan all-rounded development and products to cater the change of market structure and consumer habits.	Going under development planning and market expanding stage.	Actively expand the market reach and strengthen internal control mechanism.	Continue to develop the beauty and cosmetic market.

VI. Risk management in the most recent year and up to the printing of the annual report:

(I) The impact of interest rates, foreign exchange rates, and inflation on the Company's profit and loss and the remedial measures:

1. **Interest rate:** The consolidated companies' interest rate risk primarily derived from bank loans. In 2018, the interest expenses on bank loans accounted for about 2.2% of the net income before tax. Therefore, the changes in interest rate are not expected to render material effect to the consolidated companies' income. In the future, the Company will continue to observe the interest rate movement, and adjust the assets and liabilities to mitigate the interest rate risk.
2. **Exchange rate:** As most ingredients of the combined business were imported overseas, any change in the exchange rate will affect profitability. In addition to establishing defined operational strategies and strict risk control processes, Standard Food will respond to the changes in the spot exchange rate to reduce exchange volatility risk timely.
3. **Inflation:** The combined business keeps abreast of global political and economic changes and the fluctuation of the prices of terminal products in market, and keeps positive interactions with the suppliers, channel marketers, and customers. In addition, it also adopted adjustable strategies in procurements and marketing to tackle with the impact from inflation effectively. As such, there will be no significant influence on the profitability and operation of the combined business.

(II) High-risk investments, highly-leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby, and response measures to be taken in the future:

The combined business did not engage in any high-risk and high-leverage investment in 2018 to the day this Report was printed. For hedging the risk deriving from the fluctuation of prices of raw materials and exchange rate in China, the combined business used futures contracts and FX swap contracts, which could help to reduce the risk deriving from the fluctuation of prices of raw materials and exchange rate. Yet, the risk of price and exchange rate fluctuation cannot be fully eliminated.

In the loaning of funds to third parties by the combined business in 2018 to the day this Report was printed, the combined business only loaned to direct or indirect subsidiaries in which they hold more than 50% of their stakes. Loaning to the aforementioned subsidiaries served the purpose of working capital for these business entities.

The endorsements/guarantees made by the consolidated companies in 2018 until the date of publication of the Annual Report refers to those made by the Company to the subsidiaries wholly owned by the Company. The undertaking of endorsement/guarantee in favor of the aforementioned subsidiaries served the purpose of guarantee for these business entities in access to financing.

(III) Major factor to impact research projects and the expected research expenditures in the future:

Research projects	Completion	Expected research expenditure in the future	Expected completion time	Major factors to impact future success
The research and development of health foods	Completed 26.17%	NT$5,992 thousand	Q4 2019	Product development and clinical test result

(IV) The impact of changes in domestic and foreign policy and law on the Company's financial operations and the response measures: The Ministry of Health and Welfare launched the new system of 8 measures including food traceability and labelling with effect on January 1 2017 to fortify food hygiene and safety management and protect the rights of the consumers. The combined business will continue to pay close attention to dynamics of essential policies at home and abroad for proper responses, and persists to its commitment of "Quality and Safety". The combined business will exercise strict control over every facets of food production for the proper performance of supply chain management and make the health of the consumers as the foremost concern.

(V) The impact of technological change on the Company's financial operations and the response measures: Standard Foods highly treasures technological development and industrial change and has committed to the use of information technology such as the introduction of the ERP system, the installation of the videoconferencing system of the whole group, the installation of Internet phones, online management system of the employees, and the human resources management system for the effective use of information technology in a positive stance so as to reduce costs and enhance the competitiveness of the entity.

(VI) Impact of changes in corporate image on business crisis management and response measures: Standard Foods believes in repaying society in multiple ways, in addition to making donations or sponsoring the activities of educational, charitable and minority groups from time to time, product quality and safety are also closely monitored. The Company has obtained GMP Good Manufacturing Practice, CAS Premium Agricultural Products and ISO 22000 Food Safety and Health Certification, and the long-lasting trust of consumers.

(VII) Expected benefits or risks and responsive measures associated with merger and acquisition plans: N/A.

(VIII) The expected effect and possible risk of plant expansion and the response measures: Replacement for new facilities will be necessary for the improvement of production capacity and quality. The construction of Standard Foods (Xiamen) Co., Ltd. was completed and could utilize its geographic advantage for the integration of regional resources for lowering the cost of products and transportation. In the future, expansion will be introduced to other product lines for meeting the needs of sales of Standard Foods in China with the expectation of enlarging the scale of sale and enhancing the operation performance in China. No risk will be anticipated.

(IX) Risk of centralized purchase or sales, and the response measures: The major individual vendor of Standard Foods, Vendor A, accounted for 13.5% of the total purchase amount in 2018, while the other individual vendors were less than 10% of the total purchase amount in 2018. In addition, Company A was the major sales customer who accounted for 16.6% of the net sales. The other sales customers accounted for less than 10% of the total sales. Therefore, there was no centralized purchase or sales.

(X) The impact, risk and response measures of material shares transfers or conversions by directors, supervisors, or major shareholders with over 10% shareholdings: Directors or shareholders holding more than 10% of the shares did not have massive transfer or replacement of equity. There is not significant influence of risk to the Company.

(XI) The impact of changes in the company's operation rights, risk and response measures: None, as shares transferred from the Chairman (CEO) are held under trust; therefore, no operation rights are impacted.

(XII) The risk of the finalized or pending major litigation, non-litigation, or administrative disputes involving the company and its directors, supervisors, President, person-in-charge, shareholders with over 10% shareholdings, and subsidiaries significantly affecting shareholder equity or security price: None.

(XIII)Other important risks and responsive measures:

1. Risk management policy:

   Standard Foods' risk management policy is to identify, measure, monitor, and control the mechanisms of risk management, to install an overall risk management system, and promote an appropriate risk management-oriented business model in order to achieve business goals and enhance shareholder value.

   For the risks deriving from business marketing, production operations, human resources planning, new product development and financial and accounting control, Standard Foods responded with the rules, regulations, and system already established. In addition, Standard Foods actively developed more advanced and highly sensitive procedures and standards for the monitoring, assessment, and control of risks with equal balance of safety and efficiency to build a more efficient business model economically such as the fortification of the information system and reinforcement of the early warning, monitoring, and control capacity.

2. Organizational structure for risk management:

   Standard Foods has established a Risk Response Organization with the vertical division of labor in effect under the centralized control of the President. There are several functional units empowered with relevant authority for the advocacy of risk management in all aspects of the operation.

   (1)Financial risk, liquidity risk, credit risk, and legal risk: The Finance & Accounting and Compliance units are responsible for strategy formation and enforcement. In addition, they analyze and assess the responsive measures adopted for changes in laws, policies, and market development, which are audited and monitored though the risk assessment by the auditing unit.

   (2)Market risk: The department heads of Standard Foods are to have strategies formed and enforced in accordance with the job responsibilities. In addition, they analyze and assess the responsive measures for changes in laws, policies, and market development.

(3)Auditing Office: It is under the direct administration of the Board of Directors. It regulates the Company's risk assessment and control operating procedures to help complete the overall risk management action plans. In addition, it also applies a risk assessment and audit model to examine high risk items that affect the goal achievement of the Company and affiliated companies; also manages an internal control system to increase the value of the organization and improve management and operational risk.

VII. Other important matters: None.

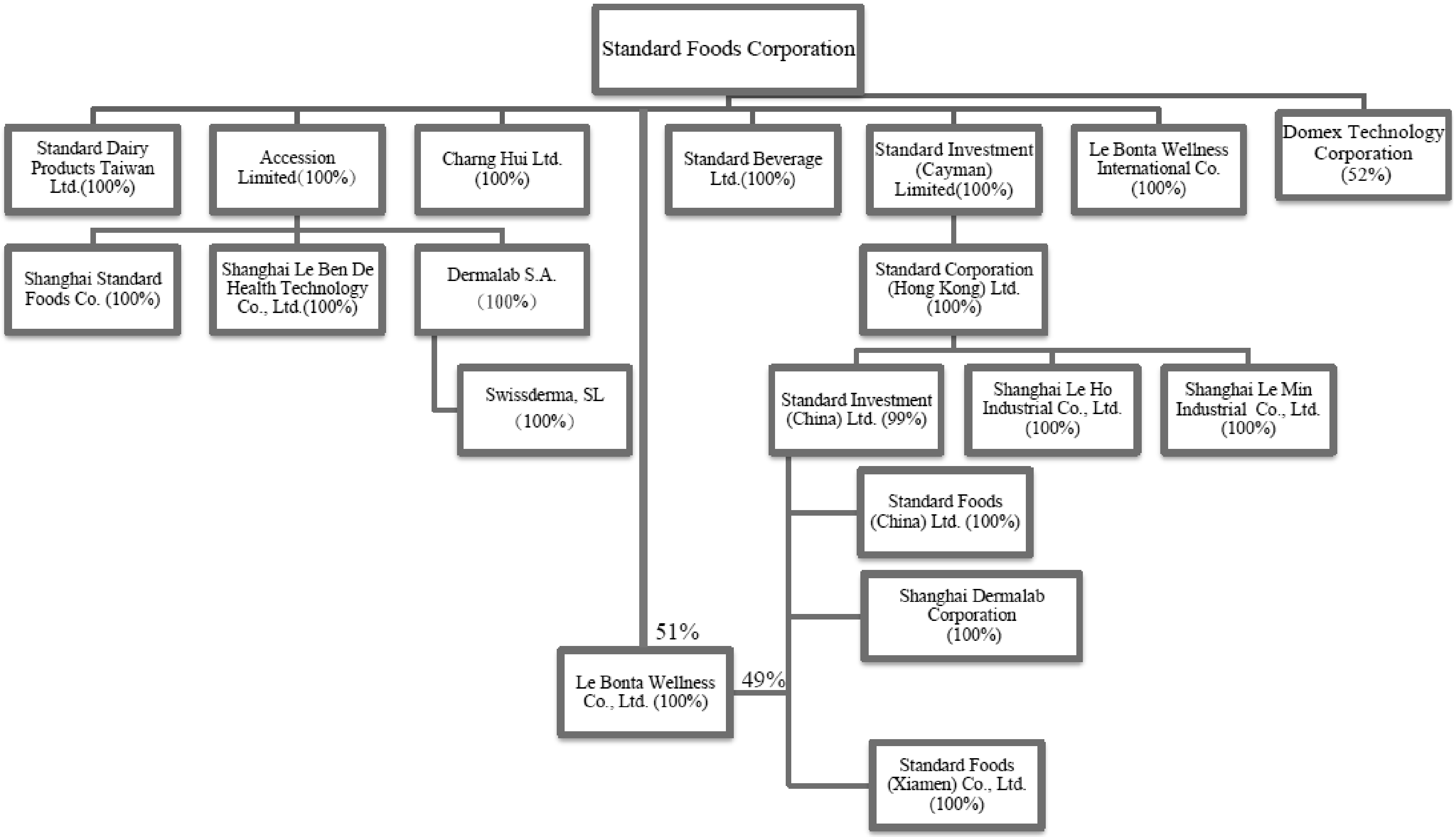
Eight. Special Disclosures

I. Related parties

(I) Consolidated business report of the related parties

1. 2018 Consolidated Business Report of the Related Parties

(1) Organizational chart of the related parties



(2) Related party information

Unit: NTD Thousand, unless otherwise stated

Corporation	Date of Establishment	Address	Total paid-in capital	Major business or products
Standard Dairy Products Taiwan Ltd.	April 16, 1999	5F., No.136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City	300,000	Production and sales of dairy products and beverage
Standard Beverage Ltd.	March 24, 1998	5F., No.136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City	79,070	Production and sales of beverages
Charng Hui Ltd.	April 28, 1997	5F., No.136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City	241,000	Investment
Le Bonta Wellness International Co.	February 23, 2005	3F., No.136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City	10,000	Selling of health supplement products
Domex Technology Corporation	July 30, 1986	No.6, Hsinan Road, Hsinchu Science Industrial Park, Hsinchu City	199,471	Manufacture and sale of computer peripherals and computer appliances
Accession Limited	May 17,2000	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	US$123,600 thousand	Investment
Standard Investment (Cayman) Limited	August 5, 2011	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1– 1205, Cayman Islands	US$150,125 thousand	Investment
Standard Corporation (Hong Kong) Ltd.	August 30, 2011	Room 1004, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.	US$150,051 thousand	Investment
Dermalab S.A.	October 31, 1989	Seestrasse 59,8703 Erlenbach, Switzerland	CHF 400 thousand	Development and sales of cosmetics and skincare products
Swissderma, SL	July 5,2012	CalleBalmes 177, 08006 Barcelona, Spain	€3 thousand	Sales of cosmetics and skincare products
Shanghai Standard Foods Co.	September 11, 2001	3rd floor, Building 8, o.1128, Wuzhong Road, Shanghai	US$123,500 thousand	Production and sales of edible oil and nutritious products
Standard Investment (China) Ltd.	December 26, 2011	No. 88, Dalien W. Rd., Economy and Technology Development District (New District), Taicang Port	US$121,213 thousand	Investments/selling of cooking oil and nutriments
Standard Foods (China) Ltd.	January 21, 2012	No. 88, Dalian W. Rd., Economy and Technology Development District (New District), Taicang Port	US$55,000 thousand	Making and selling cooking oil and nutriments
Shanghai Dermalab Corporation	July 25, 2014	418 Futer E. Rd Sec one., Room 703, Level 7, Shanghai Free-Trade Zone	RMB6,000 thousand	Sales of nutrition foods and import/export trade.
Le Bonta Wellness Co., Ltd..	December 2, 2014	29 Chiatai Rd., 1st Building West Wing, Room 558, Shanghai Free-Trade Zone	RMB80,100 thousand	Sales of nutrition foods and import/export trade.
Shanghai Le Ben De Health Technology Co., Ltd.	May 11,2015	1128 Wuzhong Road, 2ndFloor, Block 8, Shanghai City	US$1,000 thousand	Technological transfer, technical consultation, and technical service in health technology.

Corporation	Date of Establishment	Address	Total paid-in capital	Major business or products
Standard Foods (Xiamen) Co., Ltd.	Sep 2,2015	No. 99 Sandu Rd. Xiamen Pian District, Pilot Free Trade Zone	US$40,000 thousand	Manufacture and sales of cooking oil and nutrition supplements
Shanghai Le Ho Industrial Co., Ltd.	Jun 8,2015	Room BN 138, Building No. 22, Alley No. 88, No. 1~30, Minbei Road, Shanghai.	US$18,600 thousand	Property management
Shanghai Le Min Industrial Co., Ltd.	Jun 8,2015	Room BN 139, Building No. 22, Alley No. 88, No. 1~30, Minbei Road, Shanghai.	US$11,600 thousand	Property management

(3) Shareholders of the Company who are also the shareholders of the wholly owned subsidiaries or the subsidiaries: None.

(4) The division of business operations of affiliated companies and the related business of the affiliated companies:

Standard Foods Corporation and its affiliated companies are principally engaged in food production, trading, investment, and the manufacturing of computer peripherals and IT product manufacturing.

Fresh milk, yogurt, and flavored milk of Standard Foods Corporation are sold to Standard Dairy Products Taiwan Ltd. through which these products will be distributed to the market;

Standard Diary Products Taiwan Limited sells its cereal beverages, liquid milk for infants, and Quaker Complete Nutrition Food to Standard Foods Corporation for resale to market;

The beverages of Standard Beverage Ltd. were sold to Standard Foods Corporation for resale to market.

The sunflower seeds of Inner Mongolia Jia Tai Agriculture Science and Technology Development Co. are sold to Shanghai Standard Foods Co. as the raw material for edible oil. Standard Investment (China) Ltd. sells edible oil products purchased from the Shanghai Standard Foods Co. and Standard Foods (China) Ltd., for resale. Standard Foods (Xiamen) Co., Ltd. will manufacture and sell edible oil and nutrition supplement.

Le Bonta Wellness Co., Ltd. sells nutrition supplements and engages in import-export trade;

Shanghai Le Ben De Health Technology Co., Ltd. makes technology transfer, consulting and service within the field of health technology.

Shanghai Dermalab Corporation sells nutrition supplements and cosmetics and engages in import-export trade.

Dermalab S.A and Swissderma, SL sell cosmetics and skincare products.

Shanghai Le Ho Industrial Co., Ltd. and Shanghai Le Min Industrial Co., Ltd. engage in property management;

Le Bonta Wellness International Co. mainly distributes health supplement products.

(5) Director, Supervisor and President of the related party

Corporation	Title	Name or Representative	Shareholding	
			Shares (Invested capital)	Shareholding ratio (Capital investment ratio)
Standard Dairy Products Taiwan Ltd.	Director	Standard Foods Corporation	30,000,000 shares	100.00%
		Representative: Ter-Fung Tsao	—	—
		Yao Steven Yih Chun	—	—
		Chris Hong	—	—
	Supervisor	Standard Foods Corporation	30,000,000 shares	100.00%
		Representative: Sophia Huang	—	—
	President	Kenny Dai	—	—
Standard Beverage Ltd.	Director	Standard Foods Corporation	7,907,000 shares	100.00%
		Representative: Ter-Fung Tsao	—	—
		Glendy Chiang	—	—
		Chris Hong	—	—
	Supervisor	Standard Foods Corporation	7,907,000 shares	100.00%
		Representative: Sophia Huang	—	—
Charng Hui Ltd.	Director	Standard Foods Corporation	24,100,000 shares	100.00%
		Representative: Yao Steven Yih Chun	—	—
		Wendy Tsao	—	—
		Smart Hsu	—	—
	Supervisor	Standard Foods Corporation	24,100,000 shares	100.00%
		Representative: Sophia Huang	—	—
Le Bonta Wellness International Co.	Director	Standard Foods Corporation	NT$ 10,000 thousand founded	100.00%
		Representative: Yao Steven Yih Chun	—	—

Corporation	Title	Name or Representative	Shareholding	
			Shares (Invested capital)	Shareholding ratio (Capital investment ratio)
Domex Technology Corporation	Director	Standard Foods Corporation Representative: Ter-Fung Tsao Chun-Hsin Ku Chris Hong	10,374,399 shares — 542,513 shares —	52.01% — 2.72% —
	Supervisor	Sophia Huang	3,794 shares	0.02%
	President	Chun-Hsin Ku	542,513 shares	2.72%
Accession Limited	Director	Ter-Fung Tsao	— Standard Foods Corporation holds 123,600,000 shares	— 100.00%
Standard Investment (Cayman) Limited	Director	Ter-Fung Tsao	— Standard Foods Corporation holds 150,124,814 shares.	— 100.00%
Standard Corporation (Hong Kong) Ltd.	Director	Ter-Fung Tsao	— Standard Investment (Cayman) Limited holds 150,050,814 shares.	— 100.00%
Dermalab S.A.	Chairman Director Director Director Director	Michael Massalsky Arthur Tsao Yao Steven Yih-Chun Glendy Chiang Kelly Yao	— — — — — Accession Limited holds 400 shares.	— — — — — 100.00%

Corporation	Title	Name or Representative	Shareholding	
			Shares (Invested capital)	Shareholding ratio (Capital investment ratio)
Shanghai Standard Foods Co.	Chairman	Jason Hsuan	—	—
	Director	Arthur Tsao	—	—
	Director	Kelly Yao	—	—
	Director	Wei-Lun Tang	—	—
			US$ 123,500 thousand founded through Accession Limited	100.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—
Standard Investment (China) Ltd.	Chairman	Jason Hsuan	—	—
	Director	Ter-Fung Tsao	—	—
	Director	Arthur Tsao	—	—
	Director	Glendy Chiang	—	—
			US$ 120,000 thousand founded through Standard Corporation (Hong Kong) Limited	99.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—
Standard Foods (China) Ltd.	Chairman	Jason Hsuan	—	—
	Director	Arthur Tsao	—	—
	Director	Kelly Yao	—	—
	Director	Wei-Lun Tang	—	—
			US$55,000 thousand founded through Standard Investment (China) Ltd.	100.00%
	Supervisor	Chris Hong	—	—

Corporation	Title	Name or Representative	Shareholding	
			Shares (Invested capital)	Shareholding ratio (Capital investment ratio)
	President	Arthur Tsao	—	—
Shanghai Dermalab Corporation	Chairman	Arthur Tsao	—	—
	Director	Kelly Yao	—	—
	Director	Guo-Long Chen	—	—
			Founded by Standard Investment (China) Ltd. with RMB 6,000 thousand	100.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—
Le Bonta Wellness Co., Ltd.	Chairman	Jason Hsuan	—	—
	Director	Arthur Tsao	—	—
	Director	Kelly Yao	—	—
	Director	Hui-Min Fang	—	—
			Founded by Standard Foods Corporation with RMB 40,900 thousand	51.00%
			Founded by Standard Investment (China) Ltd. with RMB39,200 thousand	49.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—
Shanghai Le Ben De Health Technology Co., Ltd.	Chairman	Arthur Tsao	—	—
	Director	Kelly Yao	—	—
	Director	Guang-Yao Yu	—	—
			Accession Limited funded USD1,000 thousand	100.00%
	Supervisor	Wei-Lun Tang	—	—

Corporation	Title	Name or Representative	Shareholding	
			Shares (Invested capital)	Shareholding ratio (Capital investment ratio)
	President	Arthur Tsao	—	—
Standard Foods (Xiamen) Co., Ltd.	Chairman Director Director Director	Jason Hsuan Arthur Tsao Kelly Yao Wei-Lun Tang	— — — — Founded by Standard Foods (China) Ltd. With USD40,000 thousand	— — — — 100.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—
Shanghai Le Ho Industrial Co., Ltd.	Chairman Director Director	Arthur Tsao Kelly Yao Wei-Lun Tang	— — — USD 18,600 thousand founded by Standard Corporation (Hong Kong) Ltd.	— — — 100.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—
Shanghai Le Min Industrial Co., Ltd.	Chairman Director Director	Arthur Tsao Kelly Yao Wei-Lun Tang	— — — USD 11,600 thousand founded by Standard Corporation (Hong Kong) Ltd.	— — — 100.00%
	Supervisor	Chris Hong	—	—
	President	Arthur Tsao	—	—

(6) Operational highlights of affiliated companies

Unit: NT$ Thousand

Corporation	Stock capital	Total Assets	Total Liabilities	Net worth	Sales revenue	Operating Income (loss)	Net income (loss)	Earnings per share ($) (after-tax)
Standard Dairy Products Taiwan Ltd.	300,000	1,727,214	761,749	965,465	3,354,972	540,783	440,456	14.68
Standard Beverage Ltd.	79,070	200,852	120,763	80,089	1,759	(2,966)	1,168	0.15
Charng Hui Ltd.	241,000	584,353	337	584,016	-	(5,165)	15,104	0.63
Domex Technology Corporation	199,471	1,394,577	990,007	404,570	1,671,826	34,601	39,972	2.00
Le Bonta Wellness International Co.	10,000	12,856	826	12,030	8,029	284	586	(Note 1)
Accession Limited	3,979,085	3,468,373	2,276	3,466,097	-	(2,854)	94,907	0.77
Shanghai Standard Foods Co.	3,949,575	3,543,270	492,881	3,050,389	1,935,496	9,384	80,043	(Note 1)
Shanghai Le Ben De Health Technology Co., Ltd.	31,220	29,248	123	29,125	-	(55)	653	(Note 1)
Dermalab S.A.	13,023	174,341	129,191	45,150	158,377	3,408	3,674	9.19
Standard investment (Cayman) Limited	4,710,865	4,772,874	22	4,772,852	-	(226)	186,208	1.24
Standard Corporation (Hong Kong) Ltd.	4,708,566	4,771,888	107	4,771,781	-	(218)	186,412	1.24
Standard Investment (China) Ltd.	3,755,530	7,870,948	3,946,352	3,924,596	11,948,854	(170,244)	187,205	(Note1)
Standard Foods (China) Ltd.	1,631,668	3,430,185	1,652,329	1,777,856	4,992,645	200,479	146,474	(Note1)
Shanghai Dermalab Corporation	29,949	40,130	70,209	(30,079)	87,921	(9,572)	(11,945)	(Note1)
Le Bonta Wellness Co., Ltd..	380,418	366,200	101,188	265,012	3,905	(59,930)	(57,851)	(Note1)
Standard Foods (Xiamen) Co., Ltd.	1,307,582	2,384,710	1,154,855	1,229,855	3,761,952	147,113	84,641	(Note1)
Shanghai Le Ho Industrial Co., Ltd.	607,717	545,418	271	545,147	-	(957)	510	(Note1)

Corporation	Stock capital	Total Assets	Total Liabilities	Net worth	Sales revenue	Operating Income (loss)	Net income (loss)	Earnings per share ($) (after-tax)
Shanghai Le Min Industrial Co., Ltd.	378,009	340,493	256	340,237	-	(621)	779	(Note1)

Note 1: The Company held no stock share.

(II) Consolidated financial statements of the related parties: Same as the Consolidated Financial Statements of the parent company and subsidiaries. For the Consolidated Financial Statements 2018, please see pages 76-173 of the Annual Report.

(III) Relationship report of the related parties: N/A.

II. Private subscription of marketable security in the most recent years and up to the printing of the annual report: N/A.

III. The stock shares of the Company held or disposed of by the subsidiary in the most recent years and up to the printing of the annual report:

Unit: NTD Thousand; Shares; %

Name of Subsidiary	Total paid-in capital	Fund source	Shareholding ratio of the Company	Date of acquisition or disposition	Shares and amount acquired	Shares and amount disposed	Investment gain (loss)	Shareholdings & amount up to the printing date of the annual report	Under pledge	Endorsement amount made for the subsidiary	Amount loaned to the subsidiary
Charng Hui Ltd	241,000	Self-sufficient capital	100%	2000	Bought 166,000 shares for NT$4,938 thousand	-	-	6,669,471 shares NT$21,182 thousand	-	-	-
				2000	9,960 shares from stock dividend	-	-				
				2001	Bought 2,163,000 shares for NT$16,244 thousand	-	-				
				2009	11,694 shares from	-	-				

Name of Subsidiary	Total paid-in capital	Fund source	Shareholding ratio of the Company	Date of acquisition or disposition	Shares and amount acquired	Shares and amount disposed	Investment gain (loss)	Shareholdings & amount up to the printing date of the annual report	Under pledge	Endorsement amount made for the subsidiary	Amount loaned to the subsidiary
					stock dividend						
				2010	352,598 shares from stock dividend	-	-				
				2011	675,813 shares from stock dividend	-	-				
				2012	810,975 shares from stock dividend	-	-				
				2013	628,506 shares from stock dividend	-	-				
				2014	433,669 shares from stock dividend	-	-				
				2015	525,221 shares from stock dividend	-	-				
				2016	635,517 shares from stock dividends	-	-				
				2017	256,518 shares from stock dividends	-	-				
				Until the report publication date this year	-	-	-				

IV. Other disclosures:

(I) Provision for asset and liability impairments

1. Accounts receivable allowance for doubtful accounts

   Purpose: To assess the risk of accounts and notes receivables collection, the impairment of assets is assessed and appropriated in accordance with the collection experience of the customers and the collection rate derived from a depreciation analysis of each sample group.

   Provision basis:

   (1) Recording allowance for bad debt:

   1.1 The Company may classify the accounts and notes receivable account by the number of transactions or by the credit limit of each customer in accordance with the internal accounts receivable management mechanism:

   A. The Company classifies all the uncollected transactions at the closing date of the fiscal year into different groups and assesses the impairment amount for each uncollected transaction and group.

   B. The Company divided the aforementioned groups further into four categories based on the risk features.

   1.2. Three customer categories:

   A. General accounts: The impairment amount is assessed through the recovery rates of each account age for individual account and channel group.

   B. Special accounts: These are the invested subsidiaries under Standard Foods Group. No bad debt provision will be made out of receivables owed by these accounts.

   C. Insolvent accounts: Assess the collectable amount according to the collaterals placed by the customers and set up a separate bad-debt provision ratio to make the provision.

   1.3 Accounting Department adjusts “Bad Debt Allowance” according to the asset impairment amounts derived as above.

   (2) Write-off of bad debt allowance:

   2.1. Bad debt determination:

   A. Receivables are deemed not collectable in part or in full due to insolvency, settlement, bankruptcy declaration or other reasons.

   B. Outstanding principal or interests that are due for more than two years and the efforts of collection have failed.

   2.2. Write-off:

   A. Upon the occurrence of loss from bad debt, the supporting documents are to be submitted to make the write-off, according to Article #94 of “Guidelines for Examination of Profit-Seeking Enterprise Income Tax”.

   B. When writing off bad debts, the allowance account shall be reduced accordingly in the year the bad debt is determined. If the actual bad debt is larger than the allowance balance, the discrepancy shall be recorded as bad debt loss for the year.

2. Allowance for loss on inventories

   Inventories consist of raw materials, packing materials, work-in-process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price under normal course of business net of the estimated cost needed to complete the project and estimate cost needed to make the sale after completion. Inventory cost is calculated in accordance with the weighted average method.

(II) Key Performance Indicator (KPI): Standard Foods' KPI includes Finance KPI and Non-Finance KPI. In addition to examining the finance KPI of sales revenue, debt ratio, business cycle, return on equity, and earnings per share within the industry periodically, non-finance KPI are set to understand Standard Foods'' competitive advantages and industry momentum.

(III) Licenses or certificates acquired by financial personnel: Republic of China (CPA): 1 person.

V. The impacts to shareholders' equity or security price due to events defined in Securities Transaction Law Article #36.3.2 on in the current recent year and up to the printing of the annual report:

1. Mr. Ter-Fung Tsao retired as the general manager on May 01, 2017 Mr. Yao Steven Yih-Chun, the former associated president, was therefore promoted to manage the company afterward. Mr. Ter-Fung Tsao was later elected, on May 05, 2017, as the first director through the resolution of the board to cope with the rising business in the China region, strengthen corporate governance and prepare the future business development through the new management system and arrangement.

2. The Board Meeting resolved on March 22, 2019 to appoint the Group CFO, Chris Hong to serve as the Corporate Governance Officer.

3. The Board Meeting resolved on March 22, 2019 to transfer the CEO, and the new CEO will be the President of Standard Foods (China), Arthur Tsao.

Standard Foods Corporation

Chairman: Ter-Fung Tsao

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