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Standard Foods Corporation

2017

Annual Report

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Standard Foods Corporation

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

Table of Contents

One. Letter to Shareholders

Dear shareholders,

As always, we treasure "quality and safety" as our foremost commitment to the consumers. We exercise strict control in every aspect of quality process and dare not procrastinate. In 2017, some items of Standard Foods milk powder in Taiwan were affected by foreign suppliers of milk powder in brands and sale. Yet, we responded quickly to the situation and took preventive measure by removing all items in question off the shelves. In addition, we also spared no effort in sorting out suppliers of qualified materials with intent of launching new items to market as soon as possible. The influence on sale was just short-lived with rebound of sale quickly. Furthermore, we made reasonable claims against the suppliers for compensation. In China, the changes in marketing channels and the rise of cost of materials hampered our sale performance and profit. The result fell below our expectation. In 2018, products of Standard Foods will enjoy stable growth in Taiwan. New policies of significant effect were expected to unveil after the 19th CPC Congress, which will drive for further economic growth. Standard Foods in China has its channels on hand and will further develop new business and new products. We believe 2018 will be promising for business growth.

The following is the highlight of consolidated business result of Standard Foods in 2017, and the Summary of the Business Plan of 2018:

1. Business performance 2017

1.1. Consolidated revenue and profit overview

Unit: NT$ thousands

	2017	%	2016	%	+/- %
Sales revenue	26,477,924	100	27,073,564	100	(2)
Cost of goods sold	19,077,969	72	19,068,515	70	0
Gross Profit	7,399,955	28	8,005,049	30	(7)
Earnings before tax	2,745,403	11	3,279,805	12	(16)
Net income of the year	2,209,909	9	2,637,756	10	(16)
Total comprehensive profit and loss	1,995,281	8	2,199,684	8	(9)

In 2017, Standard Foods had consolidated revenues of NT$26,470 million, which was 2% down or a decrease of NT$590 million from the same period of 2016. The revenues of the separate entities in the same year amounted to NT$11,260 million, which was 3% down or a decrease of NT$390 million from the same period of 2016. Comprehensive total income in current period amounted to NT$1,990 million, which was 9% down or a decrease of NT$204 million from the same period of 2016. Comprehensive total income attributable to the shareholders of the Company amounted to NT$1,960 million, which was 9% down or a decrease of NT$200 million from the same period of 2016.

1.2. Status of research and development

Standard Foods spent NT$96 million in research and development and continued the research and development of various new products, clinical experiments and technology development in 2017 for satisfying the needs of consumers in health and nutrition. The Company has successfully launched different new products and made improvement on old recipes for refinement as guarantee to higher quality in favor of the consumers.

2. Summary of 2018 business plan and future development strategies

2.1. Operating guidelines

(1) Development of products to the needs of the consumers with reference to the survey of consumers and the study on the trend of consumption in the future.

(2) Proper pursuit of traceability management, refinement of production process and technology upgrade, reinforcement of quality control to provide safe and healthy food for the consumers.

(3) Systematic training and development of good people through on-the-job training and rotation of duties inside the Group so that all personnel could be developed with a variety of skills, to the extent that the overall capacity of the group in operation and combat could be augmented.

2.2. Expected sales volume and important marketing policies

Based on the estimated sales of 427,024 tons in 2018, the future production-marketing policy is summarized as follows:

(1) Production

- Improvement of the business process of capital expenditure and operation in line with the development strategy of the Company and the corporate objective to enhance production efficiency.
- Careful selection of suppliers for bolstering the cooperation between upstream and downstream operations for the proper management of the suppliers, keeping abreast of the state of quality and search for the best match of supply and demand.
- Exercise strict control of all sections of the production process in conformity to relevant quality specifications and standards and provide consumers quality products.

(2) Marketing

- Keep abreast of market trend and feedback to the consumers by launching new products that satisfy the needs of different consumers.
- Strengthen the communications with the consumers and listen to the needs and feeling of the consumers. Serve the customers whole-heartedly to bolster brand identification.
- Keep up with the latest trend with flexible marketing strategy through a diversity of media and channels to reach different targeted groups of consumers, enhance visibility and receptiveness, and expand the consumer market and increase market share.

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

3.1. External competitions

In an unpredictable environment with rapid change in the virtual and physical channels, and the keenly competitive market of food consumption at home and aboard, the Company is bound to attune to the change in consumption habits brought about by the changes in channels. Despite such environment of acute competition, Standard Foods will continue to development health foods for the consumers so that they could have the peace of mind in consuming. In responding to the changeable market, Standard Foods must be more flexible in developing innovative products with high added value, and try every marketing channel for seeking the opportunity to access different groups of consumers so as to reinforce brand image and earn the support of consumers, and maintain its status as a leading brand in market.

3.2. Legal environment

The government has been making ceaseless effort in legislation to make food safety and health management perfect for food safety of the people and the protection of consumer rights. Ever since the implementation of the food traceability system by the Ministry of Health and Welfare, the Company has to upload related information to the "Food Traceability Management Information System (Must be traceable)" on a monthly basis. In addition, Standard Foods adopted the traceability system of all its food products well before the government regulation has come into effect. The Company positively supports the regulation for enforcement data registration and the establishment of the good safety monitoring program, and dedicated to become the most reliable food company among world community of ethnic Chinese.

3.3. Macro environment

In 2018, the advocacy of prospective infrastructure program of Taiwan with the launch of several investment projects, the upward adjustment of basic wages for the labor, and the salary increment for the military, civil servants and teachers are expected to stimulate domestic economic growth or upgrade. However, the unpredictable international situation, the trade war between the USA and China, the tax reform of the USA and the interest rate adjustment policy of the FED, the tensions triggered by DPRK and the Middle East will likely intensify the fluctuation of currency exchange rate and cause significant influence on bulk materials and raw materials, which in turn triggers domestic economic change and affects the domestic consumption market. The food industry will be particularly vulnerable, as it heavily relies on import of raw materials and the domestic consumption market. As for Standard Foods, "Quality and Safety" will be the unchanged commitment to the consumers. The Company will continue to give the peace of mind for the consumers with high quality, and firmly believes that only the products with customer satisfaction could earn the loyalty and reliability of consumers.

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

Two. Company Profile

I. Date of Incorporation: June 6, 1986

II. Development history

1986	• Standard Foods Taiwan Ltd. was invested and established by Standard International Foods Corp. The paid-in capital was NT$4,788,300. • Quaker Products Taiwan Ltd. invested in Standard Foods Taiwan Ltd., the paid-in capital increased to NT$4,788,400. • Standard Foods acquired the assets of Quaker Products Taiwan Ltd. and was granted its business license on August 8 to continue to manufacture and sell Quaker's White Oats and Baby Cereal. • Increased the paid-in capital to NT$15,000,000 by cash capitalization of NT$10,211,600.
1987	• Quaker Products Taiwan Ltd. transferred all its shares in the Company to Quaker Oats Company. • Expansion of Ta Yuan plant facilities at an expense of over NT$15 million.
1988	• Increased the paid-in capital to NT$45,000,000 with retained earnings of NT$30,000,000 for expanding facilities and acquiring manufacturing equipment.
1990	• Acquired land in Wugu Industrial District for an amount over NT$120 million. • Grand opening of the first Pizza Inn Restaurant in Taiwan. • Increased the paid-in capital to NT$162,000,000 with retained earnings of NT$117,000,000. Par value of each share split from NT$100 to NT$10. • Securities and Exchange Commission authorized the Company as a public company.
1991	• Expansion of Ta Yuan shipping warehouse at an expense of over NT$21 million. • Increased the paid-in capital to NT$194,400,000 with retained earnings of NT$32,400,000
1992	• Increased the paid-in capital to NT$307,152,000 with retained earnings of NT$64,152,000 and cash capitalization of NT$48,600,000.
1993	• Invested in Standard Foods Singapore Pte Ltd. of US$2.32 million to re-invest an amount of US$2.25 million in Suzhou Standard Foods Co. to manufacture cereal products. • Increased the paid-in capital to NT$430,012,800 with retained earnings of NT$122,860,800. • Invested $79,999 thousand in Standard Friendship Taiwan Ltd. for 99.99% shareholdings. • Food and beverages operations transferred to Standard Friendship Taiwan Ltd. for professional management.
1994	• Increased the paid-in capital to NT$602,017,920 with retained earnings of NT$172,005,120. • The Company became a listed company in the Taiwan Stock Exchange on April 9.
1995	• Increased the paid-in capital to NT$848,338,570 with retained earnings of NT$246,320,650.

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

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

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

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

1999
- Increased the paid-in capital to NT$2,623,606,510 with retained earnings of NT$528,904,150.
- Invested NT$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.

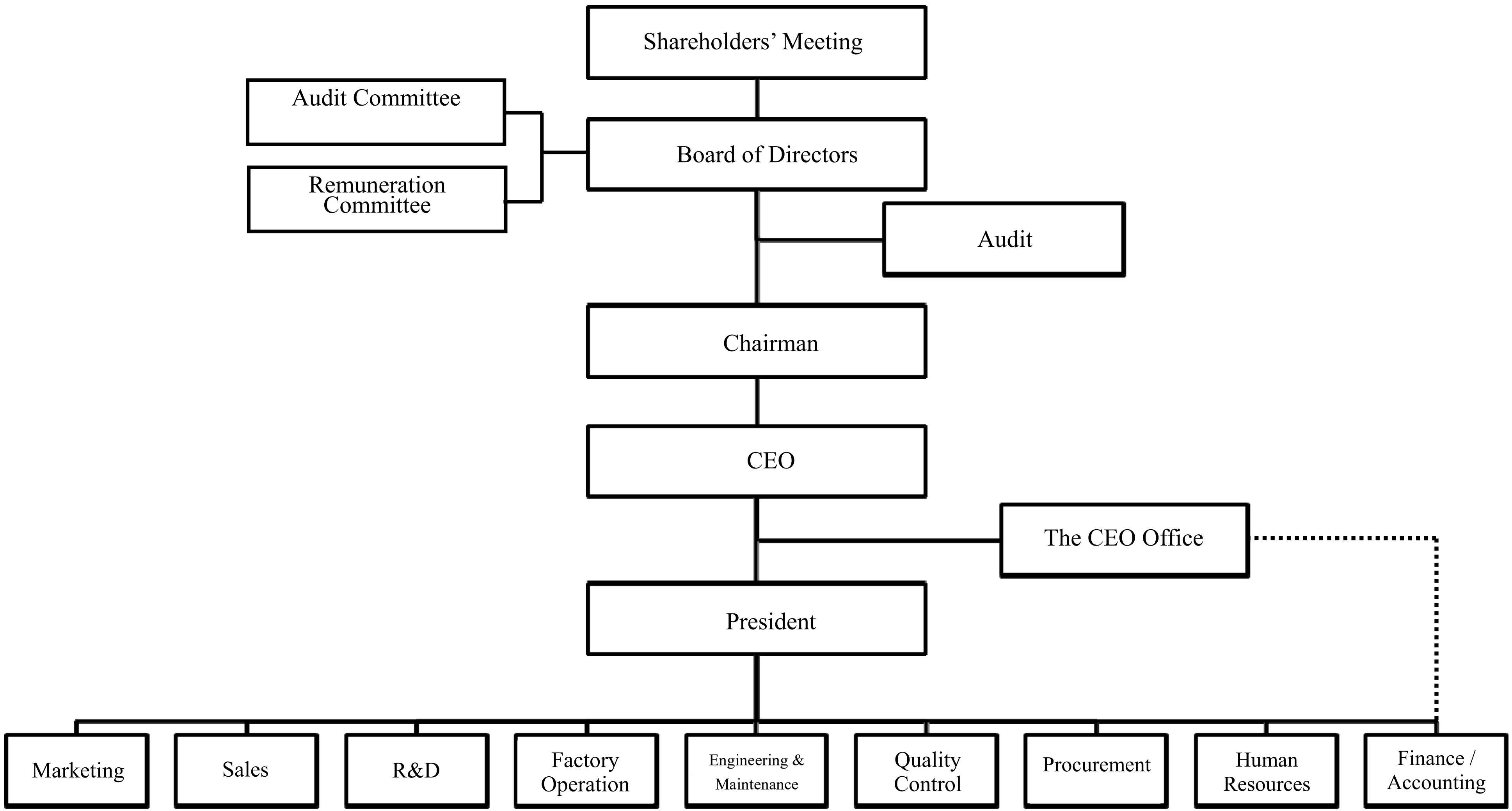
2017

- 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.

Three. Corporate Governance Report

I. Organization of company

I.1. Organization chart



I.2. Department function description

- The CEO Office:
  Administering the finance, shares registration and transfer, asset management, legal affairs, and information management of the Group.

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

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

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

- Factory Operation:
  The production, manufacturing, packaging, warehousing and transportation, inventory management, supply planning and implementation of oat products, baby cereal foods, milk powder, edible oil and health supplement beverages, and the management of occupational safety and health in factories.

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

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

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

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

- Finance/Accounting:
  The compilation and supply of accounting information, preparation of annual budget, and credit management and share registration management.

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 17April, 2018; 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 and CEO of the Company Chairman of Standard Dairy Products Taiwan Ltd. Chairman of Domex Technology Corporation Chairman of Standard Beverage Ltd. Director of Accession Limited Director of Polytronics Technology Corporation Director of Green Wall Enterprise Co., Ltd. Independent Director of PlexBio Co., Ltd. Supervisor of Crosslink Semiconductor, Inc. Director of Standard Investment (Cayman) Limited Director of Standard Corp (HK) Ltd. Director of Standard Investment (China) Ltd. 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	June 15, 2016	3 years	June 15, 2016	19,620,632	2.48%	22,650,057	2.48%	0	0.00%	0	0	0	0	Polytechnic Institute of New York University Ph.D. of Systems Engineering	Chairman and Chief Executive Officer of TPV Technology Limited Independent director of Array Inc. Chairman of Shanghai Standard Foods Co. Chairman of Standard Investment (China) Ltd. Chairman of Standard Foods (China) Ltd. Chairman of Le Bonta Wellness Co., Ltd. Chairman of Standard Foods (Xiamen) Co., Ltd.	NONE	NONE	NONE
Director	ROC	Mu Te Investment Co. Ltd. Representative: Wendy Tsao	Female	June 15, 2016	3 years	June 15, 2016	19,620,632	2.48%	22,650,057	2.48%	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	President of Standard Investment (China) Ltd. President of Shanghai Standard Foods Co. President of Standard Foods (China) Ltd. President of Standard Foods (Xiamen) Ltd. President of Le Bonta Wellness Co., Ltd. Chairman of Shanghai Dermalab Corporation Chairman of Shanghai Le Ho Industrial Co., Ltd. Chairman of Shanghai Le Min Industrial Co., Ltd.	Chairman	Ter-Fung Tsao	Father
Independent Director	ROC	Ben Chang	Male	June 15, 2016	3 years	June 15, 2016	0	0.00%	0	0.00%	0	0.00%	0	0	0	0	Master in Statistics, National Chengchi University, R.O.C	Honorary Chairman of Polytronics Technology Corporation Independent director of Pegatron Corporation Independent director of Raydium Semiconductor Corporation	NONE	NONE	NONE

Title	Nationality or Residency	Name	Gender	Date elected (inaugurated)	Term (year)	Date of First Elected	Shareholding when elected		Current Shareholding		Current shareholding of representative		Shareholding of spouse and minor		Shares held by other persons in their names		Experience (Education)	Current Position With Other Company	Executives who are spouses or within 2 degrees of consanguinity		
							Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%			Title	Name	Relation
Independent Director	ROC	George Chou	Male	June 15, 2016	3 years	June 15, 2016	0	0.00%	0	0.00%	0	0.00%	0	0	0	0	Master in Mathematics, Colorado State University	Senior Adviser of Chunghwa Telecom Co., Ltd. Independent Director of Yulon Motor Co., Ltd. Independent Director of Taiwan Acceptance Corporation Independent Director, Fubon Life Insurance Co., Ltd. Representative of Institutional Director Kino Biotech Co., Ltd.	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 Director of Chander Electronics Corp.	NONE	NONE	NONE

II.1.2. Major shareholders of institutional shareholders

As of 17 April, 2018

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 17 April, 2018

Name of legal person	Major shareholders of the legal persons	Shareholding (%)
Standard Foods Corporation	Mu Te Investment Co., Ltd. Trust Property Account	17.16
	Chia Yun Investment Co., Ltd. Trust Property Account	14.55
	Chia Chieh Investment Co., Ltd. Trust Property Account	11.85
	Ter-Fung Tsao	4.46
	Bilai Investment Co., Ltd.	3.61
	Mu Te Investment Co., Ltd.	2.48
	RBC Emerging Markets Equity Fund under the custody of HSBC	2.29
	Chun-Yao Lin	1.33
	Nan Shan Life Insurance Co., Ltd.	1.18
	Fubon Life Insurance Co., Ltd.	1.17

II.1.4. Independence of directors and supervisors

As of 17 April, 2018

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		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 V.P. and Department Heads

As of May 22, 2018

Title	Nationality or Residency	Name	Gender	Date elected (inaugurated)	Shareholding		Shareholding of spouse and minor		Shares held by other persons in their names		Experience (Education)	Currently holds a position with other companies	Manager who is with a spouse or 2nd cousin status		
					Shares	Shareholding ratio%	Shares	Shareholding ratio%	Shares	Shareholding ratio%			Title	Name	Relation
CEO	ROC	Ter-Fung Tsao	Male	May 5, 2017	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 Limited Director of Polytronics Technology Corporation Director of Green Wall Enterprise Co., Ltd. Independent Director of PlexBio Co., Ltd. Supervisor of Crosslink Semiconductor, Inc. Director of Standard Investment (Cayman) Limited Director of Standard Corp (HK) Ltd. Director of Standard Investment (China) Ltd. Chairman, Mu Te Investment Co., Ltd. Director, Chia Yun Investment Co., Ltd. Director, Chia Chieh Investment Co., Ltd.	NONE	NONE	NONE
President	USA	Yao Steven Yih-Chun	Male	May 1, 2017	0	0.00%	0	0	0	0	Master of Northwestern University U.S.A. Attorney Partner, Bluefield Ventures, Partner, Dubuglo Vice President of California Pacific Bank Vice President of Supply Chain of Standard Foods Corporation President, Standard Foods.	Chairman, Charng hui Ltd. Director of Standard Dairy Products Taiwan Ltd. Director, Le Bonta Wellness International Co. Director, Dermalab S.A.	NONE	NONE	NONE
Vice President, Marketing and Sales	ROC	Glendy Chiang	Female	July 1, 1992	441,720	0.05%	0	0	0	0	National Taiwan University Marketing Director of Standard Foods Corporation	Director of Standard Beverage Company Ltd. Director, Dermalab S.A Director of Standard Investment (China) Ltd.	NONE	NONE	NONE
Chief Financial Officer	ROC	Chris Hong	Female	September 30, 2015	0	0.00%	0	0	0	0	Master, National Cheng Chi University. Vice President of PriceWaterhouseCoopers CPA Firm President, Standard Dairy Products Taiwan Ltd.	Director of Standard Dairy Products Taiwan Ltd. Director of Standard Beverage Company Ltd. Director, Domex Technology Corporation Director of GeneFerm Biotechnology Co., Ltd. Supervisor of, Shanghai Standard Foods Co. Supervisor of Standard Investment (China) Ltd. Supervisor of Standard Foods (China) Ltd. Supervisor of Shanghai Dermalab Corporation Supervisor of Le Bonta Wellness Co., Ltd. Supervisor of Shanghai Le Ho Industrial Co., Ltd. Supervisor of Shanghai Le Min Industrial Ltd. Supervisor of Standard Foods (Xiamen) Ltd.	NONE	NONE	NONE
Director of Human Resources	ROC	Larry Fong	Male	March 1, 2011	0	0	0	0	0	0	Master of NCU Director of Human Resources, SINTEK Manager of Administration Dept, SUNPLUS/ Heng Tung Advanced Technology Vice Director of Human Resources, HannStar	Director of Le Bonta Wellness Co., Ltd.	NONE	NONE	NONE
Audit Manager	ROC	Yun-Yun Yeh	Female	August 3, 2017	0	0	0	0	0	0	Dept of Statistics, Tamkang University Auditor, Les Enphats	NONE	NONE	NONE	NONE

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

II.3.1. Remuneration of Directors

Unit: NT$1,000

Title	Name	Remuneration of Directors								Ratio of A+B+C+D to Net income (%) (Note 2)		Remuneration of part-time employees								Ratio of A+B+C+D+E+F+G to Net income (%) (Note 2)		Remuneration from the invested company other than the Company's subsidiary
		Remuneration (A)		Pension (B)		Remuneration for directors (C)		Business expense (D) (Note 1)				Salary, bonus, and compensation (E) (Note 1)		Pension (F)		Compensations for employees (G)						
		From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report	From the Company		From all consolidated entities in this report		From the Company	From all consolidated entities in this report	
																Cash	Stock	Cash	Stock			
Chairman	Ter-Fung Tsao	0	0	0	0	15,449	15,449	420	420	0.73	0.73	10,862	10,862	340	340	430	0	430	0	1.27	1.27	NONE
Director	Jason Hsuan																					
Director	Wendy Tsao																					
Director	Arthur Tsao																					
Independent Director	Ben Chang																					
Independent Director	George Chou																					
Independent Director	Daniel Chiang																					

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

Note 1: Expenses incurred in 2017

Note 2: Net income stated in the separate financial statements in 2017.

Remuneration Bracket

Remuneration to directors	Name of directors			
	Total amount of the first four categories(A+B+C+D)		Total amount of the first seven categories(A+B+C+D+E+F+G)	
	From the Company	From all consolidated entities in this report	From the Company	From all consolidated entities in this report
Below $2,000,000	Arthur Tsao, Ben Chang, George Chou, Daniel Chiang	Arthur Tsao, Ben Chang, George Chou, Daniel Chiang	Ben Chang, George Chou, Daniel Chiang	Ben Chang, George Chou, Daniel Chiang
2,000,000 (inclusive) ~ 5,000,000 (non-inclusive)	Ter-Fung Tsao, Wendy Tsao, Jason Hsuan	Ter-Fung Tsao, Wendy Tsao, Jason Hsuan	Arthur Tsao, Wendy Tsao, Jason Hsuan	Arthur Tsao, Wendy Tsao, Jason Hsuan
5,000,000 (inclusive) ~ 10,000,000 (non-inclusive)	0	0	0	0
10,000,000 (inclusive) ~ 15,000,000 (non-inclusive)	0	0	Ter-Fung Tsao	Ter-Fung Tsao
15,000,000 (inclusive) ~ 30,000,000 (non-inclusive)	0	0	0	0
30,000,000 (inclusive) ~ 50,000,000 (non-inclusive)	0	0	0	0
50,000,000 (inclusive) ~ 100,000,000 (non-inclusive)	0	0	0	0
$100,000,000 and over	0	0	0	0
Total	7	7	7	7

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

II.3.2. Remuneration of President and Vice President

Unit: NT$ thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)
(Note 2)</th><th colspan="2">Pension (B)
(Note 3)</th><th colspan="2">Bonuses and Allowance
(C)
(Note 2)</th><th colspan="4">Compensations for Employees
(D)</th><th colspan="2">Ratio of A+B+C+D to Net income (%)
(Note 1)</th><th rowspan="3">Remuneration from the invested company other than the Company's subsidiary</th></tr>
<tr><th rowspan="2">From the Company</th><th rowspan="2">From all consolidated entities in this report</th><th rowspan="2">From the Company</th><th rowspan="2">From all consolidated entities in this report</th><th rowspan="2">The Company (Note 2)</th><th rowspan="2">From all consolidated entities in this report</th><th colspan="2">From the Company</th><th colspan="2">From all consolidated entities in this report</th><th rowspan="2">From the Company</th><th rowspan="2">From all consolidated entities in this report</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>President</td><td>Ter-Fung Tsao</td><td rowspan="2">5,437</td><td rowspan="2">5,437</td><td rowspan="2">349</td><td rowspan="2">349</td><td rowspan="2">2,643</td><td rowspan="2">2,643</td><td rowspan="2">580</td><td rowspan="2">0</td><td rowspan="2">580</td><td rowspan="2">0</td><td rowspan="2">0.41</td><td rowspan="2">0.41</td><td rowspan="2">NONE</td></tr>
<tr><td>President</td><td>YAO STEVEN YIH CHUN</td></tr>
</table>

Note 1：Net income stated in the separate financial statements in 2017.

Note 2：Expenses incurred in 2017.

Note 3：Appropriation of pension expense for the contracted management.

Note 4：President Ter-Feng Tsao resigned from office on May 1 2017. VP YAO STEVEN YIH CHUN succeeds the office.

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)	YAO STEVEN YIH CHUN	YAO STEVEN YIH CHUN
5,000,000 (inclusive) ~ 10,000,000 (non-inclusive)	Ter-Fung Tsao	Ter-Fung Tsao
10,000,000 (inclusive) ~ 15,000,000 (non-inclusive)	0	0
15,000,000 (inclusive) ~ 30,000,000 (non-inclusive)	0	0
30,000,000 (inclusive) ~ 50,000,000 (non-inclusive)	0	0
50,000,000 (inclusive) ~ 100,000,000 (non-inclusive)	0	0
$100,000,000 and over	0	0
Total	2	2

II.3.3 Employee Compensations for Management

As of April 17, 2018; Unit: NT$ thousands

	Title	Name	Stock	Cash	Total	Ratio of the total amount of net income[1] (%)
Management	President (Note 2)	Ter-Fung Tsao	0	580	580	0.03%
	President	YAO STEVEN YIH CHUN				
	Assistant Vice President, Sales and Marketing	Glendy Chiang				
	Chief Financial Officer	Chris Hong				
	Director of Human Resources	Larry Fong				
	Audit Manager (Note 4)	Hui-Jun Fu				

Note 1：Net income stated in the separate financial statements in 2017.
Note 2：President Ter-Fung Tsao resigned the office on May 1, 2017, and the office of presidency was succeeded by vice president Yao Steven Yih-Chun .
Note 3：Ter-Fung Tsao has become the Chief Executive Officer on May 5, 2017.
Note 4：Chief Internal Auditor Hui-Jun Fu resigned from office on August 3 2017 and was succeeded by Yun-Yun Yeh.

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	2016				2017			
	Total amount of remuneration		Ratio of total amount to net income (%)		Total amount of remuneration		Ratio of total amount to net income (%)	
	From the Company	Companies in the consolidated financial statements	From the Company	Companies in the consolidated financial statements	From the Company	Companies in the consolidated financial statements	From the Company	Companies in the consolidated financial statements
Director	16,219	16,219	0.62	0.62	15,869	15,869	0.73	0.73
Supervisor	2,703	2,703	0.10	0.10	-	-	-	-
President	8,834	8,834	0.34	0.34	8,850	8,850	0.41	0.41
Total	27,756	27,756	1.06	1.06	24,719	24,719	1.14	1.14

(1) The analysis of the remunerations to the Directors, Supervisor, and President of the Company in proportion to the net income stated in the separate financial statements of the last 2 years:

The ratio of the remunerations to the Directors, Supervisors and Presidents of the Company to net income of all companies included in the consolidated financial statements paid in 2017 indicated an increase from 2016 mainly because of the net income of the Company in 2017 was in decline as compared with 2016.

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

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

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

III. Corporate Governance

III.1. Operation of the Board of Directors

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

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

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
Mar. 24, 2017 (The 4th regular session of the 12th Board)	Amendment to the "Procedure for the Acquisition or Disposition of Assets" of the Company. Amendment to the "Procedure for the Loaning of Funds" of the Company	Passed by all Independent Directors
Aug. 3, 2017 (The 6th regular session of the 12th Board)	Assessment of the selection of the external auditors (CPAs) and the independence of the CPAs Appointment of the new chief of internal audit of the Company	
Nov.10, 2017 (The 7th	The Guideline for the Conduct of Internal Audit of the Company	

regular session of the 12th Board)	The Company undertook endorsement/guarantee in favor of the BVI subsidiary, Eike Information Co., Ltd. for credit limit of derivative trade	

(2) Any other documented objections or qualified opinions raised by independent director against board resolution in relation to matters other than those described above that were included in records or stated in writing: None.

2. The name of the directors who have excused themselves from the meeting due to a conflict of interest (the content of the case, the reason for the conflict of interest and the voting must be stated in detail): In the session held on May 5, 2017, the Board moved to the appointment of the position of CEO. This motion was passed by all Directors as stated in common consent except Chairman Ter-Fung Tsao, who recused from the discussion and resolution of the motion to avoid the conflict of interest under the Company Act and the Parliamentary Procedure of the Company.
3. The objective of fortifying the function of the Board in current year and the most recent year and assessment on the state of attainment: The Board passed the "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles", and "Ethical Corporate Management Best Practice Principles" in a session of the Board held on November 11, 2016.

III.2. The operation of the Auditing Committee:

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

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual (proxy) attendance (%) [B / A]	Remarks
Independent Director	Ben Chang	5	0	100%	
	George Chou	4	1	80%	
	Daniel Chiang	3	2	60%	

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	The opinions of the Audit Committee and the response of the Company
Mar. 24, 2017 (The 4th regular session of the 12th Board)	Financial statements of 2016. Amendment to the "Procedure for the Acquisition or Disposition of Assets" of the Company. Amendment to the "Procedure for Loaning of Funds" of the Company. The Statement of Declaration of Internal Control of the Company in 2016.	All members of the Audit Committee passed the motion in common consent
Aug. 3, 2017	The appointment of the external auditors (CPAs) and the	

(The 6^{th} regular session of the 12^{th} Board)	assessment of the independence of the CPAs. Financial Reporting on Q2 2017. The appointment of the new Chief Internal Auditor of the Company.	
Nov.10, 2017 (The 7^{th} regular session of the 12^{th} Board)	The Guidelines for the Internal Audit of the Company. The Company undertook endorsement/guarantee in favor of the BVI subsidiary, Eike Information Co., Ltd. for credit limit of derivative trade.	

(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: N/A.

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.	

Assessment Item	Status of Implementation			Non-compliance with the CGBPP and reasons
	Yes	No.	Performance Summary	
(2) After establishing the compensations committee and audit committee by the law, does the Company voluntarily establish other functional committees?		✓	2. Apart from establishing the Remuneration Committee and Audit Committee with reference to the Company Act, the Company did not establish other functional committees.	
(3) Does the Company establish board performance evaluation regulations and methods to evaluate board performance every year?	✓		3. Based on the Compensations Committee Charter, the Compensations Committee establishes and regularly reviews the annual and long-term performance targets, remuneration policy, system, standard, and structure of directors, independent Director, and managers.	
(4) Does the Company assess the independency of its CPAs?	✓		4. The Company hires one of the leading domestic CPA firms as our certifying accountant. This firm is not a related party of the Company. The Company also assesses the independence of the CPA.	
4. For TWSE/TPEx-listed financial holding companies, is there any unit or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors and supervisors with the information needed to perform their duties, convening board meetings and shareholder meetings, changing company registration, maintaining board/shareholder meeting minutes etc.)?	✓		The Company has set up personnel that specializes in providing instant information to shareholders, assisting to maintain the list of major shareholders, providing directors and supervisors with the information needed to perform their duties, convening board meetings and shareholder meetings, changing company registration, maintaining board/shareholder meeting minutes, and regularly assessing the independency and competency of the CPAs.	The Company complies with Article 3-1 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
5. Does the Company establish mechanisms for communicating with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and a stakeholder site on the corporate website to appropriately respond to material CSR topics they concern about?	✓		Apart from establishing the spokesperson system, the Company effectively discloses information over MOPS for shareholders and stakeholders to fully understand the status of the Company's finance, sales, and corporate governance. We have also established a "stakeholder page" on the corporate website. Stakeholders can reach us by phone or email to express their concerns about CSR to our contact window.	The Company complies with Article 51 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.
6. Does the Company assign professional registers to handle shareholder meeting affairs?	✓		The Company assigns Transfer Agency Department of CTBC Bank Co., Ltd. to provide shareholder services.	The Company complies with Article 7 of the CGBPP.
7. Information disclosure (1) Does the Company establish a website to disclose financial and corporate governance information?	✓		1. (1) Financial information disclosure: The Company has established an "investor information site" on the corporate website and discloses and updates financial information at regular intervals for investors. (2) Sales information disclosure: The Company discloses the information of all	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)?	✓		products and the latest promotional activities on the corporate website for customers to enquire. (3) Corporate governance information disclosure: The Company discloses on the corporate website information regarding the internal audit organization and operation, material information notification, board meeting resolutions, and major regulations. 2. The Company has appointed a spokesperson and a deputy spokesperson and assigned a dedicated unit to gather and disclose corporate information. For material information required public disclosure, we proceed with reference to the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities. We have disclosed the process and relevant information on our corporate website for the shareholders' reference.	
8. Does the Company disclose other information for investors better understand its corporate governance practices (including but not limited to employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights and benefits, training for directors and Audit Committee, implementation of risk management policies and risk assessment standards, implementation of customer relations policies, and insurance for directors and Audit Committee)?	✓		1. Employees benefits and care (1) Given that employee capital is one of the most important corporate assets, the Company has established the Employee Work Rules with reference to the Labor Standards Law and relevant laws and regulations to define the rights, benefits, and obligations of employees. (2) The Company continuously and systematically improves employee quality. Apart from arranging employee education and training, we provide opportunities and funds for external training and cultivate excellent employees through job rotation, project participation, and guidance of senior officers. (3) The Company has established an employee welfare committee. Apart from issuing cash gifts on major festivals and employee birthdays, we subsidize employee club activities and travels and provide allowances for weddings, funerals, childbirth, and occupational injury and disease. In addition, we arrange health examination, group accident insurance, and healthcare insurance for employees all at the Company's expense. (4) 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	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	
			established the "investor information" site on the corporate website to keep investors posted with relevant corporate information. We have also provided stock service contact information to maintain virtuous and harmonious relations between the Company and shareholders. 3. Supplier relations: The Company maintains unobstructed communication with suppliers through unimpeded channels and conduct business with suppliers in a fair and ethical manner, so as to establish long-term, steady, and mutual trust cooperation and pursue sustainable growth together. In addition, we evaluate suppliers at planned intervals to select good suppliers as our partners. 4. Stakeholder rights: The Company provides unimpeded channels to communicate with stakeholders and respects and maintains their rights and benefits proper. If any concerns arise against stakeholders' legitimate rights, the Company will properly handle based on the principle of good faith. 5. Further education for directors and Audit Committee: Directors and Audit Committee of the Company are all professionals in respective fields, and please refer to the appendix on page 27 for summary of training for directors. 6. Risk management policy and risk assessment: Please refer to "Risk Management Last Year and by Report Publishing Date" on page 271-273 for the details of the risk management policy, organizational framework, and relevant risk controls of the Company. In addition, the Company has analyzed, followed up, and addressed events that could cause high risk to operational goals to optimize the risk management mechanism. 7. Customer service policy: The Company has set up a customer service line to provide an impeded channel for customer communication. We also actively participate in relevant food safety associations, perform our member responsibilities and obligations, care about community care and philanthropy, and apply for relevant health food certification. 8. Insurance for directors and members of Audit Committee: the Company has insured itself against liabilities of its directors and members of Audit Committee.	
9. Please explain the improvements made based on the 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 2017

Title	Name	Training Date	Organizer	Course Name	Training Hours
Chairman	Ter-Fung Tsao	2017.03.31	Accounting Research and Development Foundation	The Outlook of the Capital Market in Taiwan	3
		2017.08.14	Accounting Research and Development Foundation	Case Study on Insider Trade	3
Independent Director	George Chou	2017.08.09	Taiwan Corporate Governance Association	Significant Reform of the Audit Report	3
				How Directors and Supervisors Supervise Risk Management and Crisis Management	3
		2017.09.05	Taiwan Corporate Governance Association	The AI Revolution & Opportunities for Banking Industry	3
Independent Director	Daniel Chiang	2017.11.10	Taiwan Corporate Governance Association	Commercial Concern and Legal Risk in Corporate Decision-Making	3
				Major Topics of the new amendment to the Company Act	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 (Note 3)
		Teachers of public or private colleges for the subject of commerce, law, finance, accounting, or business	Judge, prosecutor, attorney, accountant, or business salesperson who passed national exams & certified specialists or technicians	With job experience in commerce, law, finance, accounting, or business	1	2	3	4	5	6	7	8		
Independent Director	Ben Chang			V	V	V	V	V	V	V	V	V	2	-
Independent Director	George Chou			V	V	V	V	V	V	V	V	V	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 Company is committed to enhancing the efficiency of various resources. For example, we have implemented paper recycling, simplified business processes to minimize paper consumption, adopted electronic approval to some processes, and reused Kraft paper envelopes for internal document delivery.	The Company complies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Does the Company establish an appropriate environmental management system (EMS) according to the characteristics of its industry?	✓		2. The Company has been accredited with the CNS15506 (TOSHMS) and is in pursuit of the ISO14001 environmental management system. For occupational health and safety (OSH), environmental protection, and corporate social responsibility, we have established a complete set of regulations of in conformity to the audit standard and to the expectation of the public on feedback of the Company. In addition, the Company has also appointed designated personnel of the Occupational Health and Safety & Administration Department to implement and supervise operation of the OSH system and EMS. The Company also established standards to control wastewater and the emission of air pollutants in accordance with applicable rules and regulations governing environmental protection. In practice, we check the readings of the meters and take sample specimens at regular intervals to ensure effluent and emissions in compliance with the rules and regulations of the government.	

(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				The Company complies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(1) Does the Company establish relevant management policies and procedures with reference to relevant international regulations and international human rights treaties?	✓		1. The Company has established the "Employee Work Rules" to protect the rights and benefits of employees and contributed pension funds for employees. The Company has also established the Employee Welfare Committee to undertake various employee welfare affairs.	
(2) Does the Company establish mechanisms and channels for and properly handle employee grievances?	✓		2. The Company has established a grievance system and procedures as defined in the "Measures for Workplace Sexual Harassment Prevention" and Regulations for Grievances and Punishment". The Company has also established the Grievance Address Committee to implement the grievance system. Apart from reporting grievances to the committee, employees can file their grievances by grievance hotline or e-mail.	
(3) Does the Company provide employees with a safe and healthy work environment and regularly arrange safety and health training/education for employees?	✓		3. The Company has provided education and training on labor safety and health in August and October in 2017, and conducted a health examination for all of the plants in August. In addition, the Company also feed 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 continually and systematically improves employee quality, designs training programs with reference to the required competencies of corresponding positions, and promotes personal and organizational development and growth through a multidimensional learning environment.	
(6) Does the Company establish policies and procedures to protect consumer rights and benefits in R&D, procurement, production, operation, and service processes?	✓		6. The Company provides a hotline of the contact window for stakeholders on the corporate website to provide immediate services and assistance so as to maintain and protect consumer rights and benefits.	

(7) Does the Company follow relevant regulations and international standards to market and label products and services?	✓		7. The Company labels foods and manages advertisements with reference to the "Act Governing Food Safety and Sanitation" and discloses ingredient supplier information with reference to the "Regulations Governing the Registration of Food Businesses".	
(8) Does the Company assess if suppliers have records of causing impacts on the environment and society?	✓		8. The Company evaluates each supplier prior to having business with them. The evaluation also includes if suppliers have food safety records and assesses the severity of their offences, so as to select excellent suppliers as partners through the supplier evaluation process.	
(9) When signing contracts with major suppliers, does the Company include the following terms in the contract: when suppliers violate the Company's CSR policy and have significant impact on the environment and society, the Company may terminate or rescind the contract at any time?	✓		9. Given food safety is the most important thing to protect consumer rights and benefits, although the Company does not include CSR-related terms in contracts signed with suppliers, through periodic visits and annual evaluation and audit of active suppliers, the Company reinforces supplier management to ensure the quality (Q), cost (C), delivery (D), and service (S) of suppliers and ingredients conform to production needs and thereby ensure consumer health and safety.	
4. Reinforcement of disclosure of CSR information. (1) Does the Company disclose relevant and reliable CSR information on the corporate website and MOPS?	✓		The Company has form a dedicated team to promote CSR affairs. In addition, we began publishing our own 2015 and 2016 CSR reports and established the "CSR" site on the corporate website for the public to download the Company's CSR reports.	The Company complies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.

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

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

Item	Beneficiary	Item	Beneficiary
1	Gabriel Foundation	11	Catholic Marian Long-term Care Center
2	Chinese Christian Relief Association	12	Tung's Foundation
3	Taipei Communications Educational Foundation	13	International Life Sciences Institute Taiwan
4	Taipei Trend Study Educational Foundation	14	GVC Thanksgiving Foundation
5	Civil Foundation of NCKU	15	Yu-Cheng Social Welfare Foundation
6	Foundation for Poison Control	16	Taiwanese Association of Diabetes Educators
7	Chiayi Private 365 Social Welfare Foundation	17	Taipei Happy Mount
8	Taipei Campus Evangelical Fellowship	18	Society of Gynecologic Oncology, Republic of China
9	Hai Ching Foundation	19	VIA Cord Blood Stem Foundation
10	Chinese Christian Evangelistic Association	20	Foundation Julin Nursing Private Institution in Yilan

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

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

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

any unfair and unethical business operations and include the fair and ethical business operations clause in the transaction agreement signed with them? (2) Does the Company establish a dedicated (concurrent) unit directly under the board to promote fair and ethical business operations and report the effectiveness of implementation directly to the board? (3) Does the Company establish and implement policies to prevent conflicts of interest and provide appropriate channels for reporting such conflicts? (4) Has the Company established effective accounting and internal control systems to implement fair and ethical business operations? Does the Company have these system audited regularly by the internal audit unit or a CPA? (5) Does the Company arrange regular internal/external training/ education for fair and ethical business operations?	 ✓ ✓ ✓ ✓		resources unit is the dedicated (concurrent) unit to promote fair and ethical business operations. In addition, the Company has established a sound internal control system where internal auditors audit the performance of each unit at planned intervals. When new employees report to the Company, the human resources unit will inform them of the Company's fair and ethical business operations. In addition, we have established a laws and regulations site on the intranet to provide employees with relevant legal knowledge.	Management Best Practice Principles for TWSE/TPEX Listed Companies.
3. Operation of the whistleblower system (1) Does the Company establish a practical whistleblower and reward system and channels to facilitate reporting of unfair and unethical business operations and assign appropriate personnel to handle a reported case?	✓		Coordinated by the human resources unit, the Company's audit unit accepts reports on unfair and unethical business operations, and such reports and reward system, investigation standards and protection measures for informers are handled with reference to the Company's "Ethical Corporate Management Best Practice Principles" and human resources regulations.	The Company complies with the spirit of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

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

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

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

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

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

III.10.1. Statement of Internal Control

Standard Foods Corporation
Statement of Compliance of the Internal Control System

Date: March 22, 2018

This Company makes the following statements on the compliance of the internal control system during January 1-December 31, 2017 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, 2017 (including the supervision and management over subsidiaries), including the understanding of business performance and efficiency, the reliability, timeliness, transparency, and regulatory compliance of reports, the conformity to governing regulations, and the design and enforcement of the internal control system are effective and feasible to ensure the realization of the aforementioned objectives.
6. The Declaration of Internal Control is in our annual report and prospectus for public information. For any forgery and concealment of the aforementioned information to the public, we will be held responsible by law in accordance with Securities Transaction Regulation No. 20, No. 32, No. 171 and No. 174.
7. We hereby declare that the Declaration of Internal Control was approved by the seven directors at the board meeting unanimously on March 22, 2018

Standard Foods Corporation

Chairman: Ter-Fung Tsao (Signature)

President: Ter-Fung Tsao (Signature)

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

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

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

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

Date	Meeting	Proposals	Resolutions
2017/03/24	Board of Directors	1. Adoption of the 2017 business plan and budget. 2. Approval of the remuneration for directors and compensation for employees in 2016. 3. Adoption of the Company's financial statements and consolidated statements for 2016. 4. Approval of the distribution of 2016 earnings. 5. Approval of issuance of new shares with 2016 earnings. 6. Amendment of the Company's "Articles of Incorporation". 7. Amendment of the Company's "Procedures for Asset Acquisition and Disposal". 8. Amendment of the Company's "Procedures for Endorsements and Guarantees". 9. Approval of the data and agenda of the 2017 annual meeting of shareholders. 10. Authorization of the Chairman to sign documents with financial institutions for account opening, loans, and financial derivatives trade on behalf of the Company. 11. Approval of appointment of the Company's President. 12. Approval of the Company's "Statement of Compliance of the Internal Control System 2016". 13. Approval of the report on distribution of compensations for managerial personnel in 2016 and estimated compensations for managerial personnel in 2017.	1. Unanimously approved as proposed by all attended directors. 2. Unanimously approved as proposed by all attended directors. 3. Unanimously approved as proposed by all attended directors. 4. Unanimously approved as proposed by all attended directors. 5. Unanimously approved as proposed by all attended directors. 6. Unanimously approved as proposed by all attended directors. 7. Unanimously approved as proposed by all attended directors. 8. Unanimously approved as proposed by all attended directors. 9. Unanimously approved by all attended directors that the annual meeting of shareholders be held on June 22, 2017. 10. Unanimously approved as proposed by all attended directors. 11. Unanimously approved as proposed by all attended directors. 12. Unanimously approved as proposed by all

Date	Meeting	Proposals	Resolutions
			attended directors. 13. Unanimously approved as proposed by all attended directors.
2017/05/05	Board of Directors	1. Appointment of Chief Executive Officer	1. Unanimously approved as proposed by all attended directors except Chairman Ter-Fung Tsao who has excused himself from the meeting due to a conflict of interest in accordance with the Company Act and Rules of Procedure for Board of Directors Meetings.
2017/08/03	Board of Directors	1. The motion of the capitalization of retained earnings in 2016 into new shares and payment of cash dividend and related matters. 2. The motion of the appointment of the external auditors (CPAs) and the assessment of the independence of the CPAs. 3. The motion of the appointment of the new chief internal auditor of the Company.	1. The motion was passed as stated by all Directors in session in common consent. 2. The motion was passed as stated by all Directors in session in common consent. 3. The motion was passed as stated by all Directors in session in common consent.
2017/11/10	Board of Directors	1. The motion of the institution of the "Guideline of Internal Audit" of the Company. 2. The motion of the approval of the 2018 "Annual Audit Plan". 3. The motion of the approval of applying for credit limit in derivative trade with Bank of Tokyo-Mitsubishi UFJ Taipei Branch amounting to USD3 million. 4. The motion of the approval of the undertaking of endorsement/guarantee for credit limit in derivative trade in favor of the BVI subsidiary of the Company, Eike Information Co., Ltd.. 5. The motion of the revocation of the resolution of the 2nd session of the 12th Board on raising capital of subsidiary Le Bonta Wellness International Co. amounting to NT$330 million. 6. The motion of the review of the performance evaluation of the	1. The motion was passed as stated by all Directors in session in common consent. 2. The motion was passed as stated by all Directors in session in common consent. 3. The motion was passed as stated by all Directors in session in common consent. 4. The motion was passed as stated by all Directors in session in common consent. 5. The motion was passed as stated by all Directors in session in common consent. 6. The motion was passed as stated by all Directors in

Date	Meeting	Proposals	Resolutions
		Directors and the Managers in 2017. 7. The motion of the approval of the remuneration to Directors and Managers (fixed salaries) in 2018.	session in common consent. 7. The motion was passed as stated by all Directors in session in common consent.
2017/12/12	Board of Directors	1. The motion of the approval of the business plan and budget of 2018. 2. The motion of the amendment to the “Parliamentary Procedure of the Board” of the Company. 3. The motion of the amendment to the “Organization Code of the Audit Committee” of the Company. 4. The motion of the institution of the “Regulations Governing the Duties of Independent Directors” of the Company. 5. The motion of planning to applying for the rollover of the credit limit with HSBC (Taiwan) Taipei Branch amounting to USD10 million and credit limit in derivative trade amounting to USD1 million.	1. The motion was passed as stated by all Directors in session in common consent. 2. The motion was passed as stated by all Directors in session in common consent. 3. The motion was passed as stated by all Directors in session in common consent. 4. The motion was passed as stated by all Directors in session in common consent. 5. The motion was passed as stated by all Directors in session in common consent.
2018/03/22	Board of Directors	1. The motion of the ratification of the financial statements and consolidated financial statements of 2017. 2. The motion of the distribution of earnings in 2017. 3. The motion of the approval of remuneration to Directors and Employees in 2017. 4. The motion of the amendment to the “Procedure for Undertaking Endorsement/Guarantee” of the Company. 5. The motion of the amendment to the “Procedure for the Loaning of Funds” of the Company. 6. The motion of the ratification of the Statement of Declaration of Internal Control in 2017. 7. The motion of applying for the	1. The motion was passed as stated by all Directors in session in common consent. 2. The motion was passed as stated by all Directors in session in common consent. 3. The motion was passed as stated by all Directors in session in common consent. 4. The motion was passed as stated by all Directors in session in common consent. 5. The motion was passed as stated by all Directors in session in common

Date	Meeting	Proposals	Resolutions
		rollover of credit limit with Mega Commercial Bank Xin Yi Branch amounting to NT$300 million. 8. The motion of undertaking endorsement/Guarantee in applying for the rollover of credit limit with ANZ Bank (Taiwan) Limited in favor of subsidiary Standard Beverage Co., Ltd. amounting to USD 5 million. 9. The motion of the amendment to the "Organization Code of the Remuneration Committee" of the Company. 10. The motion of the institution of the "Regulations Governing the Performance Evaluation of Directors and Managers". 11. The motion of the authorization of the Chairman to act on behalf of and in the name of the Company in affixing signature to documents related to financing and derivative trade. 12. The motion of setting the date and the agenda for the Shareholders' Meeting of 2018. 13. The motion of the payment of salaries to the Managers in 2017 and the budget for salaries in 2018.	consent. 6. The motion was passed as stated by all Directors in session in common consent. 7. The motion was passed as stated by all Directors in session in common consent. 8. The motion was passed as stated by all Directors in session in common consent. 9. The motion was passed as stated by all Directors in session in common consent. The Shareholders' Meeting was held on 2017/06/22. 10. The motion was passed as stated by all Directors in session in common consent. 11. The motion was passed as stated by all Directors in session in common consent. 12. The motion was passed as stated by all Directors in session in common consent. 13. The motion was passed as stated by all Directors in session in common consent.

(2) Important resolutions made at the Company's 2017 general shareholders' meeting:

1) Adoption of the business report and financial statements for 2016: Approved.

2) Adoption of 2016 earnings distribution: action has been taken in favor of the motion thereby stock dividend is payable at NT$0.4/share and cash dividend is payable at NT$1.6/share, and has completed.

3) Amendment to the Articles of Incorporation: amendment has been made in accordance with the resolution of the Shareholders' Meeting. The Ministry of Economic

Affairs approved the amendment with the issuance of the approval letter: Jing-Shou-Shang-Zi No. 10601126490 dated September 4 2017

4) The capitalization of retained earnings into new shares in 2016: Action has been taken in accordance with the resolution of the Shareholders" Meeting thereby stock dividend is payable at NT$0.4/share which amounted to NT$ 351,957,540 and cash dividend is payable at NT$1.6/share which amounted to NT$1,407,830,140. Paid-in capital before the issuance of new shares totaled 879,893,837 shares. The capitalization of retained earnings resulted in the offering of 35,195,754 new shares, which made up the total of 915,089,591 shares after the capitalization at NT$10/share and paid-in capital amounting to NT$ 9,150,895,910. The rights and obligations of the new shares are identical with the common shares previously issued (stated capital was NT$9,200 million at NT$10/share evenly split up into 920 million shares). The new shares were offered on 2017.08.27 (dividend day) with the payment of cash dividend. The payment day for the release of stock dividend and cash dividend was set on 2017.09.25. The approval letter of the Ministry of Economic Affairs for the capitalization of retained earnings was issued on 2017.09.04: Jing-Shou-Shang-Zi. No. 10601126490.

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:

As of May 22, 2018

Title	Name	Inauguration	Discharge	Reasons for resignation/discharge
Audit Manager	Hui-Jun Fu	2015.11.12	2017.08.31	Personal career planning

IV. CPA's fees

CPA Fee Bracket

CPA Firm	CPA's name		Auditing period	Remarks
Deloitte Touch Tohmatsu CPA Firm	CPA Ting-Chen Hsu	CPA Tse-Li Kung	January 2017- December 2017	

Unit: NT$ Thousand

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

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

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

V.2. Regarding successive CPAs

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

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

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

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

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

Unit: Shares

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Name</th><th colspan="2">2017</th><th colspan="2">As of April 17 in the same year</th></tr>
<tr><th>Shares Increase (decrease)</th><th>Shares under pledge Increase (decrease)</th><th>Shares Increase (decrease)</th><th>Shares under pledge Increase (decrease)</th></tr>
<tr><td>Chairman</td><td>Mu Te Investment Co., Ltd. Representative: Ter-Fung Tsao</td><td rowspan="3">871,156</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td></tr>
<tr><td>Director</td><td>Mu Te Investment Co., Ltd. Representative: Jason Hsuan</td></tr>
<tr><td>Director</td><td>Mu Te Investment Co., Ltd. Representative: Wendy Tsao</td></tr>
<tr><td>Director</td><td>Charng Hui Ltd. Representative: Arthur Tsao</td><td>256,518</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Independent Director</td><td>Ben Chang</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Independent Director</td><td>George Chou</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Independent Director</td><td>Daniel Chiang</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>CEO</td><td>Ter-Fung Tsao</td><td>1,571,084</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>President</td><td>YAO STEVEN YIH CHUN</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Vice President, Sales and Marketing</td><td>Glendy Chiang</td><td>16,989</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Chief Financial Officer</td><td>Chris Hong</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Director of Human Resources</td><td>Larry Fong</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
</table>

Chief of Auditing Office	Yun-Yun Yeh (Date of office: 2017/8/31)	0	0	0	0
Chief of Auditing Office	Hui-Jun Fu (Date of relief from office: 2017/8/31)	0	0	0	0
Major shareholder holding 10% or more	Mu Te Investment Co., Ltd. Trust Property Account	6,038,400	0	0	0
Major shareholder holding 10% or more	Chia Yun Investment Co., Ltd. Trust Property Account	5,120,208	0	0	0
Major shareholder holding 10% or more	Chia Chieh Investment Co., Ltd. Trust Property Account	4,169,160	0	0	0

VII.2. Shares transferred: None.

VII.3. Shares mortgaged: N/A.

VIII. The relation of the top ten shareholders

April 17, 2018 Unit: Share, %

Name (Note 1)	Shares held by shareholder		Shares held by shareholder's spouse and minor		Shares held in other's names		Name and relationship of spouse or a relative who is a top-ten shareholder and is within second degree of lineal consanguinity of another top-ten shareholder. (Note 3)		Remarks
	Shares	Shareholding ratio%(Note 2)	Shares	Shareholding ratio%	Shares	Shareholding ratio%	Name	Relationship	
Mu Te Investment Co., Ltd. Trust Property Account	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 the Chairman of Chia Yun	
							Chia Chieh Investment Co., Ltd. Trust Property Account	The Chairman of Mu Te also holds the position as the Chairman 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	
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 Chairman of Mu Te	
							Chia Chieh Investment Co., Ltd. Trust Property Account	The Chairman of Chia Yun also holds the position as the Chairman of Chia Chieh	

Representative: Yi-Ling Chen							Mu Te Investment Co., Ltd.	The Chairman of Chia Yun also holds the position as a Director of Mu Te	
	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	
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	
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 ChiaYun	
							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	-	-	
Mu Te Investment Co., Ltd.	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 a Director of Chia Yun	
							Chia Chieh Investment Co., Ltd. Trust Property Account	The Chairman of Mu Te also holds the position as a Director of Chia Chieh	
Representative: 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	
RBC Emerging Markets Equity Fund under the custody of HSBC	20,930,259	2.29%	0	0	0	0	-	-	
Chun-Yao Lin	12,140,000	1.33%	0	0	0	0	-	-	
Nan Shan Life Insurance Co., Ltd.	10,806,240	1.18%	0	0	0	0	-	-	
Representative: Ying-Zhog Du	0	0.00%	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, 2018; Unit: Shares

Transfer invested business (Note 1)	The Company's investment		Investment of director, supervisor, management, and the business controlled by the Company directly or indirectly		Comprehensive investment	
	Shares	Shareholding ratio %	Shares	Shareholding ratio %	Shares	Shareholding ratio %
Standard Dairy Products Taiwan Ltd.	30,000,000	100.0%	—	—	30,000,000	100.0%
Standard Beverage Co., Ltd.	7,907,000	100.0%	—	—	7,907,000	100.0%
Charng Hui Ltd.	24,100,000	100.0%	—	—	24,100,000	100.0%
Domex Technology Corporation	10,374,399	52.0%	—	—	10,374,399	52.0%
Le Bonta Wellness International Co.	N/A (Note 2)	100.0%	—	—	N/A (Note 2)	100.0%
Accession Limited	123,600,000	100.0%	—	—	123,600,000	100.0%
Dermalab S.A.	—	—	320	80.0%	320	80.0%
Shanghai Standard Foods Co.	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Shanghai Le Ben De Health Technology Co., Ltd.	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Swissderma, SL	—	—	3,000	100.0%	3,000	100.0%
Swiss Line Cosmetics China Limited	—	—	10,000	100.0%	10,000	100.0%
Standard investment (Cayman) Limited	150,060,815	100.0%	—	—	150,060,815	100.0%
Standard Corporation (Hong Kong) Ltd.	—	—	150,012,815	100.0%	150,012,815	100.0%

Standard Investment (China) Ltd.	—	—	N/A (Note 2)	99.0%	N/A (Note 2)	99.0%
Standard Foods (China) Corporation	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Shanghai Dermalab Corporation	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Le Bonta Wellness Co., Ltd.	N/A (註 2)	51.0%	N/A (Note 2)	49.0%	N/A (Note 2)	100.0%
Standard Foods (Xiamen) Co., Ltd.	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Shanghai Le Ho Industrial Co., Ltd.	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%
Shanghai Le Min Industrial Co., Ltd.	—	—	N/A (Note 2)	100.0%	N/A (Note 2)	100.0%

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

Four. Stock Subscription

I. Capital and shares

(I) History of Capitalization

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	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
						Capitalization from employee 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 As of April 17, 2018

Shareholder structure QTY / Quantity	Government Agencies	Financial Institutions	Other Institutional Investors	Natural Persons	Foreign Institutions & Natural Persons	Total
Number of persons	0	11	138	30,733	450	31,332
Share Held	0	29,036,238	484,514,198	172,158,287	229,380,868	915,089,591
Shareholding ratio %	0.00%	3.17%	52.95%	18.81%	25.07%	100.00%

(III) Dispersal of shareholding NTD 10 Par value As of April 17, 2018

Classification	Number of Shareholders	Share Held	Shareholding ratio %
1-999	11,948	2,531,415	0.28%
1,000-5,000	14,188	29,847,069	3.26%
5,001-10,000	2,598	18,213,386	1.99%
10,001-15,000	944	11,499,179	1.26%
15,001-20,000	384	6,691,671	0.73%
20,001-30,000	438	10,738,969	1.17%
30,001-40,000	192	6,614,045	0.72%
40,001-50,000	119	5,354,411	0.59%
50,001-100,000	243	17,075,702	1.87%
100,001-200,000	104	14,446,324	1.58%
200,001-400,000	55	14,844,577	1.62%
400,001-600,000	21	9,804,352	1.07%
600,001-800,000	10	7,088,264	0.77%
800,001-1,000,000	13	11,260,877	1.23%
Over 1,000,001 shares	75	749,079,350	81.86%
Total	31,332	915,089,591	100.00%

(IV) Major shareholder

As of April 17, 2018

Shares / Name of major shareholders	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	108,398,160	11.85%
Ter Fung Tsao	40,848,203	4.46%
Bilai Investment Co., Ltd.	33,039,081	3.61%
Mu De Investment Co., Ltd.	22,650,057	2.48%
RBC Emerging Markets Equity Fund under the custody of HSBC	20,930,259	2.29%
Chun-Yao Lin	12,140,000	1.33%
Nan Shan Life Insurance Co., Ltd.	10,806,240	1.18%
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		Fiscal year	2016	2017	As of March 31, 2018(Note 5)
Market price per share	Highest		84.50	82.60	75.3
	Lowest		74.90	72.00	65.6
	Average		78.90	76.47	70.12
Net worth per share	Before appropriation		16.28	16.28	17.31
	After appropriation		14.10	(Note 1)	(Note 1)
Earnings per share	Weighted average shares		873,480,884	908,420,120	908,420,120
	Earnings per shares before adjustment		2.98	2.39	0.82
	Earnings per shares after adjustment		2.87	(Note 1)	(Note 1)
Dividends per share	Cash dividends		1.6	(Note 1)	-
	Stock dividend	Earnings distribution	0.4	(Note 1)	-
		Capital reserve distribution	-	(Note 1)	-
	Accumulated unpaid dividends		-	-	-
Analysis of return on investment	Price/Earnings Ratio (Note 2)		26.48	32.00	-
	Price/Dividend Ratio (Note 3)		49.31	(Note 1)	-
	Cash dividends yield rate (Note 4)		2.03%	(Note 1)	-

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

(VI) Execution of Dividend Policy

1. Dividend Policy:

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

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

2. Proposed Distribution of Dividends:

   The Company's Board of Directors had resolved on March 22, 2018 to have stock dividends distributed at $2.0/share; also, the proposal is to be reviewed and discussed at the annual meeting of shareholders on June 15, 2018.

(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 employee and remunerations payable to directors and supervisors for 2017 are estimated at NT$23,387,825 and NT$15,448,838 respectively. The said employee distribution and remuneration to the directors in 2017 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$23,387,825.
      1.2 Stock compensation for employees: NT$ 0
      1.3 Remunerations to directors and supervisors: NT$15,448,838.
      The aforementioned pro forma employee bonus and remuneration to directors and proposed by the Board was in line with the estimated amount in the 2017 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 2016, the Company distributed cash bonuses to employees at NT$28,215,285 and remuneration to directors at NT$18,501,826. These amounts were consistent with the amount adopted in the 2016 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, 2018			165,504.4 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)	2017	Highest	13.04
		Lowest	11.34
		Average	12.26
	As of March 31, 2018	Highest	12.91
		Lowest	11.32
		Average	12.08

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

	2017
Product type	Business ratio
Nutritious Foods	38%
Cooking products Food	50%
Others	12%
Total	100%

(II) Industry Overview:

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

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

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

(III) Technology Research and Development

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

Unit: NT$ Thousand

	2017	As of 5/22 of the year
Amount	96,636	25,474

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 meal – PP bottle 100 chromium fiber formula was launched to market.
   (2) New milk powder products in market-
   Goat milk powder for infants, milk powder for pregnant mothers, milk powder for healthy children, milk powder with improved formula for pupils, Baby Club milk powder for healthy growth, and Baby Club children milk powder were available in market.
   (3) Development of all natural supreme grain products – black sesame thick soup with walnut and other nut flavors with successfully launched into market.
   (4) Development of Quaker HA malt upgrade formula – digestive with protection, jujube essence, fortified iron, fruit fiber and fruit formula for sensitive child with successfully launched into market.
   (5) Development of Quaker organic berries and crispy cereal, organic cocoa chia seeds and organic oat meal with successful launch into market.
   (6) Development of liquid chicken essence with successful launch into market.
   (7) Development of lutein beverages with successful launch into market.

3. R&D Projects in the Latest Year:
   (1) Research of processed materials for milk powder.
   (2) Development of milk powder for allergy prevention and high functional purpose.
   (3) Research and development of complete meal new product lines.
   (4) Development of chicken meat extraction technology.
   (5) Study on elements related to alleviation of pressure and stabilization of emotion and beauty fluid formula.
   (6) Development of an application for nutritional supplements for patients.
   (7) Development of health food and application.
   (8) Study on cereal puffing technologies.
   (9) Research of sun and oxygen resistance PET packing technology.
   (10) Complete meal vacuum blending process.
   (11) Low-temperature refinement technologies.

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

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

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

II. Market analysis and the conditions of sales and production

(I) Market analysis

Sales regions: For Taiwan and China only.

Market supply and demand:

Nutritious Foods:

1. Oats

(1) Market share

Our cereal products, including instant oats, three-in one cereal, canned cereal powder, package cereal powder, and Quaker oats drink, are well received among the consumers. Our brand has been seen as trustworthy by local consumers and continued to lead the cereal product market in Taiwan in 2017.

(2) Future supply and demand and market growth:

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

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

The Company voluntarily studies the demand of the consumers in grain products with proper balance in the development of products for good health, good taste and in high quality. After the launch of the all-natural grain series of Standard Foods in 2016, the Company continued to commit its resources in the refinement of product quality in 2017 so that consumers at all ages know about Standard Foods as wholesome foods with the peace of mind. This helps to bolster our leading position in grain products.

Through the promotion of new ingestion habit, the Company made the consumption of grain products already in market a prevalent item. The “Quaker Oatmeal” convinced the young consumers to accept grains as a kind of healthy food. In addition, the Company also unveiled the “organic oatmeal” and “organic grains”, products appealing to good health. In 2018, the Company will continue to provide products with superior quality and traceability to its origin so that the consumers could have the peace of mind in consumption. The Company makes ceaseless effort to reinforce the leading brand image of Quaker grain products.

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

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

   The Company spares no effort in launching high quality products for consumers, and will continue to provide the caramel-free chicken essence series bearing the Quaker brand, as the idea of additive-free stands for good health and preferred by consumers. In 2017, the Company continued to launch the liquid chicken essence products with the use of genuine materials to the market of healthcare and supplement products. Nonetheless, the Company also commits its resources in the branding of universal nutrients. Further to glucosamine drinks, a type of key healthcare product and was preferred by the group of middle to old age consumers, the Company emerged as the leading brand in the market of glucosamine drinks. To align with the trend of using 3C by people, the Company further launched the lutein drinks, the supplements of lutein in 2017, and matched with lyceum and blueberry as dietary supplements for the bright shinny health of the consumers.

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

3. Baby food
   (1) Market share
   From the milk powder with enriched nutrients formula for pregnant mothers to the first sip of milk of the new born babies, Standard Foods makes great effort to provide products with top quality for the nutritional needs of the babies in

Taiwan ranging from non-staple foodstuffs, infants, growth, and child formula milk powder. These products have been highly acclaimed and supported by consumers. For 11 consecutive years, the Quaker brand offered the greatest variety of choices for the mothers in Taiwan (number one in relative popularity; Note 1). From the big infant milk powder manufactories in Denmark, to the imported milk powder with 3 beneficial bacteria formula, and also the organic rice essence and organic malt series domestically made in Taiwan, are the most popular items for the infants. With these items, infants could have the first zip of pure and nourishing food.

(2) Future supply and demand and market growth:
There were approximately 190,000 new born babies in 2017 (down by 7% from the previous year). It was echoed with the sustained effort of the government in the advocacy of breast feeding that breast feeding was on the rise in Taiwan. Furthermore, the issue of food safety stayed hot that caused a shrinking of the market size. Currently, there are only 1-2 babies in an average family. The consumption behaviors of the new generation of parents shifted to the quest for higher nutritional value for their babies. In the future, the infant series of Quaker brand will focus on the best and most suitable first zip for the babies. New products conformity to the trend of the demand for nutritional value with innovation will be further developed so that Quaker brand and babies grow up healthy together.

(3) Competitiveness, the advantages and disadvantages of development, and countermeasures
Despite the market size of Taiwan, Standard Foods still persists to import milk powder for the concern of the babies in their first zip and seeking continuous improvement. In addition to the 3 beneficial bacteria which are healthy for the digestive system of babies with accreditation on the effect, and the only accredited organic non-staple foodstuff in Taiwan – the organic rice essence and organic malt, and the ready-served formula for growth launched in 2016, which is the only accredited formula in Taiwan for strengthening the immunity of babies, the Company also launched the all new Quaker brand Love Milk Powder series in 2017 aiming at the nutritional needs of babies of Taiwan at growing stage. This series ranged from infant milk powder, toddler milk powder, and young children milk powders, and served as the continuation to breast feeding. It also consists of nutrients such as the Phospholipid group and the healthy 3 beneficial bacteria. Being a leading brand in non-staple foodstuffs for babies, the Company will spare no effort in launching the best protected and intelligence malt series. In addition to the continuation of the innovation in the HA technology, the Company also fortify the products with calcium, iron and vitamins A, C, and E so that infants at the age below 3 will be all taken care by Standard Foods.

The influence of foreign suppliers at the end of 2017 on Brand image and sale was just short-lived. Quaker has always been one of the most trusted brand for the consumers in Taiwan. The Company will continue running its brand whole-heartedly. With the trust of the mass in the society, the Company will provide more innovative and competitive products and also proactively commit its resources to the Quaker Mother Classroom for providing education on nutrition and healthcare. In addition, further effort will be made to activate innovation TV commercials and marketing on formula milk powder for infant above the age of 1 and liquid milk for bolstering growth in infancy so that the babies of Taiwan will grow healthy together with Quaker brand. Quaker will continue to be the most popular brand for the mothers and babies in Taiwan.

[1]Source: The relative popularity of Quaker baby food in the infant food market according to the 2017 Kantar Worldpanel Baby.

Dairy products and drinks:

4. Powdered milk (for adults)

(1) Market share

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

(2) Future supply and demand and market growth:

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

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

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

(3) Competitiveness, the advantages and disadvantages of development, and responsive strategies.
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 (adult milk powder and cheese)
(1) The market for adult milk power is stable with Fernleaf and Anlene in leading position
According to a market survey conducted by AC Nielsen, the market of adult milk powder showed signs of recovery in 2017, as compared with 2016. Fonterra will continue its media exposure with upgrade of the quality of the items in exhibition in the channels and the number of shops. This will be echoed with the communication with PG and big projects for sale promotion so that Fernleaf and Anlene will continue to be the leading brands in market without shattering.

(2) Children milk powder survived market growth in adversity with significant growth in new customers for Fernleaf
The market of infant milk powder declined under the influence of low birth rate. However, Fernleaf milk powder for infants and children continued to grow in all channels and the size of growth is higher than average. This indicated that Fernleaf milk powder could continue to attract new customers and broaden its clientele base. In the year ahead, the Company will continue to engage in setting up joint ventures with drug stores, to launch large-scale promotion through chain stores, hold events for new customers to earn the supports from pharmacists with continuation of developing new customers so as to achieve record sale again.

(3) The market of sliced cheese turns even bigger with Cheesedale emerged as the top sale item
According to a survey conducted by Kantar, the sliced cheese market continued to grow in 2017 while Cheesedale sliced cheese emerged as the top sale item in all sale channels. Sale of cheese balls in Costco was also good. In 2017, the Company introduced products at higher unit price: 180g top grade cheese of Cheesedale, which is believed to be a key item for developing new groups of customers for Cheesedale.

(4) The ice cream market continued to surge with the reputation of Kapiti fermented
Kapiti has been rated as one of the most charming dessert by Michelin Chefs and has been introduced to Costco since 2016. Through Internet events, the reputation of this item became popular and helped to boost up sale significantly. This brand turned out to be a regular running item of Costco during Summertime in 2017.

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

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 3 decades. The sunflower oil, canola oil, pure olive oil, and grape seed oil, Five Precious Oil from Great Day 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 in the brand "Duo Li". Insisting on providing healthy and quality cooking oil, Duo Li has gradually become the No. 1 brand of sunflower oil in China.

(2) Future supply/demand and market growth
The increasing concern of 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 stay with the trend for consumer health and continue to push the Great Day Pure Sunflower Oil as the top choice for the housewives owning to its persistency in quality. The sale of Great Day pure olive oil from import grows steadily that we will continue to invest in advertising for boosting up sale further. The 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 sale in the market of blended edible oil.

In the market of China, competing 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 to the health of the consumers with good quality products could still be the way to earn the trust and recognition of the consumers so far as health is concerned. Likewise, “Mighty” sunflower oil, squeezed under scientific method and preserved packaging process, has gradually earned the recognition of the 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 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”.

Great Day has been certified by SQF, the highest international standard on food safety in 2017 for providing full protection of quality and safety for the consumers. Further to its persistence with food safety and hygiene, it also seeks to provide full protection in quality. This implies that Great Day has met the highest international standard in raw materials, production process, and product quality.

In 2018, the wholesome cooking oil market will expand continuously as a result of the aggressive investment of various brands. Bearing the brand of Great Day, we will continue to cultivate the cooking oil market with our professional technology and experience and offer more choices of healthy edible oil for the customers in Taiwan for household needs.

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

<u>Others:</u>

7. Distribution (candy)
(1) Market share
According to the market survey conducted by AC Nielsen, overall sale of candies continued to grow with peppermint candies emerged as the top sale item. The market of Mentos remained stable. Chupa Chups remained the championship in the stick candies market of Taiwan.

(2) Future supply/demand and market growth
Flavor and seasonal preference are no longer the themes for candies. Additional value of functions and organic ingredients will be the new appeals in market. High price imported candies will continue to stimulate the sale in the candies market. The primary sale channel is convenient store chains. With the abundance of themes and means in promotion, and storewide events, they could attract customers to boost up sale. The creative mode of marketing channels also helped to boost up the sale of candies so that the market continues to thrive.

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

For 2018, we will continue to coordinate with distributors with seasonal and thematic products. For Mentos and Chupa Chups, we will continue to launch new products and seasonal packages with various flavors and colorful packaging to refresh the product lines for a higher market share, product diversity and product reach rate. We will also utilize the existing resources to revitalize the market to secure the sale and increase the market share of Mentos and Chupa Chups.

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

8. EMS service (Subsidiary- Domex Corp.)

(1) Market share

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

(2) Future supply/demand and market growth

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

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

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

(II) Application and production process of major products

1. Application of major products

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

2. Production Process of Major Products

Processing Flow Chart for Oat flake:

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

Processing Flow Chart for Oat powder:

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

Processing Flow Chart for Tonic Drinks:

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

Processing Flow Chart for Dairy Products:

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

Processing Flow Chart for Refined Oil:

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

Processing Flow Chart for Three Treasure Oats:

Raw material → extrusion → drying → cooling → packaging

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

Components → SMT → DIP → Assembly → Testing → Packaging

(III) Supply of major ingredients

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

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

1. Major Customers in the past two fiscal years

Unit: NT$ Thousand

	2016				2017				As of March 31, 2018 (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)	4,036,721	14.9		A Company (Note 2)	4,329,907	16.4		A company	1,078,937	14.6	
	Others	23,036,843	85.1		Others	22,148,017	83.6		Others	6,335,536	85.4	
	Net sale amount	27,073,564	100.0		Net sale amount	26,477,924	100.0		Net sale amount	7,414,473	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

	2016				2017				As of March 31, 2018			
Item	Name	Amount	Percentage of net purchase amount (%)	Relationship with the issuer	Name	Amount	Percentage of net purchase amount (%)	Relationship with the issuer	Name	Amount	Net purchase amount up to the last quarter (%)	Relationship with the issuer
	Others	19,165,286	100.0		Others	17,560,257	100.0		Others	4,235,519	100.0	
	Net purchase amount	19,165,286	100.0		Net purchase amount	17,560,257	100.0		Net purchase amount	4,235,519	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	2016			2017		
Major Products	Capacity	Production Quantity	Production Value	Capacity	Production Quantity	Production Value
Nutritious Foods	107,204	86,370.51	6,324,996	131,854	86,552.76	6,118,787
Cooking products Food product type	502,600	272,827.80	10,312,204	669,676	264,541.41	10,352,763
Others	(Note 1)	10,529.47	264,149	(Note 1)	12,038.69	259,266
	(Note 2)	1,042,006 (Note 3)	1,386,560	(Note 2)	1,254,143 (Note 3)	1,982,313
Total	609,804	369,727.78	18,287,909	801,530	363,132.86	18,713,129
		1,042,006 (Note 3)			1,254,143 (Note 3))	

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

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

Unit: 1 tons / NTD Thousand

Fiscal year / Sales Quantities and Value	2016				2017			
Major Products	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Nutritious Foods	91,223.70	10,313,015	1,548.10	151,800	93,478.90	10,114,799	1,037.10	87,943
Cooking products Food product type	23,641.80	1,861,219	237,807.30	12,430,945	22,750.70	1,820,916	233,863.60	11,311,473
Others	10,415.00	1,611,390	0.00	705,195	11,881.10	2,360,323	0.00	782,470
	0.00 (Note 1)		503,068.00 (Note 1)		0.00 (Note 1)		316,959.00 (Note 1)	
	499,821.00 (Note 2)		293,960.00 (Note 2)		805,015.00 (Note 2)		380,274.00 (Note 2)	
Total	125,280.50	13,785,624	239,355.40	13,287,940	128,110.70	14,296,038	234,900.70	12,181,886
	0.00 (Note 1)		503,068.00 (Note 1)		0.00 (Note 1)		316,959.00 (Note 1)	
	499,821.00 (Note 2)		293,960.00 (Note 2)		805,015.00 (Note 2)		380,274.00 (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		2016	2017	As of May 22, 2018
Number of Employees	Management & Staff	2,401	2,652	2,910
	Technicians & Laborers	879	938	825
	Total	3,280	3,590	3,735
Average Age		35.37	35.18	35.56
Average Years of Service		5.69	5.65	5.44
Education distribution	Ph. D.	9	14	15
	Masters	169	194	197
	College/ University	1,673	1,818	1,908
	Senior High School	1,072	1,159	1,195
	Junior	357	405	420

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 the period of 2017 to the day this report was printed, Standard Foods has been punished with a fine due to a minor leak caused by the hardening of the gasket of the cleaning perforation equipment for the prevention of air pollution on 2017/4/6: a fine of NT$100,000.

(II) Response strategy and potential expenses

1. Planned improvement actions

(1) Improvement plan: Corrective action has been taken in conformity to requirement and passed the second inspection in 2017.

Estimated environmental protection expenses in the next three years

Year	2018	2019	2020
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$19,100 thousand	NT$16,100 thousand	NT$16,100 thousand

(2) Impact afterwards

Year	2018	2019	2020
Impact on net income	Minor	Minor	Minor
Impact on competitiveness	None	None	None

V. Employee / Employer Relations

(I) Major coordination and implementation of current labor issues

1. Employee's welfare package

Employees' welfare is arranged as follows:

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

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

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

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

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

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

2. Retirement plan

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

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

3. Education and training

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

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

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

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

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

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

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

The education and training expenses of the Company in 2017 amounted to NT$13,039 thousand.

4. **Protection measures for working environment and employee personal safety:**
To protect the working environment of the factory and office and the safety of employees, the Company has all kinds of standard operating manuals and protective measures regulated in accordance with the Labor Safety and Health Act and the Labor Safety and Health Facilities Rules.
(1) Establishment of Labor Health & Safety Committee: Meetings are held annually to discuss labor health and safety and firefighting plans.
(2) Stipulation of occupational hazards prevention plan: Protect labor safety and prevent occupation hazards from occurring.
(3) Stipulation of health and safety inspection plan: Inspect machine and equipment safety automatically to prevent accidents from occurring.
(4) Stipulation of health and safety code: It is stipulated by the Labor Health & Safety Committee and the labor representative to ensure its enforcement by employees.
(5) Employee's health check-up: It includes the physical check-up and health management arranged for the contracted laborers, new recruits, and employees.
(6) Labor health and safety education and training: Labor health & safety education and disaster prevention training are arranged periodically.
(7) Special training: Machine and equipment operators must be trained by the independent training institutions that are contracted by the government and must receive a certificate of qualification.
(8) Transportation of female workers for graveyard shifts: The Company will have

transportation arranged for female workers who get off duty after 22:00 at night.

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

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

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

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

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

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

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

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

5. Employee's codes

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

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

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

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

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

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

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

(7) Employees may not demand entertainment or accept gifts, kickback or any illegal gains by performing or not performing job duties.

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

(9) Employees may not, at will, take the property of the Company off the premises or

the factory, lease the property of the Company to any outside party without authorization.

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

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

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

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

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

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

6. Employer-employee relations

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

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

VI. Important commitments

As of May 22, 2018

Nature of Agreement	Client	Agreement period	Content	Restrictive Clauses
Technological cooperation	Quaker Co.	1994.07-2029.07.11 (Note 1)	Quaker oatmeal and baby oatmeal powder in Taiwan	(Note 2)
Exclusive distributor	Fonterra Brands (Far East) Limited	(Note 3)	Exclusive sales agent in Taiwan for Fonterra brand products	(Note 3)
Supply & sales agreement	MND PX Ministry	2017.10.23-2018.10.22 (Note 4)	Welfare for military personnel and their spouses	NONE
Long-term loan	Mega International Commercial Bank	2018.3.11-2020.3.11 (Note 5)	Credit loan quota NT$300 million	NONE
Long-term loan	Shin Kong Commercial Bank	2017.12.15-2021.12.15	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 previous contract is expired and the parties hereto are in the process of negotiation for the terms and conditions of contract renewal. Consensus has been built for 3 consecutive years in renewal of contract. The transactions in the duration of negotiation conducted as usual under the original terms and conditions.

Note 4: The Agreement shall be renewed every year.

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

Six. Financial Information

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

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

Condensed Balance Sheet – IFRS -Consolidated

Unit: NT$ Thousands

Item \ Fiscal year		Financial Information over the last five years 2013	2014	2015	2016	2017	As of March 31, 2018 Financial Information (Note 2)
Current Assets		11,644,056	13,501,577	15,391,892	15,127,876	15,496,940	15,430,156
Property, Plant and Equipment		3,085,188	3,691,574	3,783,949	4,684,441	5,676,084	5,733,932
Intangible Assets		5,288	7,504	166,422	144,702	78,066	80,552
Other Assets		1,167,892	940,694	1,187,011	1,862,067	1,458,398	1,569,782
Total Assets		15,902,424	18,141,349	20,529,274	21,819,086	22,709,488	22,814,422
Current Liabilities	Before appropriation	4,771,995	5,659,720	6,441,771	6,865,895	7,137,271	6,257,127
	After appropriation	5,829,806	6,812,734	7,710,086	8,273,725	(Note 2)	(Note 2)
Noncurrent Liabilities		286,185	378,442	584,030	535,430	548,609	566,349
Total Liabilities	Before appropriation	5,058,180	6,038,162	7,025,801	7,401,325	7,685,880	6,823,476
	After appropriation	6,115,991	7,191,176	8,294,116	8,809,155	(Note 2)	(Note 2)
Equity attributable to owners of the parent		10,705,823	11,955,482	13,306,157	14,217,975	14,785,740	15,725,429
Capital Stock		6,611,319	7,206,338	7,926,972	8,798,939	9,150,897	9,150,897
Capital Surplus		43,620	51,331	63,153	72,397	83,124	83,124
Retained Earnings	Before appropriation	3,832,119	4,232,457	5,022,383	5,449,618	5,833,327	6,589,433
	After appropriation	2,179,289	2,358,809	2,882,101	3,689,830	(Note 2)	(Note 2)
Other equity		239,947	486,538	314,831	(81,797)	(260,426)	(76,843)
Treasury Stock		(21,182)	(21,182)	(21,182)	(21,182)	(21,182)	(21,182)
Non-controlling interest		138,421	147,705	197,316	199,786	237,868	265,517
Total equity	Before appropriation	10,844,244	12,103,187	13,503,473	14,417,761	15,023,608	15,990,946
	After appropriation	9,786,433	10,950,173	12,235,158	13,009,931	(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, 2018 Financial Information (Note. 1)
	2013	2014	2015	2016	2017	
Sales revenue	20,379,206	21,800,013	25,514,586	27,073,564	26,477,924	7,414,473
Gross Profit	5,655,886	6,222,406	8,040,850	8,005,049	7,399,955	2,289,204
Operating Income	1,997,306	2,457,158	3,287,048	3,011,552	2,794,878	970,322
Non-operating Income/expense	250,971	112,867	111,503	268,253	(49,475)	(25,788)
Earnings before tax	2,248,277	2,570,025	3,398,551	3,279,805	2,745,403	944,534
Net income from continuing operations	1,862,855	2,090,360	2,752,467	2,637,756	2,209,909	743,847
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	1,862,855	2,090,360	2,752,467	2,637,756	2,209,909	743,847
Other comprehensive income (net after tax)	159,561	223,874	(191,612)	(438,072)	(214,628)	179,604
Current comprehensive income/loss	2,022,416	2,314,234	2,560,855	2,199,684	1,995,281	923,451
Net earnings attributable to owners of the parent	1,859,582	2,075,851	2,730,613	2,606,544	2,173,044	743,675
Net earnings attributable to non-controlling interest	3,273	14,509	21,854	31,212	36,865	172
Comprehensive income/loss attributable to owners of the parent	2,018,987	2,299,759	2,538,837	2,170,889	1,964,868	915,091
Comprehensive income/loss attributable to non-controlling interest	3,429	14,475	22,018	28,795	30,413	8,360
Earnings per share (Note 2)	2.05	2.29	3.01	2.87	2.39	0.82

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		Summarized Balance Sheets of Fiscal Years 2013~2017				
		2013	2014	2015	2016	2017
Current Assets		5,226,568	5,515,351	6,343,538	5,048,559	5,266,070
Property, Plant and Equipment		1,116,909	1,291,293	1,324,881	1,363,441	1,409,677
Intangible Assets		4,031	6,490	6,438	3,558	3,375
Other Assets		6,467,359	7,498,763	8,596,705	10,097,381	10,295,641
Total Assets		12,814,867	14,311,897	16,271,562	16,512,939	16,974,763
Current Liabilities	Before appropriation	1,882,702	2,053,387	2,599,476	1,914,283	1,790,235
	After appropriation	2,940,513	3,206,401	3,867,791	3,322,113	(Note 1)
Noncurrent Liabilities		226,342	303,028	365,929	380,681	398,788
Total Liabilities	Before appropriation	2,109,044	2,356,415	2,965,405	2,294,964	2,189,023
	After appropriation	3,166,855	3,509,429	4,233,720	3,702,794	(Note 1)
Capital Stock		6,611,319	7,206,338	7,926,972	8,798,939	9,150,897
Capital Surplus		43,620	51,331	63,153	72,397	83,124
Retained Earnings	Before appropriation	3,832,119	4,232,457	5,022,383	5,449,618	5,833,327
	After appropriation	2,179,289	2,358,809	2,882,101	3,689,830	(Note 1)
Other equity		239,947	486,538	314,831	(81,797)	(260,426)
Treasury Stock		(21,182)	(21,182)	(21,182)	(21,182)	(21,182)
Total equity	Before appropriation	10,705,823	11,955,482	13,306,157	14,217,975	14,785,740
	After appropriation	9,648,012	10,802,468	12,037,842	12,810,145	(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				
	2013	2014	2015	2016	2017
Sales revenue	11,153,037	11,488,057	11,746,796	11,655,791	11,259,683
Gross Profit	3,616,106	3,547,802	3,895,187	3,835,072	3,689,421
Operating Income	2,020,722	2,024,934	2,283,059	2,191,994	2,136,045
Non-operating Income/expense	186,666	427,912	934,105	883,742	427,729
Earnings before tax	2,207,388	2,452,846	3,217,164	3,075,736	2,563,774
Net income from continuing operations	1,859,582	2,075,851	2,730,613	2,606,544	2,173,044
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	1,859,582	2,075,851	2,730,613	2,606,544	2,173,044
Other comprehensive income (net after tax)	159,405	223,908	(191,776)	(435,655)	(208,176)
Total current comprehensive income/loss	2,018,987	2,299,759	2,538,837	2,170,889	1,964,868
Earnings per share (Note 2)	2.05	2.29	3.01	2.87	2.39

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

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

Fiscal year	CPA Firm	CPA's name	Auditing opinion
2017	Deloitte Touch Tohmatsu CPA Firm	Ting-Chen Hsu, Tza-Li Kung	Unqualified
2016	Deloitte Touch Tohmatsu CPA Firm	Ting-Chen Hsu, Tza-Li Kung	Unqualified
2015	Deloitte Touch Tohmatsu CPA Firm	Ting-Chen Hsu, Hung-Hsiang Tsai	Unqualified
2014	Deloitte Touch Tohmatsu CPA Firm	Ting-Chen Hsu, Hung-Hsiang Tsai	Unqualified
2013	Deloitte Touch Tohmatsu CPA Firm	Ting-Chen Hsu, Hung-Hsiang Tsai	Unqualified

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, 2018 (Note)
		2013	2014	2015	2016	2017	
Financial structure (%)	Ratio of liabilities to assets(%)	31.80	33.28	34.22	33.92	33.84	29.91
	Long-term capital to property, plant, and facility(%)	360.76	338.11	372.30	319.21	274.35	288.76
Solvency (%)	Current ratio(%)	244.00	238.55	238.94	220.33	217.13	246.60
	Quick ratio(%)	145.61	142.08	144.83	127.07	129.47	159.47
	(Times) interest earned ratio	128.38	108.12	147.77	62.24	37.26	45.06
Operating ability	Accounts receivable turnover (times)	5.70	5.37	5.83	5.57	5.11	5.91
	Days sales in accounts receivable	64.03	67.97	62.61	65.53	71.42	61.75
	Inventory turnover (times)	4.64	4.24	4.67	4.80	4.31	4.74
	Accounts payable turnover (times)	12.21	13.80	13.70	9.40	9.96	14.00
	Average days in sales	78.66	86.08	78.16	76.04	84.68	77.00
	Property, plant and facility turnover (times)	7.73	6.43	6.83	6.39	5.11	5.20
	Total assets turnover (times)	1.37	1.28	1.32	1.28	1.19	1.30
Profitability	Ratio of return on total assets (%)	12.62	12.39	14.33	12.67	10.21	13.38
	Ratio of return on total equities (%)	17.90	18.21	21.50	18.89	15.01	19.19
	Ratio of net income before tax to paid-in capital (%) (Note 7)	34.00	35.66	42.87	37.28	30.00	41.29
	Profit ratio (%)	9.14	9.58	10.79	9.74	8.35	10.03
	Earnings per share ($)	2.05	2.29	3.01	2.87	2.39	0.82
Cash flow	Cash flow ratio (%)	32.87	37.31	41.49	32.99	35.62	23.18
	Cash flow adequacy ratio (%)	116.39	117.18	110.34	105.11	88.34	110.48
	Cash reinvestment ratio (%)	3.08	6.89	8.89	5.41	5.88	7.31
Balance	Degree of operating leverage	2.06	1.42	1.37	1.45	1.49	1.41
	Degree of financial leverage	1.00	1.01	1.01	1.02	1.03	1.02

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

1. Debt service coverage ratio in 2017 fell due to the marginal decline of profit from the operation and resulting decrease of earnings before taxation. It was coupled with the increase of bank loans that pushed up interest expense.
2. The turnover rate of property, plant and equipment in 2017 fell mainly because the subsidiary, Standard Foods (Xiamen) Co., Ltd. set up a production line with the increase of property, plant and equipment.
3. The ROE in 2017 fell mainly because of the marginal decline of profit from operation with resulting decrease of net income. It was coupled with the payment of stock dividend by Standard Foods, the extent to which the amount of average shareholders' equity increased.

Note: Reviewed by CPAs.

Financial Analysis - IFRS (Individual)

Item (Note 1) / Fiscal year		Financial analysis over the last five years				
		2013	2014	2015	2016	2017
Financial structure (%)	Ratio of liabilities to assets(%)	16.46	16.46	18.22	13.90	12.90
	Long-term capital to property, plant, and facility%	978.78	949.32	1,031.95	1,070.72	1,077.16
Solvency (%)	Current ratio(%)	277.61	268.60	244.03	263.73	294.16
	Quick ratio(%)	161.81	147.27	151.70	146.95	170.75
	(Times) interest earned ratio	2,377.09	14,345.13	12,005.34	1,382.64	(Note 1)
Operating ability	Accounts receivable turnover (times)	5.96	6.25	6.29	5.99	5.74
	Days sales in accounts receivable	61.13	58.40	58.03	60.93	63.59
	Inventory turnover (times)	4.24	4.08	3.87	4.02	4.05
	Accounts payable turnover (times)	8.68	8.64	8.61	9.01	9.39
	Average days in sales	85.88	89.46	94.32	90.80	90.12
	Property, plant and facility turnover (times)	10.28	9.54	8.98	8.67	8.12
	Total assets turnover (times)	0.90	0.85	0.77	0.71	0.67
Profitability	Ratio of return on total assets (%)	15.06	15.31	17.86	15.91	12.98
	Ratio of return on total equities (%)	18.11	18.32	21.62	18.94	14.98
	Ratio of net income before tax to paid-in capital (%) (Note 5)	33.38	34.04	40.59	34.96	28.02
	Profit ratio (%)	16.67	18.07	23.25	22.36	19.30
	Earnings per share ($)	2.05	2.29	3.01	2.87	2.39
Cash flow	Cash flow ratio (%)	96.44	83.91	81.02	106.59	107.93
	Cash flow adequacy ratio (%)	177.45	156.21	145.70	147.59	129.44
	Cash reinvestment ratio (%)	5.36	4.81	6.18	4.74	3.09
Balance	Degree of operating leverage	1.36	1.32	1.37	1.40	1.40
	Degree of financial leverage	1.00	1.00	1.00	1.00	1.00

The root causes for the financial ratio change in the last two years:
Note 1: No interest expense incurred in 2017, no calculation of debt service coverage ratio.

1. The ROE in 2017 fell mainly because the profits of some subsidiaries declined, to the extent that ROI and net income decreased. It was coupled with the payment of stock dividend by Standard Foods, the extent to which the amount of average shareholders' equity increased.
2. Cash reinvestment ratio in 2017 fell due to the increase of investment in the subsidiaries in China the extent to which long-term investment and current assets increased with resulting increase of working capital.

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 2017 business report, consolidated and individual financial statements and earnings distribution proposal, where consolidated and individual financial statements have been audited by CPA Ting-Chen Hsu and CPA Tse-Li Kung of Deloitte Touch Tohmatsu through the appointment by the Board and an audit report has been issued accordingly.

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

Please kindly review and approve

To:

Standard Foods Corporation 2018 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, 2017 and 2016 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10, "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

STANDARD FOODS CORPORATION

By

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TER-FUNG TSAO
Chairman

March 22, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Standard Foods Corporation

Opinion

We have audited the accompanying consolidated financial statements of Standard Foods Corporation and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

Valuation of Inventory

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

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

Other Matter

We have also audited the parent company only financial statements of Standard Foods Corporation as of and for the years ended December 31, 2017 and 2016 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, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2018

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 3,152,682	14	$ 2,167,550	10
Available-for-sale financial assets - current (Note 8)	204,078	1	546,112	2
Debt investments with no active market - current (Note 10)	639,832	3	367,267	2
Notes receivable (Note 11)	4,846	-	123,720	1
Trade receivables (Note 11)	5,079,140	22	5,159,120	24
Finance lease receivables - current (Note 12)	2,412	-	-	-
Other receivables (Note 11)	156,538	1	326,258	1
Current tax assets (Note 28)	800	-	34,299	-
Inventories (Note 13)	4,558,081	20	4,303,514	20
Prepayments (Note 14)	1,676,153	7	2,085,954	9
Other current assets (Notes 20 and 38)	22,378	-	14,082	-
Total current assets	15,496,940	68	15,127,876	69
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 8)	118,943	1	180,213	1
Financial assets measured at cost - non-current (Note 9)	46,235	-	95,676	-
Property, plant and equipment (Notes 16 and 38)	5,676,084	25	4,684,441	22
Investment properties (Notes 17 and 38)	239,249	1	253,920	1
Goodwill	817	-	25,082	-
Other intangible assets (Note 18)	77,249	-	119,620	1
Deferred tax assets (Note 28)	362,183	2	306,281	1
Net defined benefit assets (Note 25)	1,430	-	1,410	-
Finance lease receivables - non-current (Note 12)	32,363	-	-	-
Long-term prepayments for leases (Note 19)	396,450	2	406,818	2
Other non-current assets (Note 20)	261,545	1	617,749	3
Total non-current assets	7,212,548	32	6,691,210	31
TOTAL	$ 22,709,488	100	$ 21,819,086	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 21)	$ 2,312,473	10	$ 1,460,871	7
Short-term bills payable (Note 21)	99,953	1	69,975	-
Financial liabilities at fair value through profit or loss - current (Note 7)	11,253	-	-	-
Notes payable (Note 22)	99,380	-	698,520	3
Trade payables (Note 22)	1,506,263	7	1,515,655	7
Trade payables to related parties (Note 37)	3,269	-	8,307	-
Other payables (Note 23)	2,393,841	11	2,339,764	11
Current tax liabilities (Note 28)	307,268	1	316,292	2
Provisions - current (Note 24)	112,814	1	21,420	-
Current portion of long-term borrowings (Note 21)	12,000	-	-	-
Finance lease payables - current	496	-	543	-
Other current liabilities (Note 23)	278,261	1	434,548	2
Total current liabilities	7,137,271	32	6,865,895	32
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 21)	27,000	-	-	-
Deferred tax liabilities (Note 28)	92,979	-	111,665	-
Finance lease payables - non-current	2,337	-	2,537	-
Net defined benefit liabilities (Note 25)	372,219	2	337,601	2
Other non-current liabilities (Note 23)	54,074	-	83,627	-
Total non-current liabilities	548,609	2	535,430	2
Total liabilities	7,685,880	34	7,401,325	34
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 26)				
Ordinary shares	9,150,897	40	8,798,939	40
Capital surplus	83,124	-	72,397	-
Retained earnings				
Legal reserve	2,433,199	11	2,172,545	10
Special reserve	81,797	-	-	-
Unappropriated earnings	3,318,331	15	3,277,073	15
Total retained earnings	5,833,327	26	5,449,618	25
Other equity	(260,426)	(1)	(81,797)	-
Treasury shares	(21,182)	-	(21,182)	-
Total equity attributable to owners of the Company	14,785,740	65	14,217,975	65
NON-CONTROLLING INTERESTS (Note 26)	237,868	1	199,786	1
Total equity	15,023,608	66	14,417,761	66
TOTAL	$ 22,709,488	100	$ 21,819,086	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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Sales	$ 26,477,924	100	$ 27,073,564	100
OPERATING COSTS (Notes 13, 27 and 37)				
Cost of goods sold	19,077,969	72	19,068,515	70
GROSS PROFIT	7,399,955	28	8,005,049	30
OPERATING EXPENSES (Note 27)				
Selling and marketing expenses	3,673,864	14	4,116,526	15
General and administrative expenses	834,577	3	739,247	3
Research and development expenses	96,636	-	137,724	1
Total operating expenses	4,605,077	17	4,993,497	19
OPERATING INCOME	2,794,878	11	3,011,552	11
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 27)	89,836	-	109,660	-
Other gains and losses (Note 27)	(63,596)	-	212,147	1
Finance costs (Note 27)	(75,715)	-	(53,554)	-
Total non-operating income and expenses	(49,475)	-	268,253	1
PROFIT BEFORE INCOME TAX	2,745,403	11	3,279,805	12
INCOME TAX EXPENSE (Note 28)	535,494	2	642,049	2
NET PROFIT FOR THE YEAR	2,209,909	9	2,637,756	10
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 25)	(35,062)	-	(48,043)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	5,397	-	8,209	-
Total items that will not be reclassified subsequently to profit or loss	(29,665)	-	(39,834)	-

(Continued)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	$ (153,670)	(1)	$ (668,267)	(3)
Unrealized gain (loss) on available-for-sale financial assets	(56,340)	-	156,698	1
Income tax relating to the items that may be reclassified subsequently to profit or loss	25,047	-	113,331	-
Total items that may be reclassified subsequently to profit or loss	(184,963)	(1)	(398,238)	(2)
Other comprehensive loss for the year, net of income tax	(214,628)	(1)	(438,072)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,995,281	8	$ 2,199,684	8
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 2,173,044	8	$ 2,606,544	10
Non-controlling interests	36,865	-	31,212	-
	$ 2,209,909	8	$ 2,637,756	10
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 1,964,868	8	$ 2,170,889	8
Non-controlling interests	30,413	-	28,795	-
	$ 1,995,281	8	$ 2,199,684	8
EARNINGS PER SHARE (Note 28)				
Basic	$ 2.39		$ 2.87	
Diluted	$ 2.39		$ 2.87	

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, 2017 AND 2016
(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	Other	Total	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2016	$ 7,926,972	$ 63,153	$ 1,899,483	$ -	$ 3,122,900	$ 5,022,383	$ 367,770	$ (5,969)	$ (46,970)	$ 314,831	$ (21,182)	$ 13,306,157	$ 197,316	$ 13,503,473
Appropriation of 2015 earnings														
Legal reserve	-	-	273,062	-	(273,062)	-	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(1,268,315)	(1,268,315)	-	-	-	-	-	(1,268,315)	-	(1,268,315)
Share dividends to shareholders	871,967	-	-	-	(871,967)	(871,967)	-	-	-	-	-	-	-	-
Adjustment of capital surplus for the Company's cash dividends received by subsidiaries	-	9,244	-	-	-	-	-	-	-	-	-	9,244	-	9,244
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(26,325)	(26,325)
Net profit for the year ended December 31, 2016	-	-	-	-	2,606,544	2,606,544	-	-	-	-	-	2,606,544	31,212	2,637,756
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(39,027)	(39,027)	(553,326)	156,698	-	(396,628)	-	(435,655)	(2,417)	(438,072)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	2,567,517	2,567,517	(553,326)	156,698	-	(396,628)	-	2,170,889	28,795	2,199,684
BALANCE AT DECEMBER 31, 2016	8,798,939	72,397	2,172,545	-	3,277,073	5,449,618	(185,556)	150,729	(46,970)	(81,797)	(21,182)	14,217,975	199,786	14,417,761
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 income (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

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,745,403	$ 3,279,805
Adjustments for:		
Depreciation expenses	412,926	367,106
Amortization expenses	51,482	60,740
Impairment loss recognized (reversal of impairment loss) on trade receivables	186	(3,454)
Net loss on fair value change of financial assets and financial liabilities at fair value through profit or loss	16,107	1,128
Finance costs	75,715	53,554
Interest income	(48,341)	(65,039)
Dividend income	(16,500)	(17,845)
Net loss on disposal of property, plant and equipment	4,202	1,105
Net gain on disposal of investments	(733)	(17,311)
Impairment loss recognized on financial assets measured at cost	48,825	4,681
Others	3	117
Changes in operating assets and liabilities		
Financial assets held for trading	-	(1,128)
Notes receivable	115,765	(94,896)
Trade receivables	16,452	(963,338)
Other receivables	170,433	(41,259)
Inventories	(297,024)	(816,768)
Prepayments	375,105	161,716
Other current assets	(4,117)	1,266
Accrued pension assets	(1,914)	(3,315)
Financial liabilities held for trading	(4,854)	-
Notes payable	(581,852)	310,517
Trade payables	29,873	135,588
Trade payables - related parties	(5,038)	19,416
Other payables	77,861	402,452
Provisions	91,416	(5,686)
Accrued pension liabilities	1,450	820
Other current liabilities	(147,153)	28,088
Cash generated from operations	3,125,678	2,798,060
Interest received	47,628	80,590
Interest paid	(75,873)	(51,904)
Income tax paid	(555,163)	(561,843)
Net cash generated from operating activities	2,542,270	2,264,903
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	(1,139,565)	(1,775,790)
Proceeds on sale of available-for-sale financial assets	1,487,263	1,516,981
Purchases of debt investments with no active market	(815,449)	(294,024)
Proceeds from sale of debt investments with no active market	536,426	1,187,581

(Continued)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Purchases of financial assets carried at cost	$ -	$ (6,786)
Proceeds from sale of financial assets measured at cost	-	15,442
Proceeds from capital reduction of financial assets carried at cost	549	518
Net cash outflow on acquisition of a subsidiary	-	(685)
Payments for property, plant and equipment	(1,008,160)	(1,463,493)
Proceeds from disposal of property, plant and equipment	696	4,870
Payments for intangible assets	(7,938)	(6,523)
Proceeds from disposal of intangible assets	23,902	-
Increase in finance lease receivables	(36,290)	-
Decrease in finance lease receivables	1,515	-
Increase in other financial assets	(99,897)	(5,501)
Decrease in other financial assets	23,698	3,751
Increase in other non-current assets	(11,379)	(511,277)
Increase in long-term prepayments for leases	(6,599)	(10,752)
Other dividends received	16,500	17,845
Other investment activity	-	(882)
Net cash used in investing activities	(1,034,728)	(1,328,725)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	871,296	(287,375)
Increase in short-term bills payable	29,978	30,038
Proceeds from long-term borrowings	39,000	-
Increase in finance lease payables	593	1,991
Decrease in finance lease payables	(840)	-
Increase in other financial liabilities	16,931	52
Decrease in other financial liabilities	-	(15,135)
Increase (decrease) in other non-current liabilities	(46,243)	8,015
Dividends paid to owners of the Company	(1,397,569)	(1,259,071)
Dividends paid to non-controlling interests	(28,718)	(26,325)
Non-controlling interests subscribing for shares issued by subsidiaries	36,853	-
Net cash used in financing activities	(478,719)	(1,547,810)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(43,691)	(137,636)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	985,132	(749,268)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,167,550	2,916,818
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,152,682	$ 2,167,550

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

1. GENERAL INFORMATION

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

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

The consolidated financial statements of the Company and its subsidiaries, collectively the "Group", are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 22, 2018.

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:

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

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

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 37 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by IFRSs endorsed by the FSC for application starting from 2018

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

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

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

1) IFRS 9 "Financial Instruments"

Classification, measurement and impairment of financial assets

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

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

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

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

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

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares and emerging market shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;

b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments; and

c) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost because, on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

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

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

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables and lease receivables. In relation to debt instrument investments and financial guarantee contracts, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses on financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Impact on assets, liabilities and equity			
Financial assets at fair value through profit or loss - current	$ -	$ 46,234	$ 46,234
Financial assets at fair value through other comprehensive income - current	-	157,845	157,845
Financial assets measured at amortized cost - current	-	639,832	639,832
Available-for-sale financial assets - current	204,078	(204,078)	-
Debt investments with no active market - current	639,832	(639,832)	-
Financial assets at fair value through profit or loss - non-current	-	6,368	6,368
Financial assets at fair value through other comprehensive income - non-current	-	202,696	202,696
Available-for-sale financial assets - non-current	118,943	(118,943)	-
Financial assets measured at cost - non-current	46,235	(46,235)	-
Total effect on assets	$ 1,009,088	$ 43,887	$ 1,052,975
Retained earnings	$ 5,833,327	$ 2,014	$ 5,835,341
Other equity	(260,426)	22,584	(237,842)
Non-controlling interests	237,868	19,289	257,157
Total effect on equity	$ 5,810,769	$ 43,887	$ 5,854,656

2) IFRS 15 "Revenue from Contracts with Customers"

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

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

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

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Currently, the receivable is recognized or the deferred revenue is reduced when revenue is recognized on the contract under IAS 18.

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

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)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (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 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
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: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: 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 and a number of related interpretations.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of presentation

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period; and

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

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

d. Basis of consolidation

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

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

See Note 15, Tables 9 and 10 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

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

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

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

f. Foreign currencies

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

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

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

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

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

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

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

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

g. Inventories

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

h. Property, plant and equipment

Property, plant and equipment (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.

i. Investment properties

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

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 36.

ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 36.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

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

n. Provisions

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

o. Revenue recognition

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

1) Sale of goods

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

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

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

2) Dividend and interest income

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

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

p. Leasing

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

1) The Group as lessor

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 Company'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.

q. Borrowing costs

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

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.

r. Government grants

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

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

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and 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, the effect of changes to the asset ceiling and the 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 plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

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

t. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards 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 to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred tax for the year

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of trade receivables

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

b. Write-down of inventory

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

c. Recognition and measurement of defined benefit plans

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

d. Income taxes

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 4,667	$ 12,463
Checking accounts and demand deposits	2,656,056	1,174,422
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	491,959	950,684
Repurchase agreements collateralized by bonds	-	29,981
	$ 3,152,682	$ 2,167,550

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

	December 31	
	2017	**2016**
Bank deposits	0.01%-3.80%	0.01%-7.40%
Repurchase agreements collateralized by bonds	-	0.38%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
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:

Notional Amount (In Thousands)	Maturity Date
December 31, 2017	
US$6,000/RMB41,364	May 24, 2018
December 31, 2016	
None.	

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

b. At the end of the reporting period, outstanding futures contracts not under hedge accounting were as follows:

Financial Instrument	Type	Quantities (Metric Tons)	Contract Amount (In Thousands of RMB)	Market Price (In Thousands of RMB)	Net Gain (Loss) (In Thousands of RMB)
December 31, 2017					
None					
December 31, 2016					
Soybean oil futures contracts	Buy	700	$ 4,833	$ 4,894	$ 61

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

As of December 31, 2016, the margin deposits paid by the Group amounted to $6,604 thousand, which were included in other non-current assets.

c. As of December 31, 2017 and 2016, 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. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Current		
Listed shares	$ 157,843	$ 154,065
Mutual funds	46,235	392,047
	$ 204,078	$ 546,112
Non-current		
Emerging market shares	$ 118,943	$ 180,213

9. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2017	2016
Non-current		
Unlisted shares	$ 46,235	$ 60,045
Mutual funds	-	35,631
	$ 46,235	$ 95,676
Classified according to measurement categories		
Available-for-sale	$ 46,235	$ 95,676

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

The Group recognized impairment loss on financial assets as follows:

	December 31	
	2017	2016
Unlisted shares	$ 13,194	$ -
Mutual funds	35,631	4,681
	$ 48,825	$ 4,681

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Current		
Time deposits with original maturity of more than 3 months	$ 639,832	$ 367,267

The range of market interest rates of the time deposits with original maturity of more than 3 months were 0.65%-2.25% and 0.71%-2.25% per annum as of December 31, 2017 and 2016, respectively.

11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2017	2016
Notes receivable		
Notes receivable - operating	$ 4,846	$ 123,720
Trade receivables		
Trade receivables	$ 5,084,532	$ 5,179,965
Less: Allowance for impairment loss	(5,392)	(20,845)
	$ 5,079,140	$ 5,159,120
Other receivables		
Accrued interest	$ 3,890	$ 3,177
Payments on behalf of others	1,643	3,446
Others	151,005	319,635
	$ 156,538	$ 326,258

The average credit period of receivables from sales of goods was 30-90 days. Allowance for impairment loss was recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their current financial position.

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

The aging of notes receivable, trade receivables and other receivables was as follows:

	December 31	
	2017	2016
Not past due	$ 4,971,631	$ 5,307,854
Past due 1-30 days	155,736	105,619
Past due 31-90 days	82,764	153,452
Past due 91-180 days	25,318	52,509
Past due 181 days or more	10,467	10,509
	$ 5,245,916	$ 5,629,943

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

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

	December 31	
	2017	2016
Past due 1-30 days	$ 155,396	$ 103,240
Past due 31-90 days	81,779	152,690
Past due 91-180 days	24,579	43,833
Past due 181 days or more	7,139	7,520
	$ 268,893	$ 307,283

The above aging schedule was based on the 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, 2016	$ 1,771	$ 23,768	$ 25,539
Add: Impairment losses recognized on receivables	360	4,949	5,309
Less: Impairment losses reversed	-	(8,763)	(8,763)
Foreign exchange translation gains and losses	-	(1,240)	(1,240)
Balance at December 31, 2016	2,131	18,714	20,845
Add: Impairment losses recognized on receivables	-	8,405	8,405
Less: Write-offs of receivables	-	(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 and 2016 were neither past due nor impaired.

12. FINANCE LEASE RECEIVABLES

	December 31	
	2017	2016
Gross investment in leases		
Not later than 1 year	$ 4,100	$ -
Later than 1 year and not later than 5 years	17,300	-
Later than 5 years	23,000	-
	44,400	-
Less: Unearned finance income	(9,625)	-
Present value of minimum lease payments	$ 34,775	$ -

(Continued)

	December 31	
	2017	2016
Finance lease receivables		
Not later than 1 year	$ 2,412	$ -
Later than 1 year and not later than 5 years	11,909	-
Later than 5 years	20,454	-
Financial lease receivables	$ 34,775	$ -

(Concluded)

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 contracted was 5.01% per annum.

Finance lease receivables were secured over the biological assets leased. The Group was not permitted to sell or pledge collateral in the absence of a default by the lessee.

The finance lease receivables as of December 31, 2017 were neither past due nor impaired.

13. INVENTORIES

	December 31	
	2017	2016
Merchandise	$ 635,117	$ 622,359
Finished goods	1,494,384	1,707,861
Work in progress	458,720	240,260
Raw materials	1,891,542	1,669,492
Packing materials	78,318	63,542
	$ 4,558,081	$ 4,303,514

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, $70,532 thousand loss on abandonment of inventories and $4,222 thousand of unallocated overheads. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2016 included $30,110 thousand loss on write-downs of inventories, $60,413 thousand loss on abandonment of inventories and $5,303 thousand of unallocated overheads.

14. PREPAYMENTS

	December 31	
	2017	2016
Prepayments for purchases	$ 881,365	$ 1,251,815
Prepayments for rent	6,141	4,404
Prepayments for insurance	1,263	1,281
Excess business tax paid	326,847	157,751
Prepayments for advertisements	15,346	151,123
Others	445,191	519,580
	$ 1,676,153	$ 2,085,954

15. SUBSIDIARIES

Subsidiaries included in consolidated financial statements.

Investor	Investee	Main Business	Proportion of Ownership December 31 2017	Proportion of Ownership December 31 2016	Remark
The Company	Standard Dairy Products Taiwan Limited (“Standard Dairy Products”)	Manufacture and sale of dairy products and beverage	100.0	100.0	-
The Company	Charng Hui Ltd. (“Charng Hui”)	Investing	100.0	100.0	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 beverage	100.0	100.0	-
The Company	Accession Limited	Investing	100.0	100.0	-
The Company	Standard Investment (“Cayman”) Limited (“Cayman Standard”)	Investing	100.0	100.0	In January, twice in February, March, twice in April and June 2016 and in March, November and December 2017, the Company respectively invested US$10,000 thousand, US$8,000 thousand, RMB60,000 thousand, RMB60,000 thousand, US$33 thousand, RMB28,000 thousand, RMB28,000 thousand, RMB73,000 thousand, RMB12,395 thousand and RMB21,488 thousand in Cayman Standard.
The Company	Le Bonta Wellness International Corporation (“Le Bonta Wellness”)	Sale of health food	100.0	100.0	In March 2016, the Company purchased 100% of the interest in Le Bonta Wellness, and hence, Le Bonta Wellness becomes a subsidiary of the Company.
Accession Limited	Shanghai Standard Foods Co., Ltd. (“Shanghai Standard”)	Manufacture and sale of edible oil 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	80.0	80.0	-
Shanghai Standard	Inner Mongolia Jiatai Agriculture Technology Co., Ltd. (“Inner Mongolia Jiatai Agriculture”)	Cultivate sunflower seeds	-	100.0	Inner Mongolia Jiatai Agriculture completed the liquidation procedures in August 2017.
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	-
Dermalab	Swissdema Line by Dermalab GmbH (“Dermalab GmbH”)	Sale of cosmetics	-	-	Dermalab invested EUR25 thousand in Dermalab GmbH in February 2016 and then disposed of it in December 2016.
Cayman Standard	Standard Corporation (Hong Kong) Limited (“Hong Kong Standard”)	Investing	100.0	100.0	In January, twice in February, March, twice in April and June 2016 and in March, November and December 2017, Cayman Standard respectively invested US$10,000 thousand, US$8,000 thousand, RMB60,000 thousand, RMB60,000 thousand, US$10 thousand, RMB28,000 thousand, RMB28,000 thousand, RMB73,000 thousand, RMB12,395 thousand and RMB21,488 thousand in Hong Kong Standard.
Hong Kong Standard	Standard Investment (China) Co., Ltd. (“China Standard Investment”)	Investing and sale of edible oil and nutritious foods	99.0	100.0	In January and February 2016 and July and November 2017, Hong Kong Standard respectively invested US$10,000 thousand, US$8,000 thousand, RMB73,832 thousand and RMB12,395 thousand in China Standard Investment. Hong Kong Standard subscribed for China Standard Investment’s increase in capital at a percentage different from its percentage of ownership in the investee in September and November 2017, and the Group’s percentage of shareholding decreased from 100% to 99%.

(Continued)

Investor	Investee	Main Business	Proportion of Ownership December 31 2017	2016	Remark
Hong Kong Standard	Shanghai Le Ho Industrial Co., Ltd. ("Shanghai Le Ho")	Management of properties	100.0	100.0	In February, March, April and June 2016 and December 2017, Hong Kong Standard respectively invested RMB37,000 thousand, RMB37,000 thousand, RMB18,000 thousand RMB18,000 thousand and RMB11,619 thousand in Shanghai Le Ho.
Hong Kong Standard	Shanghai Le Ming Industrial Co., Ltd. ("Shanghai Le Ming")	Management of properties	100.0	100.0	In February, March, April and June 2016 and December 2017, Hong Kong Standard Investment respectively invested RMB23,000 thousand, RMB23,000 thousand, RMB10,000 thousand, RMB10,000 thousand and RMB9,869 thousand in Shanghai Le Ming.
China Standard Investment	Standard Foods (China) Co., Ltd. ("China Standard Foods")	Manufacture and sale of edible oil and nutritious foods	100.0	100.0	-
China Standard Investment	Shanghai Dermalab Corporation ("Shanghai Dermalab")	Sale of nutritional food, cosmetic and engage in import and export business	100.0	100.0	-
The Company and China Standard Investment	Shanghai Le Ben Tuo Health Technology Co., Ltd. ("Shanghai Le Ben Tuo")	Sale of nutritional food and engage in import and export business	100.0	100.0	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 holds 100% interest in Shanghai Le Ben Tuo.
China Standard Investment	Standard Foods (Xiamen) Co., Ltd. ("Xiamen Standard")	Manufacture and sale of edible oil and nutritious foods	100.0	100.0	In March and June 2016, China Standard Investment invested RMB52,000 thousand and RMB65,704 thousand in Xiamen Standard.

(Concluded)

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Other Equipment	Property in Construction	Total
Cost						
Balance at January 1, 2016	$ 702,405	$ 2,492,521	$ 3,526,907	$ 491,116	$ 211,581	$ 7,424,530
Additions	-	6,400	73,189	18,387	1,365,517	1,463,493
Disposals	-	(3,687)	(52,208)	(13,207)	-	(69,102)
Acquisitions through business combination	-	-	-	1,277	-	1,277
Reclassified	-	86,519	108,747	15,562	(210,828)	-
Effect of foreign currency exchange differences	-	(112,786)	(92,222)	(13,730)	(52,378)	(271,116)
Balance at December 31, 2016	$ 702,405	$ 2,468,967	$ 3,564,413	$ 499,405	$ 1,313,892	$ 8,549,082
Accumulated depreciation and impairment						
Balance at January 1, 2016	$ -	$ 948,076	$ 2,330,417	$ 362,088	$ -	$ 3,640,581
Disposals	-	(3,546)	(47,463)	(12,118)	-	(63,127)
Acquisitions through business combination	-	-	-	972	-	972
Depreciation expense	-	105,430	208,470	50,341	-	364,241
Effect of foreign currency exchange differences	-	(25,650)	(43,909)	(8,467)	-	(78,026)
Balance at December 31, 2016	$ -	$ 1,024,310	$ 2,447,515	$ 392,816	$ -	$ 3,864,641
Carrying amount at December 31, 2016	$ 702,405	$ 1,444,657	$ 1,116,898	$ 106,589	$ 1,313,892	$ 4,684,441
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)	-
Effect 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

(Continued)

	Freehold Land	Buildings	Equipment	Other Equipment	Property in Construction	Total
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 expense	-	125,735	232,186	52,306	-	410,227
Transferred from investment properties	-	7,470	-	-	-	7,470
Effect 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

(Concluded)

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

Building	
Main buildings	20-51 years
Electrical and mechanical equipment	8-20 years
Engineering	3-39 years
Others	3-20 years
Equipment	
Main equipment	2-20 years
Engineering	3-20 years
Others	3-15 years
Other equipment	2-15 years

Refer to Note 38 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings granted to the Group.

17. INVESTMENT PROPERTIES

	Completed Investment Property
Cost	
Balance at January 1 and December 31, 2016	$ 318,021
Accumulated depreciation and impairment	
Balance at January 1, 2016	$ 61,236
Depreciation expense	2,865
Balance at December 31, 2016	$ 64,101
Carrying amount at December 31, 2016	$ 253,920

(Continued)

	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 expense	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

(Concluded)

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

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

The fair value of the investment properties was $528,903 thousand and $580,589 thousand as of December 31, 2017 and 2016, 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 38.

18. INTANGIBLE ASSETS

	Trademark	Computer Software	Other	Total
Cost				
Balance at January 1, 2016	$ 114,498	$ 216,935	$ 16,277	$ 347,710
Additions	-	6,373	150	6,523
Effect of foreign currency exchange differences	(5,711)	(2,474)	(1,563)	(9,748)
Balance at December 31, 2016	$ 108,787	$ 220,834	$ 14,864	$ 344,485

(Continued)

	Trademark	Computer Software	Other	Total
Accumulated amortization and impairment				
Balance at January 1, 2016	$ 4,298	$ 202,819	$ 271	$ 207,388
Amortization expense	5,544	13,134	1,657	20,335
Effect of foreign currency exchange differences	(474)	(1,965)	(419)	(2,858)
Balance at December 31, 2016	$ 9,368	$ 213,988	$ 1,509	$ 224,865
Carrying amount at December 31, 2016	$ 99,419	$ 6,846	$ 13,355	$ 119,620
Cost				
Balance at January 1, 2017	$ 108,787	$ 220,834	$ 14,864	$ 344,485
Additions	-	7,938	-	7,938
Disposals	(23,902)	-	-	(23,902)
Effect of foreign currency exchange differences	(8,112)	(577)	(442)	(9,131)
Balance at December 31, 2017	$ 76,773	$ 228,195	$ 14,422	$ 319,390
Accumulated amortization and impairment				
Balance at January 1, 2017	$ 9,368	$ 213,988	$ 1,509	$ 224,865
Amortization expense	5,360	11,100	1,458	17,918
Effect of foreign currency exchange differences	(131)	(478)	(33)	(642)
Balance at December 31, 2017	$ 14,597	$ 224,610	$ 2,934	$ 242,141
Carrying amount at December 31, 2017	$ 62,176	$ 3,585	$ 11,488	$ 77,249

(Concluded)

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

Trademark	20 years
Computer software	2-3 years
Other	10 years

19. LONG-TERM PREPAYMENTS FOR LEASES

The long-term prepayments for leases are land use rights located in mainland China. As of December 31, 2017 and 2016, long-term prepayments for leases amounted to $396,450 thousand and $406,818 thousand, respectively.

20. OTHER ASSETS

	December 31	
	2017	2016
Current		
Pledge time deposits	$ 1,007	$ 1,004
Pledge demand deposits	4,179	-
Advances to officers	17,192	12,275
Others	-	803
	$ 22,378	$ 14,082
Non-current		
Prepayments for equipment	$ 44,107	$ 485,171
Refundable deposits	63,220	84,904
Pledge time deposits	91,090	-
Others	63,128	47,674
	$ 261,545	$ 617,749

21. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Secured borrowings (Note 38)		
Bank loans	$ 134,000	$ 147,000
Unsecured borrowings		
Bank loans	2,178,473	1,313,871
	$ 2,312,473	$ 1,460,871

The range of interest rates on bank loans was 1.05%-4.57% and 1.05%-3.92% per annum as of December 31, 2017 and 2016, respectively.

b. Short-term bills payable

	December 31	
	2017	2016
Commercial paper	$ 100,000	$ 70,000
Less: Unamortized discount on commercial paper	(47)	(25)
	$ 99,953	$ 69,975

Outstanding short-term bills payable were as follows:

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			$ -

December 31, 2016

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

c. Long-term borrowings

	December 31	
	2017	2016
Secured borrowings (Note 38)		
Bank loans*	$ 39,000	$ -
Less: Current portions	(12,000)	-
Long-term borrowings	$ 27,000	$ -

* As of December 31, 2017, the interest rate of the bank borrowings secured by the Group's equipment (see Note 38) was 1.91% per annum. The bank borrowings will be repayable quarterly from March 2018 to March 2021.

22. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2017	2016
Notes payable		
Notes payable - operating	$ 99,046	$ 698,454
Notes payable - non-operating	334	66
	$ 99,380	$ 698,520
Trade payables		
Trade payables	$ 1,506,263	$ 1,515,655

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.

23. OTHER LIABILITIES

	December 31	
	2017	2016
Current		
Other payables		
Payable for salaries or bonuses	$ 258,162	$ 287,325
Payable for compensation of employees	23,388	28,215
Payable for remuneration to directors	15,449	18,502
Payable for commission and rebates	741,931	735,343
Payable for advertisement	117,751	101,659
Payable for royalties	20,704	23,351
Payable for freight	92,957	32,841
Others	1,123,499	1,112,528
	$ 2,393,841	$ 2,339,764
Other liabilities		
Advance receipts from customers	$ 216,185	$ 362,685
Financial liabilities of put option equity instruments of disposed of subsidiaries	45,196	50,234
Others	16,880	21,629
	$ 278,261	$ 434,548
Non-current		
Other liabilities		
Guarantee deposits	$ 48,769	$ 31,330
Others	5,305	52,297
	$ 54,074	$ 83,627

Accession Limited and The MM-Group AG (MM-Group) signed an agreement about equity purchase of Dermalab on February 10, 2015. According to the agreement, MM-Group has the rights to ask Accession Limited to buy 20% of equity of Dermalab which are held by MM-Group since April 1, 2017. The purchase price is CHF1,500 thousand. Financial liabilities recognized by the Group according to this agreement amounted to $45,196 thousand and $50,234 thousand as of December 31, 2017 and 2016, respectively.

24. PROVISIONS

	December 31	
	2017	**2016**
Current		
Customer returns	$ 112,814	$ 21,420

	Customer Returns
Balance at January 1, 2016	$ 27,201
Addition	209,241
Usage	(214,928)
Effect of foreign currency exchange differences	(94)
Balance at December 31, 2016	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 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.

25. 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	
	2017	**2016**
Present value of funded defined benefit obligation	$ 705,155	$ 709,634
Fair value of plan assets	(334,366)	(373,443)
Net defined benefit liabilities	$ 370,789	$ 336,191

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, 2016	$ 668,377	$ (377,686)	$ 290,691
Service cost			
Current service cost	12,084	-	12,084
Net interest expense (income)	9,011	(5,111)	3,900
Recognized in profit or loss	21,095	(5,111)	15,984
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,177	1,177
Actuarial loss - changes in demographic assumptions	23,607	-	23,607
Actuarial loss - changes in financial assumptions	19,600	-	19,600
Actuarial loss - experience adjustments	3,659	-	3,659
Recognized in other comprehensive income	46,866	1,177	48,043
Contributions from the employer	-	(17,784)	(17,784)
Contributions from plan participants	460	(460)	-
Benefits paid	(24,019)	24,019	-
Exchange differences	(3,145)	2,402	(743)
Balance at December 31, 2016	709,634	(373,443)	366,191
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

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
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

(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	
	2017	2016
Discount rates	0.700%-1.500%	0.600%-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	
	2017	2016
Discount rates		
0.250% increase	$ (17,049)	$ (16,066)
0.250% decrease	$ 18,084	$ 17,151
Expected rates of salary increase		
0.250% increase	$ 17,369	$ 16,445
0.250% decrease	$ (16,836)	$ (15,928)

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	
	2017	2016
The expected contributions to the plan for the next year	$ 18,100	$ 18,334
The average duration of the defined benefit obligation	3.7-15.9 years	4.6-15.9 years

26. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2017	2016
Number of shares authorized (in thousands)	920,000	880,000
Shares authorized	$ 9,200,000	$ 8,800,000
Number of shares issued and fully paid (in thousands)	915,089	879,893
Shares issued	$ 9,150,897	$ 8,798,939

2) Global depositary receipts

As of December 31, 2017, a total of 80,034.4 units of Global Depositary Receipts (GDRs) (representing 400,172 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	
	2017	2016
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	-
Recognized from treasury share transactions	79,239	68,978
May not be used for any purpose		
Share options	3,418	3,418
	$ 83,124	$ 72,397

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 15, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation and remuneration of directors.

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.

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 2016 and 2015 approved in the shareholders' meetings on June 22, 2017 and June 15, 2016, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2016	2015	2016	2015
Legal reserve	$ 260,654	$ 273,062		
Special reserve	81,797	-		
Cash dividends	1,407,830	1,268,315	$ 1.6	$ 1.6
Share dividends	351,958	871,967	0.4	1.1

The appropriations of earnings for 2016 had been proposed by the Company's board of directors on March 22, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 217,304	
Special reserve	178,629	
Cash dividends	1,830,179	$ 2

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 15, 2018.

d. Special reserves

	For the Year Ended December 31	
	2017	2016
Beginning at January 1	$ -	$ -
Appropriation in respect of:		
Debit to other equity items	81,797	-
Balance at December 31	$ 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	
	2017	2016
Balance at January 1	$ (185,556)	$ 367,770
Exchange differences on translating the financial statements of foreign operations	(147,337)	(666,657)
Related income tax	25,047	113,331
Balance at December 31	$ (307,846)	$ (185,556)

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 150,729	$ (5,969)
Unrealized gain (loss) on revaluation of available-for-sale financial assets	(55,606)	174,009
Cumulative loss reclassified to profit or loss on sale of available-for-sale financial assets	(733)	(17,311)
Balance at December 31	$ 94,390	$ 150,729

3) Other equity items - other (recognized from put option of equity instruments of subsidiaries disposed of)

	For the Year Ended December 31	
	2017	2016
Balance at January and December 31	$ (46,970)	$ (46,970)

f. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 199,786	$ 197,316
Attributable to non-controlling interests:		
Share of profit for the year	36,865	31,212
Exchange difference on translating foreign operations		
Related income tax	(6,333)	(1,610)
Remeasurement on defined benefit plans	(114)	(962)
Related income tax	(5)	155
Non-controlling interests subscribing for shares issued by subsidiaries	36,853	-
Changes in percentage of ownership interests in subsidiaries	(466)	-
Cash dividends distributed by subsidiaries to non-controlling interests	(28,718)	(26,325)
Balance at December 31	$ 237,868	$ 199,786

g. Treasury shares

Purpose of Buy-back	Shares Held by Subsidiaries (In Thousands of Shares)
Number of shares at January 1, 2016	5,777
Increase during the year	636
Number of shares at December 31, 2016	6,413
Increase during the year	256
Number of shares at December 31, 2017	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, 2017			
Chang Hui	6,669	$ 21,182	$ 493,541
December 31, 2016			
Chang Hui	6,413	$ 21,182	$ 491,232

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

27. NET PROFIT

Net profit includes:

a. Other income

	For the Year Ended December 31	
	2017	2016
Operating lease rental income		
Investment properties	$ 24,530	$ 25,739
Others	465	1,037
	24,995	26,776
Interest income		
Bank deposits	46,791	64,810
Repurchase agreements collateralized by bonds	197	229
Others	1,353	-
	48,341	65,039
Dividends	16,500	17,845
	$ 89,836	$ 109,660

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Net loss on disposal of property, plant and equipment	$ (4,202)	$ (1,105)
Net gain on disposal of available-for-sale financial assets	733	17,311
Net foreign exchange losses	(67,137)	(12,542)
Net loss arising on financial assets and financial liabilities designated as held for trading	(16,107)	(1,128)
Impairment loss arising on financial assets measured at cost	(48,825)	(4,681)
Government grants	54,747	162,243
Others	17,195	52,049
	$ (63,596)	$ 212,147

c. Finance costs

	For the Year Ended December 31 2017	2016
Interest on bank loans	$ 74,434	$ 52,931
Interest on short-term bills payable	644	540
Other interest expense	646	438
Total interest expense on financial liabilities measured at amortized cost	75,724	53,909
Less: Amounts included in the cost of qualifying asset	(9)	(355)
	$ 75,715	$ 53,554

Information about capitalized interest was as follows:

	For the Year Ended December 31 2017	2016
Capitalized interest	$ 9	$ 355
Capitalized rate	0.800%	0.814%-1.115%

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

	For the Year Ended December 31 2017	2016
Trade receivables	$ 186	$ (3,454)
Financial assets measured at cost	48,825	4,681
	$ 49,011	$ 1,227

e. Depreciation and amortization

	For the Year Ended December 31 2017	2016
Property, plant and equipment	$ 410,227	$ 364,241
Investment property	2,699	2,865
Intangible assets	17,918	20,335
Others	33,564	40,405
	$ 464,408	$ 427,846
An analysis of depreciation		
Operating costs	$ 335,076	$ 302,085
Operating expenses	75,151	62,156
Non-operating revenue and expenses	2,699	2,865
	$ 412,926	$ 367,106
An analysis of amortization		
Operating costs	$ 25,474	$ 28,774
Operating expenses	26,008	31,966
	$ 51,482	$ 60,740

f. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2017	2016
Direct operating expenses of investment properties that generated rental income	$ 2,573	$ 2,762
Direct operating expenses of investment properties that did not generated rental income	583	581
	$ 3,156	$ 3,343

g. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits		
Defined contribution plans	$ 110,842	$ 95,538
Defined benefit plans (see Note 25)	14,747	15,984
	125,589	111,522
Other employee benefits	1,958,872	1,948,837
Total employee benefits expense	$ 2,084,461	$ 2,060,359
An analysis of employee benefits expense by function		
Operating costs	$ 784,848	$ 813,218
Operating expenses	1,299,613	1,247,141
	$ 2,084,461	$ 2,060,359

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, 2017 and 2016, which were approved by the Company's board of directors on March 22, 2018 and March 24, 2016, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	2016
Compensation of employees	0.90%	0.90%
Remuneration of directors	0.59%	0.59%

Amount

	For the Year Ended December 31	
	2017	2016
	Cash	Cash
Compensation of employees	$ 23,388	$ 28,215
Remuneration of directors	15,449	18,502

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, 2016 and 2015.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 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	
	2017	**2016**
Foreign exchange gains	$ 90,343	$ 129,045
Foreign exchange losses	(157,480)	(141,587)
Net losses	$ (67,137)	$ (12,542)

j. Impairment losses on non-financial assets

	For the Year Ended December 31	
	2017	**2016**
Inventories (included in operating costs)	$ 11,757	$ 30,110

28. INCOME TAXES

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

	For the Year Ended December 31	
	2017	**2016**
Current tax		
In respect of the current year	$ 511,732	$ 628,513
Income tax on unappropriated earnings	46,536	25,023
Adjustments for prior years	22,568	(1,263)
	580,836	652,273
Deferred tax		
In respect of the current year	(45,342)	(10,224)
Income tax expense recognized in profit or loss	$ 535,494	$ 642,049

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

	For the Year Ended December 31	
	2017	2016
Profit before tax	$ 2,745,403	$ 3,279,805
Income tax expense calculated at the statutory rate	$ 542,734	$ 724,876
Nondeductible expenses in determining taxable income	26,194	19,532
Tax-exempt income	(111,089)	(104,040)
Unrecognized deductible temporary differences and loss carryforwards	12,735	10,893
Used investment tax credits	(4,184)	-
Income tax on unappropriated earnings	46,536	25,023
Adjustments for prior years' tax	22,568	(34,235)
Income tax expense recognized in profit or loss	$ 535,494	$ 642,049

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

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 will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by $53,444 thousand and $10,252 thousand, respectively, in 2018.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
In respect of the current year		
Exchange differences on translating the financial statements of foreign operations	$ (25,047)	$ (113,331)
Remeasurement of defined benefit plans	(5,397)	(8,209)
Total income tax recognized in other comprehensive income	$ (30,444)	$ (121,540)

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable	$ 800	$ 34,299
Current tax liabilities		
Income tax payable	$ 307,268	$ 316,292

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, 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 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
Deferred tax liabilities					
Temporary differences					
Investments accounted for using 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

For the year ended December 31, 2016

	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 equity method	$ 104,891	$ (12,027)	$ 33	$ -	$ 92,897
Exchange differences on translating the financial statements of foreign operations	-	-	38,005	-	38,005
Defined benefit plans	48,930	(253)	8,176	(192)	56,661
Payable for advertisement	-	59,448	-	(2,443)	57,005
Deferred sales returns and allowances	2,630	1,842	-	-	4,472
Allowance for inventory loss	5,052	2,545	-	-	7,597
Financial assets measured at cost	35,278	(730)	-	-	34,548
Others	16,929	(1,815)	-	(18)	15,096
	$ 213,710	$ 49,010	$ 46,214	$ (2,653)	$ 306,281

(Continued)

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

(Concluded)

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

	December 31	
	2017	2016
Loss carryforwards		
Expiry in 2017	$ -	$ 741
Expiry in 2018	-	5,714
Expiry in 2019	590	2,789
Expiry in 2020	11,092	16,119
Expiry in 2021	36,363	40,953
Expiry in 2022	42,727	-
Expiry in 2023	410	888
	$ 91,182	$ 67,204
Deductible temporary differences	$ 114,531	$ 98,688

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2017 comprised:

Unused Amount	Expiry Year
$ 590	2019
11,092	2020
36,363	2021
42,727	2022
888	2023
$ 91,660	

g. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated after January 1, 1998	Note	$ 3,277,073
Imputation credits account	Note	$ 333,892

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earnings	Note	18.23%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

h. Income tax assessments

The tax returns of the Company and Standard Dairy Products through 2013 have been assessed by the tax authorities.

The tax returns of Domex Technology, Standard Beverage, Charng Hui and Le Bonta Wellness through 2015 have been assessed by the tax authorities.

29. EARNINGS PER SHARE

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 27, 2016. The basic and diluted earnings per share for the year ended December 31, 2016 before and after retroactive adjustment were as follows:

Unit: NT$ Per Share

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	$ 2.98	$ 2.87
Diluted earnings per share	$ 2.98	$ 2.87

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	
	2017	2016
Earnings used in the computation of basic earnings per share	$ 2,173,044	$ 2,606,544
Effect of potentially dilutive ordinary shares	-	-
Earnings used in the computation of diluted earnings per share	$ 2,173,044	$ 2,606,544

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

	For the Year Ended December 31	
	2017	**2016**
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	413	529
Weighted average number of ordinary shares used in the computation of diluted earnings per share	908,833	908,949

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. GOVERNMENT GRANTS

In 2015, 2016 and 2017, the Group received government grants of $83,897 thousand, $78,346 thousand and $54,747 thousand, respectively, towards its marketing, market expansion, organizational expense of subsidiary grants and establishment of business operation headquarters. The amount was recognized as deferred revenue and subsequently transferred to profit or loss when the Group recognized the expenses. This policy resulted in a credit to income (included in other gains and losses) of $54,747 thousand and $162,243 thousand during 2017 and 2016, respectively.

31. BUSINESS COMBINATION

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Le Bonta Wellness	Sale of health foods	March 15, 2016	100	$ 14,350

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

b. Considerations transferred

	Le Bonta Wellness
Cash	$ 14,350

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

	Le Bonta Wellness
Current assets	
Cash and cash equivalents	$ 13,665
Trade receivables	10
Inventories	2,067
Current tax assets	4
Prepayments	581
Other current assets	10
Non-current assets	
Property, plant and equipment	305
Current liabilities	
Other payables	(2,537)
Other current liabilities	(14)
	$ 14,091

d. Goodwill recognized on acquisition of subsidiary

	Le Bonta Wellness
Consideration transferred	$ 14,350
Less: Fair value of identifiable net assets acquired	(14,091)
Goodwill recognized on acquisition	$ 259

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

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

e. Net cash outflow on acquisition of subsidiary

	Le Bonta Wellness
Consideration paid in cash	$ 14,350
Less: Cash and cash equivalent balances acquired	(13,665)
	$ 685

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

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

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

Had the business combination been in effect at the beginning of the annual reporting period, the Group's revenue would have been $27,073,750 thousand, and the profit would have been $2,637,499 thousand for the year ended December 31, 2016. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

32. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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	(36,387)
Differences recognized from equity transactions	$ 466
Line items adjusted for equity transactions	
Capital surplus - changes in percentage of ownership interests in subsidiaries	$ 466

33. NON-CASH TRANSACTIONS

For the years ended December 31, 2017 and 2016, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows:

a. The Group acquired 80% of the equity of Dermalab in April 2015; as of December 31, 2016 and 2015, part of the consideration in amount of $1,523 thousand and $1,606 thousand, respectively, was not yet paid in cash.

b. The Group had invested in AsiaVest-opportunities Fund IV (included in financial assets measured at cost). In 2016, AsiaVest-opportunities Fund IV liquidated and returned the investment to the Group in the form of shares of AsiaVest Liquidation Co. (included in financial assets measured at cost - non-current).

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

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

	December 31	
	2017	2016
Not later than 1 year	$ 58,701	$ 52,793
Later than 1 year and not later than 5 years	31,098	58,259
Later than 5 years	7,744	-
	$ 97,543	$ 111,052

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

	For the Year Ended December 31	
	2017	2016
Minimum lease payments	$ 124,904	$ 89,398

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	
	2017	2016
Not later than 1 year	$ 22,329	$ 22,303
Later than 1 year and not later than 5 years	47,696	12,511
	$ 70,025	$ 34,814

35. 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.

36. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

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

December 31, 2016

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

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

2) 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.

b. Categories of financial instruments

	December 31	
	2017	**2016**
<u>Financial assets</u>		
Loans and receivables (1)	$ 9,227,309	$ 8,228,720
Available-for-sale financial assets (2)	369,256	822,001
<u>Financial liabilities</u>		
Fair value through profit or loss		
Held for trading	11,253	-
Amortized cost (3)	4,359,078	3,910,080

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

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, trade payables, finance lease payables and other financial liabilities.

c. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, equity 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 40.

Sensitivity analysis

The Group was mainly exposed to the RMB and USD.

The following table details the Group's sensitivity to a 3% increase or decrease in the functional currency against the relevant foreign currencies. A change of 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis used the outstanding foreign currency denominated monetary items at the end of the reporting period and assumed the exchange rates at the end of the reporting period changed by 3% increase 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**	
	2017	**2016**	**2017**	**2016**
Profit or loss	$ 2,356 (i)	$ 8,717 (i)	$ 9,734 (ii)	$ 18,732 (ii)

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.

The Group's sensitivity to the RMB decreased during the current year mainly due to the decrease in RMB bank deposits; and the sensitivity to the USD decreased during the current year mainly due to the decrease in USD bank deposits.

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	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 602,963	$ 1,270,109
Financial liabilities	2,360,455	561,119
Cash flow interest rate risk		
Financial assets	655,700	78,827
Financial liabilities	139,000	1,019,456

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, 2017 and 2016 would increase (decrease) by $5,557 thousand and $(9,406) thousand, respectively.

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

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would increase/decrease by $3,230 thousand and $7,263 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

The Group's sensitivity to equity prices decreased during the current year mainly due to the sale 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, 2017

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

December 31, 2016

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

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, 2017 and 2016, the Group had available unutilized bank loan facilities in the amounts of $7,752,677 thousand and $6,356,491 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, 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

December 31, 2016

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

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, 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)	$ -

December 31, 2016

None.

37. 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

Related Party Category/Name	For the Year Ended December 31 2017	2016
The Company is one of the directors		
GeneFerm	$ 25,572	$ 23,689

Purchases from related parties were conducted on normal commercial terms.

c. Payables to related parties

Line Items	Related Party Category/Name	December 31 2017	2016
Trade payables	The Company is one of the directors		
	GeneFerm	$ 3,269	$ 8,307

The outstanding payables from related parties were unsecured.

d. Compensation of key management personnel

	For the Year Ended December 31 2017	2016
Short-term employee benefits	$ 30,273	$ 25,860
Post-employment benefits	450	567
	$ 30,723	$ 26,427

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

38. 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 2017	2016
Pledge time deposits (included in other current assets)	$ 1,007	$ 1,004
Pledge demand deposits (included in other current assets)	4,179	-
Pledge time deposits (included in other non-current assets)	91,090	-
Property, plant and equipment, net	99,709	75,256
Investment properties, net	60,485	74,541
	$ 256,470	$ 150,801

39. 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, 2017 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$3,000 thousand.

c. Unrecognized commitments for acquisition of property, plant and equipment of approximately $235,640 thousand.

40. 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, 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

December 31, 2016

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

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			
	2017		2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	$ (55,430)	1 (NTD:NTD)	$ (16,040)
RMB	4.51 (RMB:NTD)	(11,975)	4.80 (RMB:NTD)	3,607
CHF	30.90 (CHF:NTD)	268	32.72 (CHF:NTD)	(109)
		$ (67,137)		$ (12,542)

41. SEPARATELY DISCLOSED ITEMS

a. Financings provided: See Table 1 attached.

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

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

d. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: See Table 4 attached.

e. Acquisition of individual real estate 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: None.

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: See Table 8 attached.

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: See Table 11 attached.

42. 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, Inner Mongolia Jiatai Agriculture 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, 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
For the year ended December 31, 2016						
Sales from external customers	$ 10,474,412	$ 2,196,975	$ 12,746,585	$ 1,655,592	$ -	$ 27,073,564
Sales among intersegments	1,181,379	655,998	18,441	1,838	(1,857,656)	-
Total sales	$ 11,655,791	$ 2,852,973	$ 12,765,026	$ 1,657,430	$ (1,857,656)	$ 27,073,564
Interest income	$ 16,555	$ 1,576	$ 41,872	$ 6,429	$ (1,393)	$ 65,039
Financial cost	$ 2,226	$ -	$ 46,335	$ 6,386	$ (1,393)	$ 53,554
Depreciation expense	$ 170,878	$ 25,308	$ 149,652	$ 21,268	$ -	$ 367,106
Amortization expense	$ 17,277	$ 4,081	$ 31,569	$ 7,813	$ -	$ 60,740
Other important non-cash items						
Impairment loss on assets	$ -	$ -	$ -	$ 4,681	$ -	$ 4,681
Operating segment income	$ 2,264,359	$ 543,481	$ 424,706	$ 72,026	$ (24,767)	$ 3,279,805
Unallocated amount						-
Income before income tax						$ 3,279,805

b. Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	For the Year Ended December 31	
	2017	2016
Nutritious foods	$ 10,202,742	$ 10,464,815
Cooking products	13,132,389	14,292,164
Others	3,142,793	2,316,585
	$ 26,477,924	$ 27,073,564

c. Geographical information:

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

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

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2017	2016	2017	2016
Taiwan	$ 14,691,991	$ 14,149,489	$ 2,264,446	$ 2,270,833
Mainland China	11,702,655	12,820,825	4,203,004	3,695,726
Others	83,278	103,250	28,817	31,085
	$ 26,477,924	$ 27,073,564	$ 6,496,267	$ 5,997,644

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

d. Information about major customers

Single customers contributing 10% or more to the Group's revenue for the years ended December 31, 2017 and 2016 are summarized as follows:

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
Customer A	$ 4,329,907	16.4	$ 4,036,721	14.9

STANDARD FOODS CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	$ 91,090	$ 91,090	$ 54,085	3.828%-4.350%	b.	$ -	Need for operation	$ -	-	$ -	$ 1,429,685 (Note 3)	$ 1,429,685 (Note 3)	Note 12
		Standard Foods (China) Co., Ltd.	Financing receivables - related parties	Y	455,450	455,450	428,952	4.350%	b.	-	Need for operation	-	-	-	1,429,685 (Note 3)	1,429,685 (Note 3)	Note 12
		Standard Foods (Xiamen) Co., Ltd.	Financing receivables - related parties	Y	728,720	728,720	669,571	4.350%	b.	-	Need for operation	-	-	-	1,429,685 (Note 3)	1,429,685 (Note 3)	Note 12
		Shanghai Le Ben Tuo Health Technology Co., Ltd.	Financing receivables - related parties	Y	91,440	91,090	91,090	4.350%	b.	-	Need for operation	-	-	-	1,429,685 (Note 3)	1,429,685 (Note 3)	Note 12
2	Shanghai Standard Foods Co., Ltd.	Standard Foods (China) Co., Ltd.	Financing receivables - related parties	Y	928,116	478,223	478,223	3.915%	b.	-	Need for operation	-	-	-	1,201,348 (Note 4)	1,201,348 (Note 4)	Note 12
		Standard Investment (China) Co., Ltd.	Financing receivables - related parties	Y	660,403	660,403	536,133	4.350%	b.	-	Need for operation	-	-	-	1,201,348 (Note 4)	1,201,348 (Note 4)	Note 12
3	Accession Limited	Shanghai Standard Foods Co., Ltd.	Financing receivables - related parties	Y	182,520	178,560	178,560	-	b.	-	Need for operation	-	-	-	3,417,950 (Note 5)	3,417,950 (Note 5)	Note 12
		Dermalab S.A.	Financing receivables - related parties	Y	127,911	127,911	60,910	1.900%-2.500%	b.	-	Need for operation	-	-	-	683,590 (Note 6)	1,367,180 (Note 7)	Note 12
4	Shanghai Le Ben Tuo Health Technology Co., Ltd.	Standard Investment (China) Co., Ltd.	Financing receivables - related parties	Y	113,863	113,863	2,218	4.350%	b.	-	Need for operation	-	-	-	134,846 (Note 8)	134,846 (Note 8)	Note 12
5	Shanghai Le Ben De Health Technology Co., Ltd.	Standard Investment (China) Co., Ltd.	Financing receivables - related parties	Y	9,109	9,109	-	4.350%	b.	-	Need for operation	-	-	-	11,564 (Note 9)	11,564 (Note 9)	Note 12
6	Shanghai Le Ho Industrial Co., Ltd.	Standard Investment (China) Co., Ltd	Financing receivables - related parties	Y	182,180	182,180	806	4.350%	b.	-	Need for operation	-	-	-	200,872 (Note 10)	200,872 (Note 10)	Note 12
7	Shanghai Le Min Industrial Co., Ltd.	Standard Investment (China) Co., Ltd	Financing receivables - related parties	Y	91,090	91,090	1,038	4.350%	b.	-	Need for operation	-	-	-	120,490 (Note 11)	120,490 (Note 11)	Note 12

(Continued)

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

Note 2: Reasons for financing are as follows:

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

Note 3: The total amount shall not exceed 40% of the net value of Standard Investment (China) Co., Ltd., which was calculated to be $1,429,685 thousand (the net value per financial statements as of September 30, 2017 of $3,574,213 thousand x 40%).

Note 4: The total amount shall not exceed 40% of the net value of Shanghai Standard Foods Co., Ltd., which was calculated to be $1,201,348 thousand (the net value per financial statements as of September 30, 2017 of $3,003,369 thousand x 40%).

Note 5: The total amount shall not exceed 100% of the net value of Accession Limited, which was calculated to be $3,417,950 thousand (the net value per financial statements as of September 30, 2017 of $3,417,950 thousand x 100%).

Note 6: The total amount shall not exceed 20% of the net value of Accession Limited, which was calculated to be $683,590 thousand (the net value per financial statements as of September 30, 2017 of $3,417,950 thousand x 20%).

Note 7: The total amount shall not exceed 40% of the net value of Accession Limited, which was calculated to be $1,367,180 thousand (the net value per financial statements as of September 30, 2017 of $3,417,950 thousand x 40%).

Note 8: The total amount shall not exceed 40% of the net value of Shanghai Le Ben Tuo Health Technology Co., Ltd., which was calculated to be $134,846 thousand (the net value per financial statements as of September 30, 2017 of $337,116 thousand x 40%).

Note 9: The total amount shall not exceed 40% of the net value of Shanghai Le Ben De Health Technology Co., Ltd., which was calculated to be $11,564 thousand (the net value per financial statements as of September 30, 2017 of $28,911 thousand x 40%).

Note 10: The total amount shall not exceed 40% of the net value of Shanghai Le Ho Industrial Co., Ltd., which was calculated to be $200,872 thousand (the net value per financial statements as of September 30, 2017 of $502,180 thousand x 40%).

Note 11: The total amount shall not exceed 40% of the net value of Shanghai Le Min Industrial Co., Ltd., which was calculated to be $120,490 thousand (the net value per financial statements as of September 30, 2017 of $301,225 thousand x 40%).

Note 12: The account was eliminated upon consolidation.

(Concluded)

TABLE 2

STANDARD FOODS CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(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.	$ 11,313,016 (Note 3)	$ 161,250	$ 148,800	$ 30,000	$ -	1.05%	$ 14,141,270 (Note 4)	Y	-	-	Note 10
		Accession Limited	b.	11,313,016 (Note 3)	179,970	178,560	-	-	1.26%	14,141,270 (Note 4)	Y	-	-	Note 10
1	Shanghai Standard Foods Co., Ltd.	Standard Foods (Xiamen) Co., Ltd.	c.	1,141,127 (Note 5)	70,950	-	-	-	-	3,003,369 (Note 6)	-	-	Y	Note 10
		Standard Foods (China) Co., Ltd.	c.	1,141,127 (Note 5)	457,200	455,450	-	-	15.16%	3,003,369 (Note 6)	-	-	Y	Note 10
		Standard Investment (China) Co., Ltd.	c.	1,141,127 (Note 5)	914,400	455,450	227,989	-	15.16%	3,003,369 (Note 6)	-	-	Y	Note 10
2	Standard Investment (China) Co., Ltd.	Standard Foods (Xiamen) Co., Ltd.	b.	2,859,370 (Note 7)	1,534,170	1,373,186	188,720	-	38.42%	3,574,213 (Note 8)	-	-	Y	Note 10
		Standard Foods (China) Co., Ltd.	b.	2,859,370 (Note 7)	1,471,205	1,179,052	348,811	-	32.99%	3,574,213 (Note 8)	-	-	Y	Note 10
		Shanghai Standard Foods Co., Ltd.	c.	1,414,127 (Note 5)	572,386	444,068	181,596	-	12.42%	3,574,213 (Note 8)	-	-	Y	Note 10

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

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

a. Trading partner.
b. Majority owned subsidiary.
c. The Company and subsidiary owns over 50% ownership of the investee company.
d. A subsidiary jointly owned by the Company and company's directly-owned subsidiary.
e. Guaranteed by the Company according to construction contract.
f. Investee company. The guarantees were provided based on the Company's proportionate share in an investee company.

Note 3: The total amount shall not exceed 80% of the net value in the financial statements of Standard Foods Corporation; the amount was calculated at $11,313,016 thousand (the net value per financial statements as of September 30, 2017 of $14,141,270 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 $14,141,270 thousand (the net value per financial statements as of September 30, 2017 of $14,141,270 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 $1,414,127 thousand (the net value per financial statements as of September 30, 2017 of $14,141,270 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 $3,003,369 thousand (the net value per financial statements as of September 30, 2017 of $3,003,369 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 $2,859,370 thousand (the net value per financial statements as of September 30, 2017 of $3,574,213 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 $3,574,213 thousand (the net value per financial statements as of September 30, 2017 of $3,574,213 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, 2017
(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, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note 2)	
Standard Foods Corporation	Shares							
	Far Eastern International Commercial Bank Co., Ltd.		Available-for-sale financial assets - current	1,307,981	$ 12,478		$ 12,478	
	Chunghwa Telecom Co., Ltd.		Available-for-sale financial assets - current	48,600	5,152	-	5,152	
	GeneFerm Biotechnology Co., Ltd	The Company is one of the directors	Available-for-sale financial assets - non-current	2,168,110	118,943	8.7	118,943	
	Dah Chung Bills Finance Corp.		Financial assets measured at cost - non-current	1,243,213	9,600	0.3	14,496	
	Mutual funds							
	VantagePoint Communications Partners, L.P.		Financial assets measured at cost - non-current	Note 1	-	1.1	-	
	Walden VC 2, L.P.		Financial assets measured at cost - non-current	Note 1	-	1.9	-	
	Shares							
	Techgains Pan-Pacific Corporation		Financial assets measured at cost - non-current	500,000	-	0.9	-	
	Authenex, Inc.		Financial assets measured at cost - non-current	2,424,242	-	5.5	-	
	Global Strategic Investment Co., Ltd.		Financial assets measured at cost - non-current	850,500	4,784	1.9	4,433	
	Paradigm Venture Capital Corporation		Financial assets measured at cost - non-current	200,418	2,005	7.0	1,935	
	U-Teck Environment Corporation, Ltd.		Financial assets measured at cost - non-current	11,200	-	0.2	-	
	Octamer, Inc. - Series E Preferred Stock		Financial assets measured at cost - non-current	800,000	-	7.8	-	
	Octamer, Inc. - Series F Preferred Stock		Financial assets measured at cost - non-current	107,815	-	1.0	-	
	Fortemedia, Inc. - Series D Preferred Stock		Financial assets measured at cost - non-current	3,455	-	1.2	-	
	Fortemedia, Inc. - Series E Preferred Stock		Financial assets measured at cost - non-current	71,397	-	1.2	-	
	Fortemedia, Inc. - Series F Preferred Stock		Financial assets measured at cost - non-current	29,173	-	1.2	-	
	Fortemedia, Inc. - Series G Preferred Stock		Financial assets measured at cost - non-current	31,135	-	1.3	-	
	Fortemedia, Inc. - Series I Preferred Stock		Financial assets measured at cost - non-current	29,102	-	1.3	-	
	Fortemedia, Inc. - Series - Common Stock		Financial assets measured at cost - non-current	12,938	-	1.2	-	
	Verisilicon Holdings Co., Ltd. - Series A Preferred Stock		Financial assets measured at cost - non-current	21,393	-	1.3	-	
	Verisilicon Holdings Co., Ltd. - Series B Preferred Stock		Financial assets measured at cost - non-current	2,756	-	1.3	-	
	Verisilicon Holdings Co., Ltd. - Series C Preferred Stock		Financial assets measured at cost - non-current	2,157	-	1.3	-	
	Verisilicon Holdings Co., Ltd. - Series E Preferred Stock		Financial assets measured at cost - non-current	3,431	-	1.3	-	
	Verisilicon Holdings Co., Ltd. - Common Stock		Financial assets measured at cost - non-current	324	-	1.3	-	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note 2)	
Charng Hui Ltd.	Shares							
	Standard Foods Corporation	Parent of Charng Hui Ltd.	Available-for-sale financial assets - current	6,669,471	$ 493,541	0.7	$ 493,541	Note 2
	Formosa Plastics Corporation		Available-for-sale financial assets - current	91,440	9,025		9,025	
	China Steel Corporation		Available-for-sale financial assets - current	803,258	19,880		19,880	
	Polytronics Technology Corp.	Charng Hui Ltd. is one of the directors	Available-for-sale financial assets - current	1,596,000	90,653	2.0	90,653	
	Taiwan Semiconductor Manufacturing Co., Ltd.		Available-for-sale financial assets - current	90,000	20,655		20,655	
	Mutual funds							
	Fuh Hwa Global Strategic Allocation FoF		Available-for-sale financial assets - current	1,000,000	10,880		10,880	
	Taishin 1699 Money Market		Available-for-sale financial assets - current	783,670	10,538		10,538	
	Franklin Templeton SinoAm Global Bd Acc		Available-for-sale financial assets - current	1,453,360	18,877		18,877	
	Shares							
	Hong Da Leasing & Finance Co., Ltd.		Financial assets measured at cost - non-current	8,297,000	-	23.7		
	CNEX Co., Ltd.	Charng Hui Ltd. is one of the directors	Financial assets measured at cost - non-current	1,000,000	-	6.0	-	
Standard Beverage Company Limited	Mutual funds							
	Fuh Hwa Greater China Mid & Small Cap		Available-for-sale financial assets - current	225,000	2,264		2,264	
	Franklin Templeton SinoAm Global Bd Acc		Available-for-sale financial assets - current	282,988	3,676		3,676	
Domex Technology Corporation	Shares							
	InnoComm Mobile Technology Corp.		Financial assets measured at cost - non-current	3,600,000	26,586	13.4	66,780	
Accession Limited	Shares							
	AsiaVest Liquidation Co.		Financial assets measured at cost - non-current	200	3,260	0.7	2,477	

Note 1: No number of units of the Fund.

Note 2: The amount was eliminated upon consolidation.

(Concluded)

STANDARD FOODS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Financial Instruments Evaluation (Loss) Gain	Other	Ending Balance		Note
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal			Shares	Amount	
Standard Foods Corporation	Standard Investment (Cayman) Limited	Investments accounted for using equity method	(Note 1)	-	134,335,854	$ 4,353,895	15,724,961	$ 478,280	-	$ -	$ -	$ -	$ -	$ (163,638) (Note 2)	150,060,815	$ 4,668,537	Note 6
Standard Investment (Cayman) Limited	Standard Corporation (Hong Kong) Limited	Investments accounted for using equity method	(Note 1)	-	134,287,854	4,353,158	15,724,961	478,280	-	-	-	-	-	(163,389) (Note 3)	150,012,815	4,668,049	Note 6
Standard Corporation (Hong Kong)	Standard Investment (China) Co., Ltd.	Investments accounted for using equity method	(Note 1)	-	Note 5	3,533,349	Note 5	384,341	-	-	-	-	-	(149,495) (Note 4)	Note 5	3,768,195	Note 6

Note 1: There is no counterparty for the issuance of ordinary shares for cash this year.

Note 2: The recognition of a decrease of $91,778 thousand this year was due adopting the equity method for the accounting of the investment loss. The recognition of a decrease of $80,505 thousand this year was due adopting the equity method for the accounting of the translation adjustment. The recognition of an increase of $8,645 thousand this year was due adopting the equity method for the accounting of the capital surplus.

Note 3: The recognition of a decrease of $91,545 thousand this year was due adopting the equity method for the accounting of the investment loss. The recognition of a decrease of $80,489 thousand this year was due adopting the equity method for the accounting of the translation adjustment. The recognition of an increase of $8,645 thousand this year was due adopting the equity method for the accounting of the capital surplus.

Note 4: The recognition of a decrease of $94,160 thousand this year was due adopting the equity method for the accounting of the investment loss. The recognition of a decrease of $63,980 thousand this year was due adopting the equity method for the accounting of the translation adjustment. The recognition of an increase of $8,645 thousand this year was due adopting the equity method for the accounting of the capital surplus.

Note 5: This is a limited company with no issued shares.

Note 6: The amount was eliminated upon consolidation.

TABLE 5

STANDARD FOODS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases (Sales)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Standard Foods Corporation	Standard Dairy Products Taiwan Limited	The Company's subsidiary	Sales	$ (1,335,518)	11.86	55 days after month end closing (net of receivables and payables)	-	-	$ 175,881	9.13	Note
			Purchases	608,762	9.37	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	1,335,518	62.44	55 days after month end closing (net of receivables and payables)	-	-	(175,881)	34.60	Note
			Sales	(608,762)	19.55	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	(2,443,503)	90.01	60 days after month-end closing	-	-	675,846	98.83	Note
	Standard Foods (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Sales	(131,004)	4.83	60 days after month-end closing	-	-	4,433	0.65	Note
			Purchases	171,093	6.96	60 days after month-end closing	-	-	(497)	0.53	Note
Standard Investment (China) Co., Ltd.	Shanghai Standard Foods Co., Ltd.	Brother company of Standard Investment (China) Co., Ltd.	Purchases	2,443,503	27.44	60 days after month-end closing	-	-	(675,846)	39.47	Note
	Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Purchases	4,796,782	53.88	60 days after month-end closing	-	-	(1,014,292)	59.23	Note
	Standard Foods (Xiamen) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Purchases	1,646,137	18.49	60 days after month-end closing	-	-	-	-	Note
Standard Foods (China) Co., Ltd.	Shanghai Standard Foods Co., Ltd.	Brother company of Standard Foods (China) Co., Ltd.	Purchases	131,004	2.54	60 days after month-end closing	-	-	(4,433)	1.25	Note
			Sales	(171,093)	3.39	60 days after month-end closing	-	-	497	0.05	Note
	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (China) Co., Ltd.	Sales	(4,796,782)	95.12	60 days after month-end closing	-	-	1,014,292	93.16	Note
Standard Foods (Xiamen) Co., Ltd.	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (Xiamen) Co., Ltd.	Sales	(1,646,137)	94.17	60 days after month-end closing	-	-	-	-	Note

Note: The amount was eliminated upon consolidation.

TABLE 6

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, 2017
(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	$ 175,881	8.70	$ -	-	$ 175,881 (Note 1)	$ -	Note 2
			Other receivables	2,178		-	-	2,178 (Note 1)	-	Note 2
				$ 178,059		$ -		$ 178,059	$ -	
Accession Limited	Shanghai Standard Foods Co., Ltd.	Accession Limited's subsidiary	Financing receivables	$ 178,560		$ -	-	$ - (Note 1)	$ -	Note 2
Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Trade receivables	$ 675,846	2.32	$ -	-	$ 675,846 (Note 1)	$ -	Note 2
			Financing receivables	536,133		-	-	- (Note 1)	-	Note 2
			Other receivables	40,415		-	-	4,185 (Note 1)	-	Note 2
				$ 1,252,394		$ -		$ 680,031	$ -	
	Standard Foods (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Trade receivables	$ 4,433	51.84	$ -	-	$ 4,433 (Note 1)	$ -	Note 2
			Financing receivables	478,223		-	-	- (Note 1)	-	Note 2
			Other receivables	35,055		-	-	35,055 (Note 1)	-	Note 2
				$ 517,711		$ -		$ 39,488	$ -	
Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Trade receivables	$ 6	232.00	$ -	-	$ 6 (Note 1)	$ -	Note 2
			Financing receivables	428,952		-	-	- (Note 1)	-	Note 2
			Other receivables	17,787		-	-	11,025 (Note 1)	-	Note 2
				$ 446,745		$ -		$ 11,031	$ -	
	Standard Foods (Xiamen) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Trade receivables	$ 151	3.01	$ -	-	$ - (Note 1)	$ -	Note 2
			Financing receivables	669,571		-	-	- (Note 1)	-	Note 2
			Other receivables	1,468		-	-	1,468 (Note 1)	-	Note 2
				$ 671,190		$ -		$ 1,468	$ -	
Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (China) Co., Ltd.	Trade receivables	$ 1,014,292	5.74	$ -	-	$ 1,014,292 (Note 1)	$ -	Note 2
			Other receivables	102,642		-	-	- (Note 1)	-	Note 2
				$ 1,116,934		$ -		$ 1,014,292	$ -	

Note 1: Amounts received before March 22, 2018.

Note 2: The amount was eliminated upon consolidation.

STANDARD FOODS CORPORATION AND SUBSIDIARIES

DERIVATIVES TRADING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

The Company was not engaged in derivatives trading during 2017.

Shanghai Standard Foods Co., Ltd. ("Shanghai Standard") entered into foreign exchange swap contracts during 2017 to manage exposures to exchange rate fluctuation risk of foreign currency denominated assets and liabilities.

As of December 31, 2017, Shanghai Standard had outstanding foreign exchange swap contracts as follows:

December 31, 2017

Notional Amount (In Thousands)	Maturity Date
USD6,000/RMB41,364	May 24, 2018

As of December 31, 2017, the amount of the foreign exchange swap contracts held by Shanghai Standard was $11,253 thousand of financial liabilities, which were included in financial liabilities at fair value through profit or loss - current.

Shanghai Standard entered into futures contracts during 2017 to manage exposures to price volatility risk of raw materials.

As of December 31, 2017, Shanghai Standard did not have outstanding futures contracts.

Standard Investment (China) Co., Ltd. ("China Standard Investment"), Shanghai Standard, and Shanghai Le Ben De Health Technology Co., Ltd. ("Shanghai Le Ben De") entered into structured time deposits in 2017 mainly to have earnings from favorable effects on fluctuations of interest rates.

As of December 31, 2017, China Standard Investment, Shanghai Standard, and Shanghai Le Ben De did not have outstanding structured time deposits.

The net loss from derivative transactions for Shanghai Standard, China Standard Investment and Shanghai Le Ben De was $16,107 thousand in 2017.

TABLE 8

STANDARD FOODS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	$ 175,881	According to the general conditions	0.8
		Standard Dairy Products Taiwan Limited	a.	Other receivables - related parties	2,178	According to the general conditions	-
		Standard Dairy Products Taiwan Limited	a.	Sales	1,335,518	According to the general conditions	5.0
		Standard Dairy Products Taiwan Limited	a.	Purchases	608,762	According to the general conditions	2.3
		Standard Dairy Products Taiwan Limited	a.	Royalty revenue	8,385	According to the general conditions	-
		Standard Beverage Company Limited	a.	Other receivables - related parties	116	According to the general conditions	-
		Standard Beverage Company Limited	a.	Service revenue	1,320	According to the general conditions	-
		Standard Beverage Company Limited	a.	Purchases	1,792	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	a.	Trade receivables - related parties	85	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	a.	Sales	85	According to the general conditions	-
		Shanghai Dermalab Corporation	a.	Other expenses	841	According to the general conditions	-
1	Accession Limited	Dermalab	a.	Other receivables - related parties	501	According to the general conditions	-
		Dermalab	a.	Interest income	500	Interest rate 1.900%-2.500%	-
		Dermalab	a.	Financing receivables - related parties	60,910	Interest rate 1.900%-2.500%	0.3
		Shanghai Standard Foods Co., Ltd.	a.	Financing receivables - related parties	178,560	No rate	0.8
2	Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	c.	Trade receivables - related parties	675,846	According to the general conditions	3.0
		Standard Investment (China) Co., Ltd.	c.	Other receivables - related parties	40,415	According to the general conditions	0.2
		Standard Investment (China) Co., Ltd.	c.	Financing receivables - related parties	536,133	Interest rate 4.350%	2.4
		Standard Investment (China) Co., Ltd.	c.	Trade payables - related parties	66	According to the general conditions	-
		Standard Investment (China) Co., Ltd.	c.	Other payables - related parties	29,075	According to the general conditions	0.1
		Standard Investment (China) Co., Ltd.	c.	Sales	2,443,503	According to the general conditions	9.2
		Standard Investment (China) Co., Ltd.	c.	Other expenses	28,215	According to the general conditions	0.1
		Standard Investment (China) Co., Ltd.	c.	Interest income	4,140	Interest rate 4.350%	-
		Standard Foods (China) Co., Ltd.	c.	Trade receivables - related parties	4,433	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	c.	Other receivables - related parties	35,055	According to the general conditions	0.2
		Standard Foods (China) Co., Ltd.	c.	Financing receivables - related parties	478,223	Interest rate 3.915%	2.1
		Standard Foods (China) Co., Ltd.	c.	Trade payables - related parties	497	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	c.	Other payables - related parties	17	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	c.	Sales	131,004	According to the general conditions	0.5
		Standard Foods (China) Co., Ltd.	c.	Purchases	171,093	According to the general conditions	0.6
		Standard Foods (China) Co., Ltd.	c.	Interest income	34,224	Interest rate 3.915%	0.1
		Shanghai Le Ben Tuo Co., Ltd.	c.	Trade receivables - related parties	463	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	c.	Sales	391	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	c.	Trade receivables - related parties	3,047	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	c.	Other receivables - related parties	149	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)
		Standard Foods (Xiamen) Co., Ltd.	c.	Trade payables - related parties	$ 13,983	According to the general conditions	0.1
		Standard Foods (Xiamen) Co., Ltd.	c.	Sales	6,981	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	c.	Purchases	12,526	According to the general conditions	-
3	Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	a.	Trade receivables - related parties	6	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	a.	Other receivables - related parties	17,787	According to the general conditions	0.1
		Standard Foods (China) Co., Ltd.	a.	Financing receivables - related parties	428,952	Interest rate 4.350%	1.9
		Standard Foods (China) Co., Ltd.	a.	Trade payables - related parties	1,014,292	According to the general conditions	4.5
		Standard Foods (China) Co., Ltd.	a.	Other payables - related parties	102,642	According to the general conditions	0.5
		Standard Foods (China) Co., Ltd.	a.	Sales	696	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	a.	Purchases	4,796,782	According to the general conditions	18.1
		Standard Foods (China) Co., Ltd.	a.	Rental expenses	734	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	a.	Other revenue	6,340	According to the general conditions	-
		Standard Foods (China) Co., Ltd.	a.	Interest income	10,966	Interest rate 4.350%	-
		Shanghai Dermalab Corporation	a.	Other receivables - related parties	2,781	According to the general conditions	-
		Shanghai Dermalab Corporation	a.	Trade payables - related parties	277	According to the general conditions	-
		Shanghai Dermalab Corporation	a.	Financing receivables - related parties	54,085	Interest rate 3.828%-4.350%	0.2
		Shanghai Dermalab Corporation	a.	Other expense	1,151	According to the general conditions	-
		Shanghai Dermalab Corporation	a.	Interest income	2,451	Interest rate 3.828%-4.350%	-
		Standard Foods (Xiamen) Co., Ltd.	a.	Trade receivables - related parties	151	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	a.	Other receivables - related parties	1,468	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	a.	Financing receivables - related parties	669,571	Interest rate 4.350%	2.9
		Standard Foods (Xiamen) Co., Ltd.	a.	Prepayments for purchases	344,046	According to the general conditions	1.5
		Standard Foods (Xiamen) Co., Ltd.	a.	Sales	227	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	a.	Purchases	1,646,137	According to the general conditions	6.2
		Standard Foods (Xiamen) Co., Ltd.	a.	Interest income	1,485	Interest rate 4.350%	-
		Shanghai Le Ben Tuo Co., Ltd.	a.	Other receivables - related parties	341	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	a.	Financing receivables - related parties	91,090	Interest rate 4.350%	0.4
		Shanghai Le Ben Tuo Co., Ltd.	a.	Other payables - related parties	102	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	a.	Financing payables - related parties	2,218	Interest rate 4.350%	-
		Shanghai Le Ben Tuo Co., Ltd.	a.	Sales	15	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	a.	Interest income	2,558	Interest rate 4.350%	-
		Shanghai Le Ben Tuo Co., Ltd.	a.	Interest expenses	102	Interest rate 4.350%	-
		Shangahi Le Ho Industrial Co., Ltd.	c.	Other payables - related parties	20	According to the general conditions	-
		Shangahi Le Ho Industrial Co., Ltd.	c.	Financing payables - related parties	806	Interest rate 4.350%	-
		Shangahi Le Ho Industrial Co., Ltd.	c.	Interest expenses	18	Interest rate 4.350%	-
		Shangahi Le Min Industrial Co., Ltd.	c.	Other payables - related parties	25	According to the general conditions	-
		Shangahi Le Min Industrial Co., Ltd.	c.	Financing payables - related parties	1,038	Interest rate 4.350%	-
		Shangahi Le Min Industrial Co., Ltd.	c.	Interest expenses	23	Interest rate 4.350%	-
4	Shanghai Dermalab Corporation	Dermalab	c.	Trade payables - related parties	5,248	According to the general conditions	-
		Dermalab	c.	Purchases	33,634	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.	Trade receivables - related parties	$ 73,929	According to the general conditions	0.3
		Shanghai Le Ben Tuo Co., Ltd.	c.	Other receivables - related parties	423	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	c.	Sales	612	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	c.	Rental revenue	2,840	According to the general conditions	-
		Shanghai Le Ben Tuo Co., Ltd.	c.	Other revenue	1,519	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	c.	Trade receivables - related parties	19	According to the general conditions	-
		Standard Foods (Xiamen) Co., Ltd.	c.	Trade payables - related parties	46,685	According to the general conditions	0.2
		Standard Foods (Xiamen) Co., Ltd.	c.	Sales	54,097	According to the general conditions	0.2
		Standard Foods (Xiamen) Co., Ltd.	c.	Purchases	53,929	According to the general conditions	0.2

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

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

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

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

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

Note 4: The amount was eliminated upon consolidation.

(Concluded)

TABLE 9

STANDARD FOODS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2017	Original Investment Amount December 31, 2016	As of December 31, 2017 Shares	As of December 31, 2017 %	As of December 31, 2017 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	$ 3,416,802	$ 24,290	$ 35,971 (Note 1)	Subsidiary (Note 5)
	Standard Investment (Cayman) Limited	Grand Cayman, Cayman Islands	Investment business	4,708,891	4,230,611	150,060,815	100	4,668,537	(91,778)	(91,778)	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	944,177	473,651	478,966 (Note 2)	Subsidiary (Note 5)
	Charng Hui Ltd.	Taipei, Taiwan	Investment business	230,000	530,000	24,100,000	100	251,912	10,857	597	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	202,614	80,332	41,780	Subsidiary (Note 5)
	Standard Beverage Company Limited	Taipei, Taiwan	Manufacture and sale of beverages	79,072	79,072	7,907,000	100	80,353	1,506	1,535 (Note 3)	Subsidiary (Note 5)
	Le Bonta Wellness International Corporation	Yilan, Taiwan	Sale of health foods	14,350	14,350	Note 4	100	13,564	2,068	2,068	Subsidiary (Note 5)
Accession Limited	Dermalab S.A.	Switzerland	Development and sale of cosmetics	206,905	206,905	320	80	88,089	(11,641)		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	4,707,394	4,229,114	150,012,815	100	4,668,049	(91,545)		Indirect subsidiary (Note 5)

Note 1: This amount was the share of profit of the investee of $24,290 thousand plus the realized gain on sidestream transactions of $11,681 thousand.

Note 2: This amount was the share of profit of the investee of $473,651 thousand plus the realized gain on upstream transactions of $5,315 thousand.

Note 3: This amount was the share of profit of the investee of $1,506 thousand plus the realized gain on upstream transactions of $29 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, 2017
(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, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017	Note
					Outward	Inward							
Shanghai Standard Foods Co., Ltd.	Manufacture and sale of edible oil products and nutritional food	$ 3,949,575	b. (Note 3)	$ 3,949,575 (Note 4)	$ -	$ -	$ 3,949,575 (Note 4)	$ 62,158	100.0	$ 70,697 (Note 10)	$ 3,018,543	$ -	Note 13
Inner Mongolia Jiatai Agriculture Technology Co., Ltd.	Production of sunflower	92,235	c. (Note 5)	- (Note 5)	-	-	- (Note 5)	2	100.0	2 (Note 10)	- (Note 11)	-	Note 13
Standard Investment (China) Co., Ltd.	Investment and sales of edible oil products and nutritional food	3,755,530	b. (Note 6)	3,334,336 (Note 6)	384,341	-	3,718,677 (Note 6)	(92,457)	99.0	(94,160) (Note 10)	3,768,195	-	Note 13
Standard Foods (China) Co., Ltd.	Manufacture and sale of edible oil products and nutritional food	1,631,668	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	3,106	99.0	10,511 (Note 10)	1,632,316	-	Note 13
Shanghai Dermalab Corporation	Sale of nutritional food, cosmetics and international trading	29,949	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	(15,985)	99.0	(15,986) (Note 10)	(18,443)	-	Note 13
Shanghai Le Ben Tuo Health Technology Co., Ltd.	Sale of nutritional food and international trading	380,418	a. and c. (Note 8)	- (Note 8)	181,048 (Note 8)	-	181,048 (Note 8)	(27,141)	99.5	(27,097) (Note 10)	326,096	-	Note 13
Shanghai Le Ben De Health Technology Co., Ltd.	Sale of nutritional food and international trading	31,220	c. (Notes 4 and 9)	31,220 (Note 4)	-	-	31,220 (Note 4)	585	100.0	585 (Note 10)	28,988	-	Note 13
Standard Foods (Xiamen) Co., Ltd.	Manufacture and sale of edible oil products and nutritional food	1,307,582	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	(489)	99.0	(7,177) (Note 10)	1,148,644	-	Note 13
Shanghai Le Ho Industrial Co., Ltd.	Property management	607,717	b. (Note 6)	554,928 (Note 6)	52,789	-	607,717 (Note 6)	(23)	100.0	(23) (Note 10)	554,284	-	Note 13
Shanghai Le Min Industrial Co., Ltd.	Property management	378,009	b. (Note 6)	333,168 (Note 6)	44,841	-	378,009 (Note 6)	(251)	100.0	(251) (Note 10)	345,476	-	Note 13

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	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 12)

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

a. Direct investment in mainland China.
b. Indirectly investment in mainland China through companies registered in a third region.
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, 2016; the investment remained at $4,034,074 thousand. Of the $4,034,074 thousand, $53,279 thousand has been retained in Accession Limited. The remaining balance of thereof, amounting to $3,980,795 thousand, was originally the outward remittance of the investment of Shanghai Standard Foods Co., Ltd. in 2015. However, as of July 2015, of the $3,980,795 thousand, $31,220 thousand was invested in Shanghai Le Ben De Health Technology Co., Ltd. by Shanghai Standard Foods Co., Ltd. In the aggregate, the outward remittance of the investments of Shanghai Standard Foods Co., Ltd. and Shanghai Le Ben De Health Technology Co., Ltd. was $3,949,575 thousand and $31,220 thousand, respectively.

Note 5: The company in mainland China was reinvested through a company registered in mainland China, namely Shanghai Standard Foods Co., Ltd.

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

Note 7: The company in mainland China was reinvested through a company registered in mainland China, namely Standard Investment (China) Co., Ltd.

Note 8: 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 9: This company was spun off from Shanghai Standard Foods Co., Ltd; it is the investor company in third region.

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

Note 11: Inner Mongolia Jiatai Agriculture Technology Co., Ltd. completed the liquidation procedures in August 2017.

Note 12: 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 13: The amount was eliminated upon consolidation.

(Concluded)

TABLE 11

STANDARD FOODS CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Sales

Investee Company	Company in Third Area	Transaction Details		Comparison with Normal Transactions	Sales		Notes/Accounts Receivable as of December 31, 2017		Note
		Price	Payment Terms		Amount	%	Ending Balance	%	
Standard Foods (China) Co., Ltd.	-	According to normal commercial terms	60 days after month-end closing	Normal	$ 85	-	$ 85	-	Note 2

Purchases

Investee Company	Company in Third Area	Transaction Details		Comparison with Normal Transactions	Purchases		Notes/Accounts Payable as of December 31, 2017		Note
		Price	Payment Terms		Amount	%	Ending Balance	%	
Shanghai Dermalab Corporation	-	According to normal commercial terms	55 days after month-end closing	Normal	$ 841 (Note 1)	-	$ -	-	Note 2

Note 1: Purchases transferred for own-use had been included in other expenses.

Note 2: The account was eliminated upon consolidation.

IV.2. Financial Report of Standard Foods Corporation

Standard Foods Corporation

Financial Statements for the
Years Ended December 31, 2017 and 2016 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Standard Foods Corporation

Opinion

We have audited the accompanying financial statements of Standard Foods Corporation (the Company), which comprise the balance sheets as of December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements for the year ended December 31, 2017 are stated as follows:

Valuation of Inventory

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2018

<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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 647,061	4	$ 682,861	4
Available-for-sale financial assets - current (Note 7)	17,630	-	16,568	-
Debt investments with no active market - current (Note 9)	451,300	3	58,500	1
Notes receivable (Note 10)	2,746	-	3,078	-
Trade receivables from unrelated parties (Note 10)	1,746,502	10	1,865,957	12
Trade receivables from related parties (Note 30)	175,966	1	131,147	1
Other receivables (Note 10)	13,307	-	20,134	-
Other receivables from related parties (Note 30)	2,293	-	3,370	-
Current tax assets (Note 24)	-	-	31,500	-
Inventories (Note 11)	1,888,673	11	1,849,901	11
Prepayments (Note 12)	304,075	2	373,660	2
Other current assets (Note 17)	16,517	-	11,883	-
Total current assets	5,266,070	31	5,048,559	31
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 7)	118,943	1	180,213	1
Financial assets measured at cost - non-current (Note 8)	16,389	-	60,363	-
Investments accounted for using equity method (Note 13)	9,745,304	57	9,482,421	58
Property, plant and equipment (Note 14)	1,409,677	8	1,363,441	8
Investment properties (Note 15)	126,375	1	126,681	1
Other intangible assets (Note 16)	3,375	-	3,558	-
Deferred tax assets (Note 24)	269,785	2	227,594	1
Other non-current assets (Note 17)	18,845	-	20,109	-
Total non-current assets	11,708,693	69	11,464,380	69
TOTAL	$ 16,974,763	100	$ 16,512,939	100

LIABILITIES AND EQUITY

	2017 Amount	%	2016 Amount	%
CURRENT LIABILITIES				
Notes payable (Note 18)	$ 1,029	-	$ 3,757	-
Trade payables (Note 18)	725,217	4	854,312	5
Trade payables to related parties (Note 30)	3,269	-	25,481	-
Other payables (Note 19)	811,301	5	808,702	5
Current tax liabilities (Note 24)	224,762	2	210,103	2
Provisions - current (Note 20)	19,842	-	9,197	-
Other current liabilities (Note 19)	4,815	-	2,731	-
Total current liabilities	1,790,235	11	1,914,283	12
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 24)	90,736	-	106,330	-
Net defined benefit liabilities (Note 21)	306,997	2	273,346	2
Other non-current liabilities (Note 19)	1,055	-	1,005	-
Total non-current liabilities	398,788	2	380,681	2
Total liabilities	2,189,023	13	2,294,964	14
EQUITY (Note 22)				
Ordinary shares	9,150,897	54	8,798,939	53
Capital surplus	83,124	1	72,397	-
Retained earnings				
Legal reserve	2,433,199	14	2,172,545	13
Special reserve	81,797	-	-	-
Unappropriated earnings	3,318,331	20	3,277,073	20
Total retained earnings	5,833,327	34	5,449,618	33
Other equity	(260,426)	(2)	(81,797)	-
Treasury shares	(21,182)	-	(21,182)	-
Total equity	14,785,740	87	14,217,975	86
TOTAL	$ 16,974,763	100	$ 16,512,939	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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Note 30)	$ 11,259,683	100	$ 11,655,791	100
OPERATING COSTS				
Cost of goods sold (Notes 11, 23 and 30)	7,570,262	67	7,820,719	67
GROSS PROFIT	3,689,421	33	3,835,072	33
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses	1,155,740	10	1,241,747	11
General and administrative expenses	317,957	3	273,004	2
Research and development expenses	79,679	1	128,327	1
Total operating expenses	1,553,376	14	1,643,078	14
OPERATING INCOME	2,136,045	19	2,191,994	19
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	33,233	-	36,479	-
Other gains and losses (Notes 23 and 30)	(63,949)	-	38,112	1
Finance costs (Note 23)	-	-	(2,226)	-
Share of the profit or loss of subsidiaries	458,445	4	811,377	7
Total non-operating income and expenses	427,729	4	883,742	8
PROFIT BEFORE INCOME TAX	2,563,774	23	3,075,736	27
INCOME TAX EXPENSE (Note 24)	390,730	4	469,192	4
NET PROFIT FOR THE YEAR	2,173,044	19	2,606,544	23
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 21)	(33,444)	-	(48,688)	-
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	(1,344)	-	1,351	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	5,241	-	8,310	-
Total items that will not be reclassified subsequently to profit or loss	(29,547)	-	(39,027)	-

(Continued)

STANDARD FOODS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	$ (147,337)	(1)	$ (666,657)	(6)
Unrealized gain (loss) on available-for-sale financial assets	(60,208)	(1)	160,734	1
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	3,869	-	(4,036)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 24)	25,047	-	113,331	1
Total items that may be reclassified subsequently to profit or loss	(178,629)	(2)	(396,628)	(4)
Other comprehensive loss for the year, net of income tax	(208,176)	(2)	(435,655)	(4)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,964,868	17	$ 2,170,889	19
EARNINGS PER SHARE (Note 25)				
Basic	$ 2.39		$ 2.87	
Diluted	$ 2.39		$ 2.87	

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, 2017 AND 2016
(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	Other	Total	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2016	$ 7,926,972	$ 63,153	$ 1,899,483	$ -	$ 3,122,900	$ 5,022,383	$ 367,770	$ (5,969)	$ (46,970)	$ 314,831	$ (21,182)	$ 13,306,157
Appropriation of 2015 earnings												
Legal reserve	-	-	273,062	-	(273,062)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(1,268,315)	(1,268,315)	-	-	-	-	-	(1,268,315)
Share dividends to shareholders	871,967	-	-	-	(871,967)	(871,967)	-	-	-	-	-	-
Adjustment of capital surplus for the Company's cash dividends received by subsidiaries	-	9,244	-	-	-	-	-	-	-	-	-	9,244
Net profit for the year ended December 31, 2016	-	-	-	-	2,606,544	2,606,544	-	-	-	-	-	2,606,544
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(39,027)	(39,027)	(553,326)	156,698	-	(396,628)	-	(435,655)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	2,567,517	2,567,517	(553,326)	156,698	-	(396,628)	-	2,170,889
BALANCE AT DECEMBER 31, 2016	8,798,939	72,397	2,172,545	-	3,277,073	5,449,618	(185,556)	150,729	(46,970)	(81,797)	(21,182)	14,217,975
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 income (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

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

STANDARD FOODS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,563,774	$ 3,075,736
Adjustments for:		
Depreciation expenses	175,239	170,878
Amortization expenses	14,181	17,277
Impairment loss recognized (reversal of impairment loss) on trade receivables	(440)	6
Finance costs	-	2,226
Interest income	(13,923)	(16,555)
Dividend income	(7,505)	(9,711)
Share of the profit of subsidiaries	(458,445)	(811,377)
Net loss on disposal of property, plant and equipment	3,067	423
Net gain on disposal of investments	(96)	(16,564)
Impairment loss recognized on financial assets measured at cost	43,425	-
Changes in operating assets and liabilities		
Notes receivable	332	(1,614)
Trade receivables	119,895	(110,073)
Trade receivables from related parties	(44,819)	(51)
Other receivables	7,381	(8,606)
Other receivables from related parties	1,077	(1,316)
Inventories	(38,772)	190,824
Prepayments	69,585	(14,238)
Other current assets	(4,634)	2,434
Notes payable	(2,728)	2,764
Trade payables	(129,095)	8,672
Trade payables to related parties	(22,212)	19,416
Other payables	2,599	(24,625)
Other payables to related parties	-	(33,119)
Provisions	10,645	(1,074)
Other current liabilities	2,084	(6,812)
Net defined benefit liabilities	207	495
Cash generated from operations	2,290,822	2,435,416
Interest received	13,369	30,330
Interest paid	-	(2,407)
Income tax paid	(372,068)	(422,988)
Net cash generated from operating activities	1,932,123	2,040,351
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	(425,000)	(255,000)
Proceeds on sale of available-for-sale financial assets	425,096	262,515
Purchases of debt investments with no active market	(650,900)	(58,500)
Proceeds from sale of debt investments with no active market	258,100	786,615
Purchases of financial assets measured at cost	-	(6,786)
Proceeds from sale of financial assets measured at cost	-	15,443

(Continued)

STANDARD FOODS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Proceeds from capital reduction of financial assets measured at cost	$ 549	$ 518
Payments for property, plant and equipment	(224,412)	(209,578)
Proceeds from disposal of property, plant and equipment	176	132
Payments for intangible assets	(7,761)	(6,144)
Increase in other financial assets	(1,190)	-
Decrease in other financial assets	-	2,611
Increase in other non-current assets	(3,783)	(4,154)
Dividends received from subsidiaries	420,805	346,460
Other dividends received	7,505	9,711
Net cash generated from (used in) investing activities	(200,815)	883,843
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	-	(639,000)
Decrease in finance lease payables	-	(126)
Increase in other financial liabilities	50	45
Dividends paid to owners of the Company	(1,407,830)	(1,268,315)
Acquisition of interest in subsidiaries	(659,328)	(1,505,198)
Proceeds from capital reduction of subsidiaries	300,000	-
Net cash used in financing activities	(1,767,108)	(3,412,594)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,800)	(488,400)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	682,861	1,171,261
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 647,061	$ 682,861

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 22, 2018.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS 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:

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

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

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 30 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

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

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

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

1) IFRS 9 “Financial Instruments”

Recognition, measurement and impairment of financial assets

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

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

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

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

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

The Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares and emerging market shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;

b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments; and

c) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost because, on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

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

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

The Company has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables and contract assets. In relation to debt instrument investments and financial guarantee contracts, the Company will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses on financial assets.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Financial assets at fair value through other comprehensive income - current	$ -	$ 17,630	$ 17,630
Financial assets measured at amortized cost - current	-	451,300	451,300
Available-for-sale financial assets - current	17,630	(17,630)	-
Debt investments with no active market - current	451,300	(451,300)	-
Financial assets at fair value through profit or loss - non-current	-	6,368	6,368
Financial assets at fair value through other comprehensive income - non-current	-	133,439	133,439
Available-for-sale financial assets - non-current	118,943	(118,943)	-
Financial assets measured at cost - non-current	16,389	(16,389)	-
Investment accounted for using equity method	9,745,304	20,123	9,765,427
Total effect on assets	$ 10,349,566	$ 24,598	$ 10,374,164
Retained earnings	$ 5,833,327	$ 2,014	$ 5,835,341
Other equity	(260,426)	22,584	(237,842)
Total effect on equity	$ 5,572,901	$ 24,598	$ 5,597,499

2) IFRS 15 "Revenue from Contracts with Customers"

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

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

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

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Currently, the receivable is recognized or the deferred revenue is reduced when revenue is recognized on the contract under IAS 18.

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

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.

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)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (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 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
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: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: 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 and a number of related interpretations.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of presentation

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Foreign currencies

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

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

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

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

Subsidiary is an entity that is controlled by the Company.

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

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

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

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

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

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

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

g. Property, plant and equipment

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

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

h. Investment properties

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets

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

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

i. Available-for-sale financial assets

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

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

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

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

ii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

l. Provisions

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

m. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

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

2) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Royalty arrangements that are based on sales are recognized by reference to the underlying arrangement.

3) Dividend and interest income

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

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

n. Leasing

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

1) The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company'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 Company'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 Company as lessee

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. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement (comprising actuarial gains and losses, the effect of changes to the 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 Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

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

q. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and 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 and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of trade receivables

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

b. Write-down of inventory

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

c. Recognition and measurement of defined benefit plans

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

d. Income taxes

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

6. CASH AND CASH EQUIVALENTS

	December 31 2017	December 31 2016
Cash on hand	$ 1,384	$ 1,384
Checking accounts and demand deposits	373,037	68,372
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	272,640	583,124
Repurchase agreements collateralized by bonds	-	29,981
	$ 647,061	$ 682,861

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

	December 31 2017	December 31 2016
Bank deposits	0.01%-3.80%	0.01%-7.40%
Repurchase agreements collateralized by bonds	-	0.38%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31 2017	December 31 2016
Current		
Listed shares	$ 17,630	$ 16,568
Non-current		
Emerging market shares	$ 118,943	$ 180,213

8. FINANCIAL ASSETS MEASURED AT COST

	December 31 2017	December 31 2016
Non-current		
Unlisted shares	$ 16,389	$ 24,732
Mutual funds	-	35,631
	$ 16,389	$ 60,363
Classified according to measurement categories		
Available-for-sale	$ 16,389	$ 60,363

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

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

	December 31	
	2017	2016
Unlisted shares	$ 7,794	$ -
Mutual funds	35,631	-
	$ 43,425	$ -

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Current		
Time deposits with original maturity of more than 3 months	$ 451,300	$ 58,500

The market interest rates of the time deposits with original maturity of more than 3 months were 0.65%-1.06% and 1.06%-1.21% per annum as of December 31, 2017 and 2016, respectively.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2017	2016
Notes receivable		
Operating	$ 2,746	$ 3,078
Trade receivables		
Trade receivables	$ 1,748,334	$ 1,868,229
Less: Allowance for impairment loss	(1,832)	(2,272)
	$ 1,746,502	$ 1,865,957
Other receivables		
Accrued interest	$ 1,592	$ 1,038
Payment on behalf of others	1,643	3,446
Others	10,072	15,650
	$ 13,307	$ 20,134

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

The aging of notes receivable, trade receivables and other receivables was as follows:

	December 31	
	2017	2016
Not past due	$ 1,762,555	$ 1,889,166
Past due 1-30 days	272	955
Past due 31-90 days	897	887
Past due 91-180 days	466	252
Past due 181 days or more	197	181
	$ 1,764,387	$ 1,891,441

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

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

	December 31	
	2017	2016
Past due 1-30 days	$ -	$ 3

The above aging schedule was based on the 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, 2016	$ 1,771	$ 495	$ 2,266
Add: Impairment losses recognized on receivables	360	-	360
Less: Impairment losses reversed	-	(354)	(354)
Balance at December 31, 2016	2,131	141	2,272
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 and 2016 were neither past due nor impaired.

11. INVENTORIES

	December 31	
	2017	2016
Merchandise	$ 557,156	$ 532,332
Finished goods	786,643	798,611
Work in progress	124,365	99,079
Raw materials	377,540	385,618
Packing materials	42,969	34,261
	$ 1,888,673	$ 1,849,901

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. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2016 included \$12,310 thousand loss on write-downs of inventories, \$13,720 thousand loss on abandonment of inventories and \$469 thousand of unallocated overheads.

12. PREPAYMENTS

	December 31	
	2017	2016
Prepayments for purchases	\$ 232,382	\$ 238,496
Prepayments for equipment parts	18,006	17,993
Prepayments for fuel oil	6,772	4,688
Prepayments for insurance	704	772
Prepayments for advertisements	120	1,543
Others	46,091	110,168
	\$ 304,075	\$ 373,660

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries	\$ 9,745,304	\$ 9,482,421
Unlisted companies		
Accession Limited	\$ 3,416,802	\$ 3,450,223
Standard Investment (Cayman) Limited ("Cayman Standard")	4,668,537	4,353,895
Standard Dairy Products Taiwan Limited ("Standard Dairy Products")	944,177	844,228
Charng Hui Ltd. ("Charng Hui")	251,912	548,163
Domex Technology Corporation ("Domex Technology")	202,614	192,794
Standard Beverage Company Limited ("Standard Beverage")	80,353	79,022
Le Bonta Wellness International Corporation ("Le Bonta Wellness")	13,564	14,096
Shanghai Le Ben Tuo Health Technology Co., Ltd. ("Shanghai Le Ben Tuo")	167,345	-
	\$ 9,745,304	\$ 9,482,421

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	2017	2016
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%

(Continued)

Name of Subsidiary	Proportion of Ownership and Voting Rights December 31 2017	2016
Standard Beverage	100.0%	100.0%
Le Bonta Wellness (Note 26)	100.0%	100.0%
Shanghai Le Ben Tuo	51.0%	-
		(Concluded)

Refer to Note 31 to the consolidated financial statements for the year ended December 31, 2017 for the disclosures of the Company's acquisition of Le Bonta Wellness.

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 33 for the details of the subsidiaries indirectly held by the Company.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Other Equipment	Property in Construction	Total
Cost						
Balance at January 1, 2016	$ 396,356	$ 783,139	$ 1,916,081	$ 193,591	$ 106,128	$ 3,395,295
Additions	-	951	-	458	208,169	209,578
Disposals	-	(3,687)	(5,343)	(7,615)	-	(16,645)
Reclassified	-	86,519	108,747	15,562	(210,828)	-
Balance at December 31, 2016	$ 396,356	$ 866,922	$ 2,019,485	$ 201,996	$ 103,469	$ 3,588,228
Accumulated depreciation and impairment						
	$ -	$ 497,113	$ 1,418,411	$ 154,890	$ -	$ 2,070,414
Balance at January 1, 2016	-	(3,546)	(5,330)	(7,214)	-	(16,090)
Disposals	-	39,478	114,855	16,130	-	170,463
Depreciation expense						
Balance at December 31, 2016	$ -	$ 533,045	$ 1,527,936	$ 163,806	$ -	$ 2,224,787
Carrying amount at December 31, 2016	$ 396,356	$ 333,877	$ 491,549	$ 38,190	$ 103,469	$ 1,363,441
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 expense	-	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

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

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

15. INVESTMENT PROPERTIES

	Completed Investment Property
Cost	
Balance at January 1 and December 31, 2016	$ 141,150
Accumulated depreciation and impairment	
Balance at January 1, 2016	$ 14,054
Depreciation expense	415
Balance at December 31, 2016	$ 14,469
Carrying amount at December 31, 2016	$ 126,681
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 expense	426
Balance at December 31, 2017	$ 14,895
Carrying amount at December 31, 2017	$ 126,375

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

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

The fair value of the investment properties was $314,595 thousand and $330,259 thousand as of December 31, 2017 and 2016. The management of the Company arrived at the fair value amounts by reference to market evidence of transaction prices for similar properties.

The Company has freehold interest in all of its investment property.

16. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2016	$ 184,033
Additions	6,144
Balance at December 31, 2016	$ 190,177
Accumulated amortization and impairment	
Balance at January 1, 2016	$ 177,595
Amortization expense	9,024
Balance at December 31, 2016	$ 186,619
Carrying amount at December 31, 2016	$ 3,558
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 expense	7,944
Balance at December 31, 2017	$ 194,563
Carrying amount at December 31, 2017	$ 3,375

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

Computer software	2-3 years

17. OTHER ASSETS

	December 31	
	2017	**2016**
Current		
Advances to officers	$ 16,517	$ 11,883
Non-current		
Refundable deposits	$ 15,212	$ 14,022
Others	3,633	6,087
	$ 18,845	$ 20,109

18. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2017	**2016**
Notes payable		
Notes payable - operating	$ 1,029	$ 3,757
Trade payables		
Trade payables	$ 725,217	$ 854,312

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

19. OTHER LIABILITIES

	December 31	
	2017	**2016**
Current		
Other payables		
Payable for salaries or bonus	$ 117,654	$ 125,475
Payable for compensation of employees	23,388	28,215
Payable for remuneration of directors	15,449	18,502
Payable for commission and rebate	331,382	372,603
Payable for advertisement	98,902	92,801
Payable for royalties	20,704	23,351
Payable for freight	6,477	6,987

(Continued)

	December 31	
	2017	2016
Payable for labor and health insurance	$ 13,197	$ 12,365
Payable for green recycle fee	8,629	10,634
Others	175,519	117,769
	$ 811,301	$ 808,702
Other liabilities		
Advance receipts from customers	$ 3,960	$ 2,614
Others	855	117
	$ 4,815	$ 2,731
Non-current		
Other liabilities		
Guarantee deposits	$ 1,055	$ 1,005

(Concluded)

20. PROVISIONS

	December 31	
	2017	2016
Current		
Customer returns	$ 19,842	$ 9,197

	Customer Returns
Balance at January 1, 2016	$ 10,271
Addition	111,265
Usage	(112,339)
Balance at December 31, 2016	9,197
Addition	103,312
Usage	(92,667)
Balance at December 31, 2017	$ 19,842

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

21. RETIREMENT BENEFIT PLANS

a. Defined contribution 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	
	2017	**2016**
Present value of defined benefit obligation	$ 529,249	$ 510,410
Fair value of plan assets	(222,252)	(237,064)
Net defined benefit liability	$ 306,997	$ 273,346

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, 2016	$ 486,670	$ (262,507)	$ 224,163
Service cost			
Current service cost	5,594	-	5,594
Net interest expense (income)	6,569	(3,546)	3,023
Recognized in profit or loss	12,163	(3,546)	8,617
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,866	1,866
Actuarial loss - changes in demographic assumptions	14,062	-	14,062
Actuarial loss - changes in financial assumptions	12,489	-	12,489
Actuarial loss - experience adjustments	20,271	-	20,271
Recognized in other comprehensive income	46,822	1,866	48,688
Contributions from the employer	-	(8,122)	(8,122)
Benefits paid	(35,245)	35,245	-
Balance at December 31, 2016	510,410	(237,064)	273,346

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
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

(Concluded)

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

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

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

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

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

	December 31	
	2017	2016
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	
	2017	2016
Discount rate		
0.250% increase	$ (13,892)	$ (12,491)
0.250% decrease	$ 14,422	$ 13,424
Expected rate of salary increase		
0.250% increase	$ 13,908	$ 12,923
0.250% decrease	$ (13,471)	$ (12,527)

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	
	2017	2016
The expected contributions to the plan for the next year	$ 7,966	$ 8,341
The average duration of the defined benefit obligation	11 years	10.4 years

22. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2017	2016
Number of shares authorized (in thousands)	920,000	880,000
Shares authorized	$ 9,200,000	$ 8,800,000
Number of shares issued and fully paid (in thousands)	915,089	879,893
Shares issued	$ 9,150,897	$ 8,798,939

2) Global depositary receipts

As of December 31, 2017, a total of 400,172 units of Global Depositary Receipts (GDRs) (representing 80,034.4 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	
	2017	2016
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	-
Recognized from treasury share transactions	79,239	68,978
May not be used for any purpose		
Share options	3,418	3,418
	$ 83,124	$ 72,397

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 15, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation and remuneration to directors.

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 23, 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 2016 and 2015 approved in the shareholders' meetings on June 22, 2017 and June 15, 2016, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 260,654	$ 273,062		
Special reserve	81,797	-		
Cash dividends	1,407,830	1,268,315	$ 1.6	$ 1.6
Share dividends	351,958	871,967	0.4	1.1

The appropriations of earnings for 2017 had been proposed by the Company's board of directors on March 22, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 217,304	
Special reserve	178,629	
Cash dividends	1,830,179	$2

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 15, 2018.

d. Special reserve

	For the Year Ended December 31	
	2017	2016
Beginning at January 1	$ -	$ -
Appropriation in respect of:		
Debit to other equity items	81,797	-
Balance at December 31	$ 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	
	2017	2016
Balance at January 1	$ (185,556)	$ 367,770
Exchange differences arising on translating the financial statements of foreign operations	(147,337)	(666,657)
Related income tax	25,047	113,331
Balance at December 31	$ (307,846)	$ (185,556)

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 150,729	$ (5,969)
Unrealized gain (loss) on revaluation of available-for-sale financial assets	(60,112)	177,298
Cumulative (gain) loss reclassified to profit or loss on sale of available-for-sale financial assets	(96)	(16,564)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of subsidiaries accounted for using the equity method	3,869	(4,036)
Balance at December 31	$ 94,390	$ 150,729

3) Other equity items - other (recognized from put option of equity instruments of subsidiaries disposed of)

	For the Year Ended December 31	
	2017	2016
Balance at January 1 and December 31	$ (46,970)	$ (46,970)

f. Treasury shares

Purpose of Buy-back	Shares Held by Subsidiaries (In Thousands of Shares)
Number of shares at January 1, 2016	5,777
Increase during the year	636
Number of shares at December 31, 2016	6,413
Increase during the year	256
Number of shares at December 31, 2017	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, 2017			
Chang Hui	6,669	$ 21,182	$ 493,541
December 31, 2016			
Chang Hui	6,413	$ 21,182	$ 491,232

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

23. NET PROFIT

Net Profit

a. Other income

	For the Year Ended December 31	
	2017	2016
Operating lease rental income		
Investment properties	$ 3,420	$ 2,505
Others	-	539
	3,420	3,044
Interest income		
Bank deposits	13,852	16,330
Others	71	225
	13,923	16,555
Royalties	8,385	7,169
Dividends	7,505	9,711
	$ 33,233	$ 36,479

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Net loss on disposal of property, plant and equipment	$ (3,067)	$ (423)
Net gain on disposal of available-for-sale financial assets	96	16,564
Net foreign exchange losses	(31,443)	(12,499)
Impairment loss arising on financial assets measured at cost	(43,425)	-
Others	13,890	34,470
	$ (63,949)	$ 38,112

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ 9	$ 2,580
Other interest expense	-	1
Total interest expense on financial liabilities measured at amortized cost	9	2,581
Less: Amounts included in the cost of qualifying assets	(9)	(355)
	$ -	$ 2,226

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ 9	$ 355
Capitalization rate	0.8%	0.814%-1.115%

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

	For the Year Ended December 31	
	2017	2016
Trade receivables	$ (440)	$ 6
Financial assets measured at cost	43,425	-
	$ 42,985	$ 6

e. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 174,813	$ 170,463
Investment properties	426	415
Intangible assets	7,944	9,024
Others	6,237	8,253
	$ 189,420	$ 188,155
An analysis of depreciation by function		
Operating costs	$ 137,935	$ 128,467
Operating expenses	36,878	41,996
Non-operating income and expenses	426	415
	$ 175,239	$ 170,878
An analysis of amortization by function		
Operating costs	$ 5,460	$ 7,069
Operating expenses	8,721	10,208
	$ 14,181	$ 17,277

f. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2017	2016
Direct operating expenses of investment properties that generated rental income	$ 412	$ 461

g. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits		
Defined contribution plans	$ 27,449	$ 26,068
Defined benefit plans (see Note 21)	7,972	8,617
	35,421	34,685
Other employee benefits	877,482	888,651
Total employee benefits expense	$ 912,903	$ 923,336
An analysis of employee benefits expense by function		
Operating costs	$ 439,716	$ 449,809
Operating expenses	473,187	473,527
	$ 912,903	$ 923,336

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, 2017 and 2016 which were approved by the Company's board of directors on March 22, 2018 and March 24, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	2016
Compensation of employees	0.90%	0.90%
Remuneration of directors	0.59%	0.59%

Amount

	For the Year Ended December 31	
	2017	2016
	Cash	Cash
Compensation of employees	$ 23,388	$ 28,215
Remuneration of directors	15,449	18,502

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, 2016 and 2015.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 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	
	2017	2016
Foreign exchange gains	$ 49,685	$ 99,647
Foreign exchange losses	(81,128)	(112,146)
Net losses	$ (31,443)	$ (12,499)

j. Impairment losses on non-financial assets

	For the Year Ended December 31	
	2017	2016
Inventories (included in operating costs)	$ 6,795	$ 12,310

24. INCOME TAXES

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

	For the Year Ended December 31 2017	2016
Current tax		
In respect of the current year	$ 369,527	$ 389,677
Income tax on unappropriated earnings	46,528	25,023
Adjustments for prior years	2,172	(2,820)
	418,227	411,880
Deferred tax		
In respect of the current year	(27,497)	57,312
Income tax expense recognized in profit or loss	$ 390,730	$ 469,192

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

	For the Year Ended December 31 2017	2016
Profit before tax	$ 2,563,774	$ 3,075,736
Income tax expense calculated at the statutory rate	$ 435,842	$ 522,875
Nondeductible expenses in determining taxable income	10,476	13,419
Tax-exempt income	(104,288)	(89,305)
Income tax on unappropriated earnings	46,528	25,023
Adjustments for prior years' tax	2,172	(2,820)
Income tax expense recognized in profit or loss	$ 390,730	$ 469,192

The applicable corporate income tax rate used by the Company is 17%.

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 will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $47,609 thousand and $10,068 thousand, respectively, in 2018.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31 2017	2016
Deferred tax		
In respect of the current year		
Exchange differences on translating the financial statements of foreign operations	$ (25,047)	$ (113,331)
Remeasurement of defined benefit plans	(5,685)	(8,277)
Share of other comprehensive income (loss) of subsidiaries	444	(33)
Total income tax recognized in other comprehensive income	$ (30,288)	$ (121,641)

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable	$ -	$ 31,500
Current tax liabilities		
Income tax payable	$ 224,762	$ 210,103

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, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Investments accounted for using 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 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

For the year ended December 31, 2016

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Investments accounted for using equity method	$ 104,891	$ (12,027)	$ 33	$ 92,897
Exchange differences on translating the financial statements of foreign operations	-	-	38,005	38,005
Defined benefit plans	36,222	49	8,277	44,548
Deferred sales returns and allowances	2,019	596	-	2,615
Allowance for inventory loss	4,995	(1,197)	-	3,798
Financial assets measured at cost	35,278	(730)	-	34,548
Others	14,336	(3,153)	-	11,183
	$ 197,741	$ (16,462)	$ 46,315	$ 227,594
Deferred tax liabilities				
Temporary differences				
Investments accounted for using equity method	$ 29,729	$ 39,609	$ -	$ 69,338
Reserve for land value increment tax	33,685	-	-	33,685
Translation of foreign operations	75,326	-	(75,326)	-
Others	2,066	1,241	-	3,307
	$ 140,806	$ 40,850	$ (75,326)	$ 106,330

e. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings Generated after January 1, 1998	Note	$ 3,277,073
Imputation credits account	Note	$ 333,892

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earnings	Note	18.23%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

f. Income tax assessments

The tax returns of the Company through 2014 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 27, 2017. The basic and diluted earnings per share for the year ended December 31, 2016 before and after retroactive adjustment were as follows:

Unit: NT$ Per Share

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	$ 2.98	$ 2.87
Diluted earnings per share	$ 2.98	$ 2.87

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	
	2017	**2016**
Earnings used in the computation of basic earnings per share	$ 2,173,044	$ 2,606,544
Effect of potentially dilutive ordinary shares	-	-
Earnings used in the computation of diluted earnings per share	$ 2,173,044	$ 2,606,544

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

	For the Year Ended December 31	
	2017	**2016**
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	413	529
Weighted average number of ordinary shares used in the computation of diluted earnings per share	908,833	908,949

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.

26. ACQUISITION OF A SUBSIDIARY - WITH OBTAINED CONTROL

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Le Bonta Wellness	Sale of health foods	March 15, 2016	100	$ 14,350

Le Bonta Wellness was acquired in order to expand the Company's activities in health foods. For details about the acquisition of Le Bonta Wellness, refer to Note 31 to the consolidated financial statements for the year ended December 31, 2017.

27. 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	
	2017	2016
Not later than 1 year	$ 23,100	$ 22,354
Later than 1 year and not later than 5 years	6,713	20,612
Later than 5 years	7,744	-
	$ 37,557	$ 42,966

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

	For the Year Ended December 31	
	2017	2016
Minimum lease payments	$ 39,673	$ 35,236

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	
	2017	2016
Not later than 1 year	$ 3,420	$ 3,420
Later than 1 year and not later than 5 years	9,930	12,511
	$ 13,350	$ 15,931

28. CAPITAL MANAGEMENT

The Company's capital management objective is to ensure financial resources are available and operating plans are in place for working capital, capital expenditures, research and development expenses, refund liabilities and dividend disbursement, etc. in the next twelve months. The Company manages its capital to ensure that entities in the 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.

29. FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

December 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Listed shares and emerging market shares				
Equity securities	$ 196,781	$ -	$ -	$ 196,781

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2017 and 2016.

b. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Loans and receivables (1)	$ 3,054,387	$ 2,779,069
Available-for-sale financial assets (2)	152,962	257,144
Financial liabilities		
Amortized cost (3)	813,196	924,469

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

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances included financial liabilities measured at amortized cost, which comprise notes payable, trade payables, and other financial liabilities.

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 32.

Sensitivity analysis

The Company was mainly exposed to the RMB and USD.

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

	RMB Impact		**USD Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Profit or loss	$ 2,206 (i)	$ 8,717 (i)	$ 3,073 (ii)	$ 5,640 (ii)

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.

The Company's sensitivity to the RMB decreased during the current year mainly due to the decrease in RMB bank deposits; and the sensitivity to the USD decreased during the current year mainly due to the decrease in USD bank deposits.

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	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 73,040	$ 617,605
Cash flow interest rate risk		
Financial assets	650,900	54,000

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, 2017 and 2016 would increase/decrease by $6,509 thousand and $540 thousand, respectively.

The Company's sensitivity to interest rates increased in the current year mainly due to the increase in variable rate time deposits and debt investments with no active market.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would increase/decrease by $1,366 thousand and $1,968 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

The Company's sensitivity to equity prices decreased during the current year mainly due to the decrease in the 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% and 78% in total trade receivables as of December 31, 2017 and 2016, respectively, was related to the Company's four largest customers.

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

December 31, 2017

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

December 31, 2016

	Maximum Exposure to Credit Risk Mitigated by		
	Collateral	**Other Credit Enhancements**	**Total**
Receivables	$ 21,043	$ 3,075	$ 24,118

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, 2017 and 2016, the Company had available unutilized bank loan facilities in the amounts of $2,842,586 thousand and $2,827,438 thousand, respectively.

Liquidity and interest rate risk table 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 had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table included both interest and principal cash flows. The maturity dates for non-derivative financial liabilities were based on the agreed repayment dates.

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

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	$ 74,832	$ 175,145	$ 673,487	$ 1,005

30. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and relationships

Name of Related Party	Relationship with the Company
Accession Limited	Subsidiaries
Standard Dairy Products	Subsidiaries
Standard Beverage	Subsidiaries
Charng Hui	Subsidiaries
Le Bonta Wellness	Subsidiaries
Standard Foods (China) Co., Ltd. ("China Standard Foods")	Subsidiaries
Shanghai 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 2017	2016
Sales	Subsidiaries		
	Standard Dairy Products	$ 1,335,518	$ 1,181,379
	Others	85	-
		$ 1,335,603	$ 1,181,379

Sales to related parties were conducted on normal commercial terms.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2017	2016
Subsidiaries	$ 610,554	$ 678,321
The Company is one of the directors	25,572	23,689
	$ 636,126	$ 702,010

Purchases from related parties were conducted on normal commercial terms.

d. Receivables from related parties

Line Items	Related Party Category/Name	December 31 2017	2016
Trade receivables	Subsidiaries		
	Standard Dairy Products	$ 175,881	$ 131,147
	Others	85	-
		$ 175,966	$ 131,147
Other receivables	Subsidiaries		
	Standard Dairy Products	$ 2,178	$ 2,257
	Le Bonta Wellness	-	998
	Others	115	115
		$ 2,293	$ 3,370

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized on receivables from related parties.

e. Payables to related parties

Line Items	Related Party Category/Name	December 31 2017	December 31 2016
Trade payables	Subsidiaries		
	China Standard Foods	$ -	$ 17,174
	The Company is one of the directors		
	GeneFerm	3,269	8,307
		$ 3,269	$ 25,481

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 2017	December 31 2016
Subsidiaries		
Standard Beverage		
Amount endorsed	$ 148,800	$ 161,250
Amount utilized	30,000	16,000
Subsidiaries		
Accession Limited		
Amount endorsed	178,560	-
Amount utilized	-	-

g. Other transactions with related parties

Line Items	Related Party Category/Name	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Royalty revenue	Subsidiaries		
	Standard Dairy Products	$ 8,385	$ 7,169
Service revenue	Subsidiaries		
	Standard Beverage	$ 1,320	$ 1,320
Rental revenue	Subsidiaries	$ -	$ 14
Other expenses	Subsidiaries	$ 841	$ -

h. Compensation of key management personnel

	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Short-term employee benefits	$ 30,273	$ 25,212
Post-employment benefits	450	567
	$ 30,723	$ 25,779

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

31. 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, 2017 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$540 thousand.

c. Unrecognized commitments for acquisition of property, plant and equipment of approximately $49,000 thousand.

32. 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, 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 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

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 10,691	32.25 (USD:NTD)	$ 344,771
RMB	62,935	4.617 (RMB:NTD)	290,570
			$ 635,341
Non-monetary items			
Investments accounted for using equity method			
RMB	1,684,269	4.649 (RMB:NTD)	$ 7,830,168
Other			
USD	1,332	32.23-32.67 (USD:NTD)	43,426
			$ 7,873,594
Financial liabilities			
Monetary items			
USD	4,859	32.25 (USD:NTD)	$ 156,758
EUR	2,847	33.90 (EUR:NTD)	96,518
AUD	1,342	23.29 (AUD:NTD)	31,240
			$ 284,516

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2017		2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	29.76 (USD:NTD)	$ 16,003	32.25 (USD:NTD)	$ 17,798
RMB	4.57 (RMB:NTD)	1,679	5.05 (RMB:NTD)	364
EUR	35.57 (EUR:NTD)	1,277	33.90 (EUR:NTD)	927
AUD	23.18 (AUD:NTD)	494	23.29 (AUD:NTD)	364
Others		44		(3)
		$ 19,497		$ 19,450

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financings provided: See Table 1 attached.

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

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

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: See Table 4 attached.

5) Acquisition of individual real estate 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: None.

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: See Table 10 attached.

TABLE 1

STANDARD FOODS CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	$ 91,090	$ 91,090	$ 54,085	3.828%-4.350%	b.	$ -	Need for operation	$ -	-	$ -	$ 1,429,685 (Note 3)	$ 1,429,685 (Note 3)	
		Standard Foods (China) Co., Ltd.	Financing receivables - related parties	Y	455,450	455,450	428,952	4.350%	b.	-	Need for operation	-	-	-	1,429,685 (Note 3)	1,429,685 (Note 3)	
		Standard Foods (Xiamen) Co., Ltd.	Financing receivables - related parties	Y	728,720	728,720	669,571	4.350%	b.	-	Need for operation	-	-	-	1,429,685 (Note 3)	1,429,685 (Note 3)	
		Shanghai Le Ben Tuo Health Technology Co., Ltd.	Financing receivables - related parties	Y	91,440	91,090	91,090	4.350%	b.	-	Need for operation	-	-	-	1,429,685 (Note 3)	1,429,685 (Note 3)	
2	Shanghai Standard Foods Co., Ltd.	Standard Foods (China) Co., Ltd.	Financing receivables - related parties	Y	928,116	478,223	478,223	3.915%	b.	-	Need for operation	-	-	-	1,201,348 (Note 4)	1,201,348 (Note 4)	
		Standard Investment (China) Co., Ltd.	Financing receivables - related parties	Y	660,403	660,403	536,133	4.350%	b.	-	Need for operation	-	-	-	1,201,348 (Note 4)	1,201,348 (Note 4)	
3	Accession Limited	Shanghai Standard Foods Co., Ltd.	Financing receivables - related parties	Y	182,520	178,560	178,560	-	b.	-	Need for operation	-	-	-	3,417,950 (Note 5)	3,417,950 (Note 5)	
		Dermalab S.A.	Financing receivables - related parties	Y	127,911	127,911	60,910	1.900%-2.500%	b.	-	Need for operation	-	-	-	683,590 (Note 6)	1,367,180 (Note 7)	
4	Shanghai Le Ben Tuo Health Technology Co., Ltd.	Standard Investment (China) Co., Ltd.	Financing receivables - related parties	Y	113,863	113,863	2,218	4.350%	b.	-	Need for operation	-	-	-	134,846 (Note 8)	134,846 (Note 8)	
5	Shanghai Le Ben De Health Technology Co., Ltd.	Standard Investment (China) Co., Ltd.	Financing receivables - related parties	Y	9,109	9,109	-	4.350%	b.	-	Need for operation	-	-	-	11,564 (Note 9)	11,564 (Note 9)	
6	Shanghai Le Ho Industrial Co., Ltd.	Standard Investment (China) Co., Ltd.	Financing receivables - related parties	Y	182,180	182,180	806	4.350%	b.	-	Need for operation	-	-	-	200,872 (Note 10)	200,872 (Note 10)	
7	Shanghai Le Min Industrial Co., Ltd.	Standard Investment (China) Co., Ltd.	Financing receivables - related parties	Y	91,090	91,090	1,038	4.350%	b.	-	Need for operation	-	-	-	120,490 (Note 11)	120,490 (Note 11)	

(Continued)

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

Note 2: Reasons for financing are as follows:

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

Note 3: The total amount shall not exceed 40% of net value of Standard Investment (China) Co., Ltd., which was calculated to be $1,429,685 thousand (the net value per financial statements as of September 30, 2017 of $3,574,213 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 $1,201,348 thousand (the net value per financial statements as of September 30, 2017 of $3,003,369 thousand x 40%).

Note 5: The total amount shall not exceed 100% of net value of Accession Limited, which was calculated to be $3,417,950 thousand (the net value per financial statements as of September 30, 2017 of $3,417,950 thousand x 100%).

Note 6: The total amount shall not exceed 20% of net value of Accession Limited, which was calculated to be $683,590 thousand (the net value per financial statements as of September 30, 2017 of $3,417,950 thousand x 20%).

Note 7: The total amount shall not exceed 40% of net value of Accession Limited, which was calculated to be $1,367,180 thousand (the net value per financial statements as of September 30, 2017 of $3,417,950 thousand x 40%).

Note 8: The total amount shall not exceed 40% of net value of Shanghai Le Ben Tuo Health Technology Co., Ltd., which was calculated to be $134,846 thousand (the net value per financial statements as of September 30, 2017 of $337,116 thousand x 40%).

Note 9: The total amount shall not exceed 40% of net value of Shanghai Le Ben De Health Technology Co., Ltd., which was calculated to be $11,564 thousand (the net value per financial statements as of September 30, 2017 of $28,911 thousand x 40%).

Note 10: The total amount shall not exceed 40% of net value of Shanghai Le Ho Industrial Co., Ltd., which was calculated to be $200,872 thousand (the net value per financial statements as of September 30, 2017 of $502,180 thousand x 40%).

Note 11: The total amount shall not exceed 40% of net value of Shanghai Le Min Industrial Co., Ltd., which was calculated to be $120,490 thousand (the net value per financial statements as of September 30, 2017 of $301,225 thousand x 40%).

(Concluded)

TABLE 2

STANDARD FOODS CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(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.	$ 11,313,016 (Note 3)	$ 161,250	$ 148,800	$ 30,000	$ -	1.05%	$ 14,141,270 (Note 4)	Y	-	-	
		Accession Limited	b.	11,313,016 (Note 3)	179,970	178,560	-	-	1.26%	14,141,270 (Note 4)	Y	-	-	
1	Shanghai Standard Foods Co., Ltd.	Standard Foods (Xiamen) Co., Ltd.	c.	1,414,127 (Note 5)	70,950	-	-	-	-	3,003,369 (Note 6)	-	-	Y	
		Standard Foods (China) Co., Ltd.	c.	1,414,127 (Note 5)	457,200	455,450	-	-	15.16%	3,003,369 (Note 6)	-	-	Y	
		Standard Investment (China) Co., Ltd.	c.	1,414,127 (Note 5)	914,400	455,450	277,989	-	15.16%	3,003,369 (Note 6)	-	-	Y	
2	Standard Investment (China) Co., Ltd.	Standard Foods (Xiamen) Co., Ltd.	b.	2,859,370 (Note 7)	1,534,170	1,373,186	188,720	-	38.42%	3,574,213 (Note 8)	-	-	Y	
		Standard Foods (China) Co., Ltd.	b.	2,859,370 (Note 7)	1,471,205	1,179,052	348,811	-	32.99%	3,574,213 (Note 8)	-	-	Y	
		Shanghai Standard Foods Co., Ltd.	c.	1,414,127 (Note 5)	572,386	444,068	181,596	-	12.42%	3,574,213 (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 $11,313,016 thousand (the net value per financial statements as of September 30, 2017 of $14,141,270 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 $14,141,270 thousand (the net value per financial statements as of September 30, 2017 of $14,141,270 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 $1,414,127 thousand (the net value per financial statements as of September 30, 2017 of $14,141,270 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 $3,003,369 thousand (the net value per financial statements as of September 30, 2017 of $3,003,369 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 $2,859,370 thousand (the net value per financial statements as of September 30, 2017 of $3,574,213 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 $3,574,213 thousand (the net value per financial statements as of September 30, 2017 of $3,574,213 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, 2017
(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, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Standard Foods Corporation	Shares							
	Far Eastern International Commercial Bank Co., Ltd.		Available-for-sale financial assets - current	1,307,981	$ 12,478		$ 12,478	
	Chunghwa Telecom Co., Ltd.		Available-for-sale financial assets - current	48,600	5,152		5,152	
	GeneFerm Biotechnology Co., Ltd.	The Company is one of the directors	Available-for-sale financial assets - non-current	2,168,110	118,943	8.7	118,943	
	Dah Chung Bills Finance Corp.		Financial assets carried at cost - non-current	1,243,213	9,600	0.3	14,496	
	Mutual funds							
	VantagePoint Communications Partners, L.P.		Financial assets carried at cost - non-current	Note 1	-	1.1	-	
	Walden VC 2, L.P.		Financial assets carried at cost - non-current	Note 1	-	1.9	-	
	Shares							
	Techgains Pan-Pacific Corporation		Financial assets carried at cost - non-current	500,000	-	0.9	-	
	Authenex, Inc.		Financial assets carried at cost - non-current	2,424,242	-	5.5	-	
	Global Strategic Investment Co., Ltd.		Financial assets carried at cost - non-current	850,500	4,784	1.9	4,433	
	Paradigm Venture Capital Corporation		Financial assets carried at cost - non-current	200,418	2,005	7.0	1,935	
	U-Teck Environment Corporation, Ltd.		Financial assets carried at cost - non-current	11,200	-	0.2	-	
	Octamer, Inc. - Series E Preferred Stock		Financial assets carried at cost - non-current	800,000	-	7.8	-	
	Octamer, Inc. - Series F Preferred Stock		Financial assets carried at cost - non-current	107,815	-	1.0	-	
	Fortemedia, Inc. - Series D Preferred Stock		Financial assets carried at cost - non-current	3,455	-	1.2	-	
	Fortemedia, Inc. - Series E Preferred Stock		Financial assets carried at cost - non-current	71,397	-	1.2	-	
	Fortemedia, Inc. - Series F Preferred Stock		Financial assets carried at cost - non-current	29,173	-	1.2	-	
	Fortemedia, Inc. - Series G Preferred Stock		Financial assets carried at cost - non-current	31,135	-	1.3	-	
	Fortemedia, Inc. - Series I Preferred Stock		Financial assets carried at cost - non-current	29,102	-	1.3	-	
	Fortemedia, Inc. - Series - Common Stock		Financial assets carried at cost - non-current	12,938	-	1.2	-	
	Verisilicon Holdings Co., Ltd. - Series A Preferred Stock		Financial assets carried at cost - non-current	21,393	-	1.3	-	
	Verisilicon Holdings Co., Ltd. - Series B Preferred Stock		Financial assets carried at cost - non-current	2,756	-	1.3	-	
	Verisilicon Holdings Co., Ltd. - Series C Preferred Stock		Financial assets carried at cost - non-current	2,157	-	1.3	-	
	Verisilicon Holdings Co., Ltd. - Series E Preferred Stock		Financial assets carried at cost - non-current	3,431	-	1.3	-	
	Verisilicon Holdings Co., Ltd. - Common Stock		Financial assets carried at cost - non-current	324	-	1.3	-	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Charng Hui Ltd.	Shares							
	Standard Foods Corporation	Parent of Charng Hui Ltd.	Available-for-sale financial assets - current	6,669,471	$ 493,541	0.7	$ 493,541	
	Formosa Plastics Corporation		Available-for-sale financial assets - current	91,440	9,025		9,025	
	China Steel Corporation		Available-for-sale financial assets - current	803,258	19,880		19,880	
	Polytronics Technology Corp.	Charng Hui Ltd. is one of the directors	Available-for-sale financial assets - current	1,596,000	90,653	2.0	90,653	
	Taiwan Semiconductor Manufacturing Co., Ltd.		Available-for-sale financial assets - current	90,000	20,655		20,655	
	Mutual funds							
	Fuh Hwa Global Strategic Allocation FoF		Available-for-sale financial assets - current	1,000,000	10,880		10,880	
	Taishin 1699 Money Market		Available-for-sale financial assets - current	783,670	10,538		10,538	
	Franklin Templeton SinoAm Global Bd Acc		Available-for-sale financial assets - current	1,453,360	18,877		18,877	
	Shares							
	Hong Da Leasing & Finance Co., Ltd.		Financial assets carried at cost - non-current	8,297,000	-	23.7		
	CNEX Co., Ltd.	Charng Hui Ltd. is one of the directors	Financial assets carried at cost - non-current	1,000,000	-	6.0	-	
Standard Beverage Company Limited	Mutual funds							
	Fuh Hwa Greater China Mid & Small Cap		Available-for-sale financial assets - current	225,000	2,264		2,264	
	Franklin Templeton SinoAm Global Bd Acc		Available-for-sale financial assets - current	282,988	3,676		3,676	
Domex Technology Corporation	Shares							
	InnoComm Mobile Technology Corp.		Financial assets carried at cost - non-current	3,600,000	26,586	13.4	66,780	
Accession Limited	Shares							
	AsiaVest Liquidation Co.		Financial assets carried at cost - non-current	200	3,260	0.7	2,477	

Note 1: No number of units of the Fund.

(Concluded)

TABLE 4

STANDARD FOODS CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Financial Instruments Evaluation (Loss) Gain	Other	Ending Balance		Note
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal			Shares	Amount	
Standard Foods Corporation	Standard Investment (Cayman) Limited	Investments accounted for using equity method	(Note 1)	-	134,335,854	$ 4,353,895	15,724,961	$ 478,280	-	$ -	$ -	$ -	$ -	$ (163,638) (Note 2)	150,060,815	$ 4,668,537	
Standard Investment (Cayman) Limited	Standard Corporation (Hong Kong) Limited	Investments accounted for using equity method	(Note 1)	-	134,287,854	4,353,158	15,724,961	478,280	-	-	-	-	-	(163,389) (Note 3)	150,012,815	4,668,049	
Standard Corporation (Hong Kong)	Standard Investment (China) Co., Ltd.	Investments accounted for using equity method	(Note 1)	-	Note 5	3,533,349	Note 5	384,341	-	-	-	-	-	(149,495) (Note 4)	Note 5	3,768,195	

Note 1: There is no counterparty for the issuance of ordinary shares for cash this year.

Note 2: The recognition of a decrease of $91,778 thousand this year was due adopting the equity method for the accounting of the investment loss. The recognition of a decrease of $80,505 thousand this year was due adopting the equity method for the accounting of the translation adjustment. The recognitions of an increase of $8,645 thousand this year was due adopting the equity method for the accounting of the capital surplus.

Note 3: The recognition of a decrease of $91,545 thousand this year was due adopting the equity method for the accounting of the investment loss. The recognition of a decrease of $80,489 thousand this year was due adopting the equity method for the accounting of the translation adjustment. The recognitions of an increase of $8,645 thousand this year was due adopting the equity method for the accounting of the capital surplus.

Note 4: The recognition of a decrease of $94,160 thousand this year was due adopting the equity method for the accounting of the investment loss. The recognition of a decrease of $63,980 thousand this year was due adopting the equity method for the accounting of the translation adjustment. The recognitions of an increase of $8,645 thousand this year was due adopting the equity method for the accounting of the capital surplus.

Note 5: This is a limited company with no issued shares.

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, 2017
(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	$ (1,335,518)	11.86	55 days after month end closing (net of receivables and payables)	-	-	$ 175,881	9.13	
			Purchases	608,762	9.37	55 days after month end closing (net of receivables and payables)	-	-	-	-	
Standard Dairy Products Taiwan Limited	Standard Foods Corporation	Parent company of Standard Dairy Products Taiwan Limited	Purchases	1,335,518	62.44	55 days after month end closing (net of receivables and payables)	-	-	(175,881)	34.60	
			Sales	(608,762)	19.55	55 days after month end closing (net of receivables and payables)	-	-	-	-	
Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Sales	(2,443,503)	90.01	60 days after month-end closing	-	-	675,846	98.83	
	Standard Foods (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Sales	(131,004)	4.83	60 days after month-end closing	-	-	4,433	0.65	
			Purchases	171,093	6.96	60 days after month-end closing	-	-	(497)	0.53	
Standard Investment (China) Co., Ltd.	Shanghai Standard Foods Co., Ltd.	Brother company of Standard Investment (China) Co., Ltd.	Purchases	2,443,503	27.44	60 days after month-end closing	-	-	(675,846)	39.47	
	Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Purchases	4,796,782	53.88	60 days after month-end closing	-	-	(1,014,292)	59.23	
	Standard Foods (Xiamen) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Purchases	1,646,137	18.49	60 days after month-end closing	-	-	-	-	
Standard Foods (China) Co., Ltd.	Shanghai Standard Foods Co., Ltd.	Brother company of Standard Foods (China) Co., Ltd.	Purchases	131,004	2.54	60 days after month-end closing	-	-	(4,433)	1.25	
			Sales	(171,093)	3.39	60 days after month-end closing	-	-	497	0.05	
	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (China) Co., Ltd.	Sales	(4,796,782)	95.12	60 days after month-end closing	-	-	1,014,292	93.16	
Standard Foods (Xiamen) Co., Ltd.	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (Xiamen) Co., Ltd.	Sales	(1,646,137)	94.17	60 days after month-end closing	-	-	-	-	

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, 2017
(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	$ 175,881	8.70	$ -	-	$ 175,881	(Note 1)	$ -	
			Other receivables	2,178		-	-	2,178	(Note 1)	-	
				$ 178,059		$ -		$ 178,059		$ -	
Accession Limited	Shanghai Standard Foods Co., Ltd.	Accession Limited's subsidiary	Financing receivables	$ 178,560		$ -	-	$ -	(Note 1)	$ -	
Shanghai Standard Foods Co., Ltd.	Standard Investment (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Trade receivables	$ 675,846	2.32	$ -	-	$ 675,846	(Note 1)	$ -	
			Financing receivables	536,133		-	-	-	(Note 1)		
			Other receivables	40,415		-	-	4,185	(Note 1)	-	
				$ 1,252,394		$ -		$ 680,031		$ -	
	Standard Foods (China) Co., Ltd.	Brother company of Shanghai Standard Foods Co., Ltd.	Trade receivables	$ 4,433	51.84	$ -	-	$ 4,433	(Note 1)	$ -	
			Financing receivables	478,223		-	-	-	(Note 1)	-	
			Other receivables	35,055		-	-	35,055	(Note 1)	-	
				$ 517,711		$ -		$ 39,488		$ -	
Standard Investment (China) Co., Ltd.	Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Trade receivables	$ 6	232.00	$ -	-	$ 6	(Note 1)	$ -	
			Financing receivables	428,952		-	-	-	(Note 1)	-	
			Other receivables	17,787		-	-	11,025	(Note 1)	-	
				$ 446,745		$ -		$ 11,031		$ -	
	Standard Foods (Xiamen) Co., Ltd.	Standard Investment (China) Co., Ltd.'s subsidiary	Trade receivables	$ 151	3.01	$ -	-	$ -	(Note 1)	$ -	
			Financing receivables	669,571		-	-	-	(Note 1)	-	
			Other receivables	1,468		-	-	1,468	(Note 1)	-	
				$ 671,190		$ -		$ 1,468		$ -	
Standard Foods (China) Co., Ltd.	Standard Investment (China) Co., Ltd.	Parent company of Standard Foods (China) Co., Ltd.	Trade receivables	$ 1,014,292	5.74	$ -	-	$ 1,014,292	(Note 1)	$ -	
			Other receivables	102,642		-	-	-	(Note 1)	-	
				$ 1,116,934		$ -		$ 1,014,292		$ -	

Note 1: Amounts received before March 22, 2018.

STANDARD FOODS CORPORATION

DERIVATIVES TRADING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

The Company was not engaged in derivatives trading during 2017.

Shanghai Standard Foods Co., Ltd. ("Shanghai Standard") entered into foreign exchange swap contracts during 2017 to manage exposures to exchange rate fluctuation risk of foreign currency denominated assets and liabilities.

As of December 31, 2017, Shanghai Standard had outstanding foreign exchange swap contracts as follows:

December 31, 2017

Notional Amount (In Thousands)	Maturity Date
USD6,000/RMB41,364	May 24, 2018

As of December 31, 2017, the amount of the foreign exchange swap contracts held by Shanghai Standard was $11,253 thousand of financial liabilities, which were included in financial liabilities at fair value through profit or loss-current.

Shanghai Standard entered into futures contracts during 2017 to manage exposures to price volatility risk of raw materials.

As of December 31, 2017, Shanghai Standard did not have outstanding futures contracts.

Standard Investment (China) Co., Ltd. ("China Standard Investment"), Shanghai Standard, and Shanghai Le Ben De Health Technology Co., Ltd. ("Shanghai Le Ben De") entered into structured time deposits in 2017 mainly to have earnings from favorable effects on fluctuations of interest rates.

As of December 31, 2017, China Standard Investment, Shanghai Standard, and Shanghai Le Ben De did not have outstanding structured time deposits.

The net loss from derivative transactions for Shanghai Standard, China Standard Investment and Shanghai Le Ben De was $16,107 thousand in 2017.

TABLE 8

STANDARD FOODS CORPORATION

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Shares	%	Carrying Amount			
Standard Foods Corporation	Accession Limited	Tortola, British Virgin Islands	Investment business	$ 3,936,267	$ 3,936,267	123,600,000	100	$ 3,416,802	$ 24,290	$ 35,971 (Note 1)	Subsidiary
	Standard Investment (Cayman) Limited	Grand Cayman, Cayman Islands	Investment business	4,708,891	4,230,611	150,060,815	100	4,668,537	(91,778)	(91,778)	Subsidiary
	Standard Dairy Products Taiwan Limited	Taipei, Taiwan	Manufacture and sale of dairy products and beverages	300,853	300,853	30,000,000	100	944,177	473,651	478,966 (Note 2)	Subsidiary
	Charng Hui Ltd.	Taipei, Taiwan	Investment business	230,000	530,000	24,100,000	100	251,912	10,857	597	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	202,614	80,332	41,780	Subsidiary
	Standard Beverage Company Limited	Taipei, Taiwan	Manufacture and sale of beverages	79,072	79,072	7,907,000	100	80,353	1,506	1,535 (Note 3)	Subsidiary
	Le Bonta Wellness International Corporation	Yilan, Taiwan	Sale of health foods	14,350	14,350	Note 4	100	13,564	2,068	2,068	Subsidiary
Accession Limited	Dermalab S.A.	Switzerland	Development and sale of cosmetics	206,905	206,905	320	80	88,089	(11,641)		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	4,707,394	4,229,114	150,012,815	100	4,668,049	(91,545)		Indirect subsidiary

Note 1: This amount was the share of profit of the investee of $24,290 thousand plus the realized gain on sidestream transactions of $11,681 thousand.

Note 2: This amount was the share of profit of the investee of $473,651 thousand plus the realized gain on upstream transactions of $5,315 thousand.

Note 3: This amount was the share of profit of the investee of $1,506 thousand plus the realized gain on upstream transactions of $29 thousand.

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

TABLE 9

STANDARD FOODS CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(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, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017	Note
					Outward	Inward							
Shanghai Standard Foods Co., Ltd.	Manufacture and sale of edible oil products and nutritional food	$ 3,949,575	b. (Note 3)	$ 3,949,575 (Note 4)	$ -	$ -	$ 3,949,575 (Note 4)	$ 62,158	100.0	$ 70,697 (Note 10)	$ 3,018,543	$ -	
Inner Mongolia Jiatai Agriculture Technology Co., Ltd.	Production of sunflower	92,235	c. (Note 5)	- (Note 5)	-	-	- (Note 5)	2	100.0	2 (Note 10)	- (Note 11)	-	
Standard Investment (China) Co., Ltd.	Investment and sales of edible oil products and nutritional food	3,755,530	b. (Note 6)	3,334,336 (Note 6)	384,341	-	3,718,677 (Note 6)	(92,457)	99.0	(94,160) (Note 10)	3,768,195	-	
Standard Foods (China) Co., Ltd.	Manufacture and sale of edible oil products and nutritional food	1,631,668	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	3,106	99.0	10,511 (Note 10)	1,632,316	-	
Shanghai Dermalab Corporation	Sale of nutritional food, cosmetics and international trading	29,949	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	(15,985)	99.0	(15,986) (Note 10)	(18,443)	-	
Shanghai Le Ben Tuo Health Technology Co., Ltd.	Sale of nutritional food and international trading	380,418	a. and c. (Note 8)	- (Note 8)	181,048 (Note 8)	-	181,048 (Note 8)	(27,141)	99.5	(27,097) (Note 10)	326,096	-	
Shanghai Le Ben De Health Technology Co., Ltd.	Sale of nutritional food and international trading	31,220	c. (Notes 4 and 9)	31,220 (Note 4)	-	-	31,220 (Note 4)	585	100.0	585 (Note 10)	28,988	-	
Standard Foods (Xiamen) Co., Ltd.	Manufacture and sale of edible oil products and nutritional food	1,307,582	c. (Note 7)	- (Note 7)	-	-	- (Note 7)	(489)	99.0	(7,177) (Note 10)	1,148,644	-	
Shanghai Le Ho Industrial Co., Ltd.	Property management	607,717	b. (Note 6)	554,928 (Note 6)	52,789	-	607,717 (Note 6)	(23)	100.0	(23) (Note 10)	554,284	-	
Shanghai Le Min Industrial Co., Ltd.	Property management	378,009	b. (Note 6)	333,168 (Note 6)	44,841	-	378,009 (Note 6)	(251)	100.0	(251) (Note 10)	345,476	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	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 12)

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

a. Direct investment in mainland China.
b. Indirectly investment in mainland China through companies registered in a third region.
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, 2016; the investment remained at $4,034,074 thousand. Of the $4,034,074 thousand, $53,279 thousand has been retained in Accession Limited. The remaining balance of thereof, amounting to $3,980,795 thousand, was originally the outward remittance of the investment of Shanghai Standard Foods Co., Ltd. in 2015. However, as of July 2015, of the $3,980,795 thousand, $31,220 thousand was invested in Shanghai Le Ben De Health Technology Co., Ltd. by Shanghai Standard Foods Co., Ltd. In the aggregate, the outward remittance of the investments of Shanghai Standard Foods Co., Ltd. and Shanghai Le Ben De Health Technology Co., Ltd. was $3,949,575 thousand and $31,220 thousand, respectively.

Note 5: The company in mainland China was reinvested through a company registered in mainland China, namely Shanghai Standard Foods Co., Ltd.

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

Note 7: The company in mainland China was reinvested through a company registered in mainland China, namely Standard Investment (China) Co., Ltd.

Note 8: 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 9: This company was spun off from Shanghai Standard Foods Co., Ltd.; it is the investor company in third region.

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

Note 11: Inner Mongolia Jiatai Agriculture Technology Co., Ltd. completed the liquidation procedures in August 2017.

Note 12: 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)

TABLE 10

STANDARD FOODS CORPORATION

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Sales

Investee Company	Company in Third Area	Transaction Details		Comparison with Normal Transactions	Sales		Notes/Accounts Receivable as of December 31, 2017		Note
		Price	Payment Terms		Amount	%	Ending Balance	%	
Standard Foods (China) Co., Ltd.	-	According to normal commercial terms	60 days after month-end closing	Normal	$ 85	-	$ 85	-	-

Purchases

Investee Company	Company in Third Area	Transaction Details		Comparison with Normal Transactions	Purchases		Notes/Accounts Payable as of December 31, 2017		Note
		Price	Payment Terms		Amount	%	Ending Balance	%	
Shanghai Dermalab Corporation	-	According to normal commercial terms	55 days after month-end closing	Normal	$ 841 (Note)	-	$ -	-	-

Note: Purchases transferred for own-use, which had been included in other expenses.

STANDARD FOODS CORPORATION

THE CONTENTS OF SCHEDULES OF MAJOR ACCOUNTING ITEMS

STANDARD FOODS CORPORATION

SCHEDULE OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description	Interest Rate	Amount
Cash on hand			$ 1,384
Cash in banks			
Checking account deposits			17,946
Demand deposits		0.01%-0.20%	194,627
Foreign currency demand deposits	Including RMB5 thousand @4.57, EUR2 thousand @35.57 and US$5,383 thousand @29.76	0.01%-0.35%	160,464
			373,037
Cash equivalents			
Time deposits	Expired by February 2018	0.65%	199,600
Foreign time deposits	Including RMB16,000 thousand @4.57, expired by January 2018	3.65%-3.80%	73,040
			272,640
			$ 647,061

STANDARD FOODS CORPORATION

SCHEDULE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Shares/ Units	Par Value (NT$)	Total Amount	Cost	Accumulated Impairment	Unit Cost (NT$)	Total Amount
Listed shares							
Far Eastern International Commercial Bank Co., Ltd.	1,307,981	10	$ 13,080	$ 17,114	$ -	9.54	$ 12,478
Chunghwa Telecom Co., Ltd.	48,600	10	486	4,063	-	106.00	5,152
			$ 13,566	$ 21,177	$ -		$ 17,630

SCHEDULE 3

STANDARD FOODS CORPORATION

SCHEDULE OF DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Description	Number	Par Value	Total Amount	Annual Interest Rate	Book Value	Remark
Far Eastern International Bank time deposit	Expired by January 2018, maturity interest	1	2,500	$ 2,500	1.055%	$ 2,500	Floating
Far Eastern International Bank time deposit	Expired by January 2018, maturity interest	1	2,000	2,000	1.055%	2,000	Floating
Far Eastern International Bank time deposit	Expired by February 2018, maturity interest	7	2,900	20,300	1.055%	20,300	Floating
Far Eastern International Bank time deposit	Expired by March 2018, maturity interest	8	2,900	23,200	1.055%	23,200	Floating
Far Eastern International Bank time deposit	Expired by October 2018, maturity interest	5	2,900	14,500	1.055%	14,500	Floating
Far Eastern International Bank time deposit	Expired by November 2018, maturity interest	5	2,900	14,500	1.055%	14,500	Floating
Far Eastern International Bank time deposit	Expired by November 2018, maturity interest	4	2,500	10,000	1.055%	10,000	Floating
Far Eastern International Bank time deposit	Expired by December 2018, maturity interest	6	2,500	15,000	1.055%	15,000	Floating
The Shanghai Commercial & Saving Bank time deposit	Expired by February 2018, maturity interest	2	49,900	99,800	0.790%	99,800	Floating
The Shanghai Commercial & Saving Bank time deposit	Expired by May 2018, maturity interest	1	49,900	49,900	0.650%	49,900	Floating
The Shanghai Commercial & Saving Bank time deposit	Expired by May 2018, maturity interest	4	49,900	199,600	0.790%	199,600	Floating
				$ 451,300		$ 451,300	

STANDARD FOODS CORPORATION

SCHEDULE OF TRADE RECEIVABLES
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Unrelated parties	
Company A	$ 605,017
Company B	299,413
Company C	114,421
Company D	330,290
Others (Note)	399,193
	1,748,334
Less: Allowance for impairment loss	(1,832)
	$ 1,746,502
Related party	
Standard Dairy Products Taiwan Limited	$ 175,881
Others (Note)	85
	$ 175,966

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

STANDARD FOODS CORPORATION

SCHEDULE OF INVENTORIES
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Merchandise	$ 557,156	$ 801,747
Finished goods	786,643	1,418,007
Work in progress	124,365	233,742
Raw materials	377,540	721,515
Packaging materials	42,969	63,857
	$ 1,888,673	$ 3,238,868

STANDARD FOODS CORPORATION

AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Item	Balance January 1, 2017		Addition		Deduction		Unrealized	Balance, December 31, 2017		Collateral	Remark
	Shares	Fair Value	Shares	Amount	Shares	Amount	Gain/(Loss)	Shares	Fair Value		
Emerging market shares											
GeneFerm Biotechnology Co., Ltd.	2,168,110	$ 180,213	-	$ -	-	$ -	$ (61,270)	2,168,110	$ 118,943	Nil	-

STANDARD FOODS CORPORATION

SCHEDULE OF CHANGES IN FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2017		Addition		Deduction		Accumulated Reversal of Impairment Loss	Balance, December 31, 2017		Collateral	Accumulated Impairment	Remark
	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount		Shares/Units	Amount			
Walden VC II L.P.	-	$ 34,502	-	$ -	-	$ 34,502	$ -	-	$ -	Nil	$ 117,303	Notes 1 and 3
Authenex, Inc.	2,424,242	-	-	-	-	-	-	2,424,242	-	Nil	67,580	-
Global Strategic Investment Co., Ltd.	850,500	4,784	-	-	-	-	-	850,500	4,784	Nil	3,721	-
VantagePoint Communications Partners, L.P.	-	1,129	-	-	-	1,129	-	-	-	Nil	24,645	Notes 1 and 3
Paradigm Venture Capital Corporation	255,310	2,554	-	-	54,892	549	-	200,418	2,005	Nil	-	Note 2
Dah Chung Bills Finance Corporation	1,194,249	9,600	48,964	-	-	-	-	1,243,213	9,600	Nil	-	-
Techgains Pan-Pacific Corporation	500,000	1,009	-	-	-	1,009	-	500,000	-	Nil	10,194	Note 3
U-Teck Environment Corporation, Ltd.	11,200	-	-	-	-	-	-	11,200	-	Nil	1,362	-
Octamer, Inc. - Series E preferred stock	800,000	-	-	-	-	-	-	800,000	-	Nil	16,607	-
Octamer, Inc. - Series F preferred stock	107,815	-	-	-	-	-	-	107,815	-	Nil	3,536	-
ForteMedia, Inc. - Series D preferred stock	3,455	89	-	-	-	89	-	3,455	-	Nil	89	Note 3
ForteMedia, Inc. - Series E preferred stock	71,397	1,120	-	-	-	1,120	-	71,397	-	Nil	1,120	Note 3
ForteMedia, Inc. - Series F preferred stock	29,173	600	-	-	-	600	-	29,173	-	Nil	600	Note 3
ForteMedia, Inc. - Series G preferred stock	31,135	641	-	-	-	641	-	31,135	-	Nil	641	Note 3
ForteMedia, Inc. - Series I preferred stock	29,102	1,284	-	-	-	1,284	-	29,102	-	Nil	1,284	Note 3
ForteMedia - common stock	12,938	63	-	-	-	63	-	12,938	-	Nil	63	Note 3
Verisilicon Holdings Co., Ltd. - series A preferred stock	21,393	1,971	-	-	-	1,971	-	21,393	-	Nil	1,971	Note 3
Verisilicon Holdings Co., Ltd. - series B preferred stock	2,756	280	-	-	-	280	-	2,756	-	Nil	280	Note 3
Verisilicon Holdings Co., Ltd. - series C preferred stock	2,157	261	-	-	-	261	-	2,157	-	Nil	261	Note 3
Verisilicon Holdings Co., Ltd. - series E preferred stock	3,431	452	-	-	-	452	-	3,431	-	Nil	452	Note 3
Verisilicon Holdings Co., Ltd. - common stock	324	24	-	-	-	24	-	324	-	Nil	24	Note 3
		$ 60,363		$ -		$ 43,974	$ -		$ 16,389			

(Continued)

Note 1: Unit is not applicable.

Note 2: 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 3: The amount was reduced this year due to impairment loss.

(Concluded)

STANDARD FOODS CORPORATION

SCHEDULE OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2017		Addition		Decrease		Balance, December 31, 2017			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	$ 3,450,223	-	$ 38,581	-	$ 72,002	123,600,000	100	$ 3,416,802	27.8	$ 3,430,552	Nil	Note 1
Standard Dairy Products Taiwan Limited	30,000,000	844,228	-	478,966	-	379,017	30,000,000	100	944,177	31.8	953,020	Nil	Note 2
Charng Hui Ltd.	54,100,000	548,163	-	14,230	30,000,000	310,481	24,100,000	100	251,912	30.9	745,453	Nil	Note 3
DOMEX Technology Corporation	10,374,399	192,794	-	41,780	-	31,960	10,374,399	52	202,614	19.4	202,055	Nil	Note 4
Standard Beverage Company Limited	7,907,000	79,022	-	2,032	-	701	7,907,000	100	80,353	10.1	80,217	Nil	Note 5
Standard Investment (Cayman) Limited	134,335,854	4,353,895	15,724,961	486,925	-	172,283	150,060,815	100	4,668,537	31.1	4,668,537	Nil	Note 6
Le Bonta Wellness International Corporation	-	14,096	-	2,068	-	2,600	-	100	13,564		13,304	Nil	Notes 7 and 9
Shanghai Le Ben Tuo Health Technology Co, Ltd.	-	-	-	186,218	-	18,873	-	51	167,345		167,345	Nil	Notes 8 and 9
		$ 9,482,421		$ 1,250,800		$ 987,917			$ 9,745,304		$ 10,260,483		

Note 1: The recognition of $38,581 thousand increase this year was due to the equity method adopted for the accounting of the investment income of $35,971 thousand and of other comprehensive income of $2,610 thousand. The amount decreased this year due to the equity method adopted for the accounting of the translation adjustment of $72,002 thousand.

Note 2: The amount increased this year due to the equity method adopted for the accounting of the investment income of $478,966 thousand. The recognition of $379,017 thousand decrease was due to the receipt of the cash dividend of $375,900 thousand issued by the investee and of other comprehensive income of $3,117 thousand.

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, the increase in the aggregate was $14,230 thousand of which $10,261 thousand was the adjustment to the capital surplus and $597 thousand was the investment income accounted for under the equity method and $3,372 thousand was the result of equity method accounting of other comprehensive income. The decrease was $310,481 thousand of which $300,000 thousand was proceeds from return of capital and $10,481 thousand was the receipt of cash dividend.

Note 4: The amount increased this year due to the equity method adopted for the accounting of the investment income of $41,780 thousand. The recognition of $31,960 thousand decrease this year was due to the receipt of the cash dividend of $31,123 thousand issued by the investee and of other comprehensive income of $837 thousand.

Note 5: The recognition of $2,032 thousand increase this year was due to the equity method adopted for the accounting of the investment income of $1,535 thousand and of the other comprehensive income of $497 thousand. The amount decreased this year due to the receipt of the cash dividend of $701 thousand issued by the investee.

Note 6: The increase in the shares held was due to the increase in the investment. The total amount of increase was $486,925 thousand of which $478,280 thousand was the investment and $8,645 thousand was the capital surplus accounted for under the equity method. The recognition of $172,283 thousand decrease this year was due to the equity method adopted for the accounting of the investment loss of $91,778 thousand and the translation adjustment of $80,505 thousand.

Note 7: The amount increased this year due to the investment income accounted for under the equity method of $2,068 thousand. The amount decreased this year due to the receipt of the cash dividend of $2,600 thousand issued by the investee

Note 8: The total amount of increase was $186,218 thousand of which $181,048 thousand was the investment and $5,170 thousand was the translation adjustment accounted for by the equity method. The amount decreased due to the equity method adopted for the accounting of less capital surplus of $8,179 thousand and the investment loss of $10,694 thousand.

Note 9: This is a limited company with no issued shares.

STANDARD FOODS CORPORATION

SCHEDULE OF TRADE PAYABLES
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Unrelated parties	
Company A	$ 100,020
Company B	40,240
Others (Note)	584,957
	$ 725,217
Related parties	
GeneFerm Biotechnology Co., Ltd.	$ 3,269

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, 2017
(In Thousands of New Taiwan Dollars)

Item	Quantity (Tons)	Amount
Nutritious foods	84,587	$ 10,480,581
Cooking products	22,937	2,037,248
Others	11,685	395,602
Total sales		12,913,431
Less: Sales returns		(98,398)
Sales allowances		(1,555,350)
Net sales		$ 11,259,683

SCHEDULE 11

STANDARD FOODS CORPORATION

SCHEDULE OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of goods sold - finished goods	
Raw materials, beginning of year	$ 419,879
Add: Raw materials purchased	4,470,977
Transferred from other accounts	6,721
Less: Sales of raw materials	(54,632)
Other use	(5,231)
Raw materials scrapped	(3,485)
Loss on physical inventory of raw materials	(1,704)
Raw materials, end of year	(420,509)
Raw materials consumed	4,412,016
Direct labor	217,329
Manufacturing expenses	820,917
Manufacturing costs	5,450,262
Work in progress, beginning of year	99,079
Add: Gain on physical inventory of work in progress	1
Transferred from other accounts	5,687
Less: Work in progress scrapped	(1,444)
Work in progress, end of year	(124,365)
Cost of finished goods	5,429,220
Finished goods, beginning of year	798,611
Less: Transferred to other accounts	(83,232)
Finished goods scrapped	(1,777)
Loss on physical inventory of finished goods	(33)
Finished goods, end of year	(786,643)
Cost of goods sold - finished goods	5,356,146
Cost of goods sold - merchandise	
Merchandise, beginning of year	532,332
Add: Merchandise purchased	2,181,854
Less: Other use	(6,117)
Merchandise scrapped	(760)
Loss on physical inventory of merchandise	(4)
Merchandise, end of year	(557,156)
Cost of goods sold - merchandise	2,150,149
Cost of sales of raw materials	54,632
Unallocated fixed manufacturing expenses	129
Loss on physical inventory	1,740
Inventory scrap losses	7,466
	$ 7,570,262

STANDARD FOODS CORPORATION

SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Amount
Advertising expenses	$ 688,631	$ -	$ -	$ 688,631
Salaries and pensions	198,292	191,006	28,449	417,747
Freight expenses	94,106	-	-	94,106
Taxes	19,237	534	17	19,788
Professional service fees	299	15,266	1,031	16,596
Rental	15,162	11,416	77	26,655
Insurance premiums	22,057	12,850	2,695	37,602
Amortization	2,731	5,990	-	8,721
Depreciation	12,930	7,894	16,054	36,878
Traveling expenses	19,931	3,798	1,181	24,910
Repair and maintenance expenses	15,257	683	2,265	18,205
Computer expenses	261	16,946	236	17,443
Meal expenses	6,034	1,973	619	8,626
Postage and telephone charges	1,317	1,002	264	2,583
Entertainment expenses	2,392	7,840	400	10,632
Employee welfare	7,131	2,680	704	10,515
Utilities	4,981	1,718	906	7,605
Donations	3,675	23,516	-	27,191
Others	41,316	34,208	24,781	100,305
Cost-sharing sectors (Note)	-	(21,363)	-	(21,363) (Note)
	$ 1,155,740	$ 317,957	$ 79,679	$ 1,553,376

Note: Transferred to the manufacturing expenses.

STANDARD FOODS CORPORATION

SCHEDULE OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Year Ended December 31							
	2017				2016			
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	$ 356,769	$ 399,229	$ -	$ 755,998	$ 367,310	$ 399,737	$ -	$ 767,047
Labor and health insurance	35,348	31,272	-	66,620	33,144	29,583	-	62,727
Pension	16,903	18,518	-	35,421	16,567	18,118	-	34,685
Others	30,696	24,168	-	54,864	32,788	26,089	-	58,877
	$ 439,716	$ 473,187	$ -	$ 912,903	$ 449,809	$ 473,527	$ -	$ 923,336
Depreciation	$ 137,935	$ 36,878	$ 426	$ 175,239	$ 128,467	$ 41,996	$ 415	$ 170,878
Amortization	$ 5,460	$ 8,721	$ -	$ 14,181	$ 7,069	$ 10,208	$ -	$ 17,277

As of December 31, 2017 and 2016, the Company had 922 and 876 employees, respectively.

V. **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, 2016	As of December 31, 2017	Difference	
			Amount	%
Current Assets	15,127,876	15,496,940	369,064	2.44%
Property, Plant and Equipment	4,684,441	5,676,084	991,643	21.17%
Intangible Assets	144,702	78,066	(66,636)	(46.05%)
Other Assets	1,862,067	1,458,398	(403,669)	(21.68%)
Total Assets	21,819,086	22,709,488	890,402	4.08%
Current Liabilities	6,865,895	7,137,271	271,376	3.95%
Noncurrent Liabilities	535,430	548,609	13,179	2.46%
Total Liabilities	7,401,325	7,685,880	284,555	3.84%
Equity attributable to owners of the parent	14,217,975	14,785,740	567,765	3.99%
Capital Stock	8,798,939	9,150,897	351,958	4.00%
Capital Surplus	72,397	83,124	10,727	14.82%
Retained Earnings	5,449,618	5,833,327	383,709	7.04%
Other equity	(81,797)	(260,426)	(178,629)	(218.38%)
Treasury Stock	(21,182)	(21,182)	-	-
Non-controlling interest	199,786	237,868	38,082	19.06%
Total equity	14,417,761	15,023,608	605,847	4.20%

Remark:

1. The increase of property, plant and equipment in 2017 was mainly because of the setup of production line by subsidiary, Standard Foods (Xiamen) Co., Ltd., which resulted in an increase of property, plant and equipment.
2. Intangible assets decreased in 2017 mainly because of the disposition of trademarks and good will.
3. Other assets decreased in 2017 mainly because of the decrease of the prepayments for equipment purchase by subsidiary, Standard Foods (Xiamen) Co., Ltd..
4. Other equity in 2017 was affected by the depreciations of CNY against TWD, to the extent that the financial statements of foreign operations suffered unfavorable exchange difference, coupled with the decline in the fair value of available-for-sale financial assets, to the extent that there was a decrease of unrealized gains from available-for-sale financial assets.

II. Financial performance

(I) Comparative analysis of operational results

Unit: NT$ Thousand

Item \ Fiscal year	2016	2017	Increase (decrease) amount	Increase (decrease)
Sales revenue	27,073,564	26,477,924	(595,640)	(2.20%)
Gross Profit	8,005,049	7,399,955	(605,094)	(7.56%)
Operating Income	3,011,552	2,794,878	(216,674)	(7.19%)
Non-operating Income/expense	268,253	(49,475)	(317,728)	(118.44%)
Earnings before tax	3,279,805	2,745,403	(534,402)	(16.29%)
Income tax expense	642,049	535,494	(106,555)	(16.60%)
Net income from continuing operations	2,637,756	2,209,909	(427,847)	(16.22%)
Loss from discontinued operations	-	-	-	-
Net income (loss)	2,637,756	2,209,909	(427,847)	(16.22%)
Other comprehensive profit and loss for the period(Net amount after tax)	(438,072)	(214,628)	223,444	51.01%
Current comprehensive income/loss	2,199,684	1,995,281	(204,403)	(9.29%)
Analysis of financial ratio change: 1. Non-operating income and expense fell in 2017 mainly because of the decline in government subsidy to subsidiary Standard Foods (China) Ltd., coupled with the decline of exchange rate between USD and TWD, which drove up the net exchange loss as compared with the same period of the previous year. 2. Other comprehensive income increased in 2017 mainly because the slowdown of the depreciation of CNY against TWD that the unfavorable exchange difference of foreign operations in the conversion of the financial statement was mitigated.				

(II) Potential impact on and significant change of the future business operations of the Company: None.

III. Analysis of Cash Flows

(I) Cash Flow Analysis of the Current Year

Unit: NT$ Thousand

Cash and Cash Equivalents Beginning of the Year (1)	Net Cash Inflows From Operating Activities during the year (2)	Other Cash Outflows (3)(Note)	Cash Surplus (Deficit) (1)＋(2) - (3)	Remedy for Cash Shortfall	
				Investing Plans	Financing Plans
2,167,550	2,542,270	1,557,138	3,152,682	N/A	N/A

1. Operating activities: Net cash inflow in current period amounted to NT$2,542,270 thousand mainly from operating income.
2. Investing activities: Net cash outflow in current period amounted to NT$1,034,728 thousand mainly because of the purchase of real, plant and equipment.
3. Financing activities: net cash flow in current period amounted to NT$478,719 thousand mainly because of the 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

Fiscal year / Item	2016(1)	2017(2)	Increase (decrease) (2)-(1) / (1)
Cash flow ratio	32.99	35.62	7.97%
Cash flow adequacy ratio	105.11	88.34	(15.95%)
Cash reinvestment ratio	5.41	5.88	8.69%
Analysis of financial ratio change: no significant change.			

(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
3,152,682	1,994,714	2,034,672	3,112,724	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				
				2017	2018	2019	2020	2021
Procurement of machinery, transportation and office equipment and computer software; betterment projects for premises and buildings and land use	Self-sufficient capital	2018	1,388,000	1,008,160	379,840	-	-	-

(II) Expected effectiveness from expansion plans:

1. **Expected increase in production and sales volume, value and gross profit:** Annual production volume increased by 4% with annual sale increased by 4% and annual gross margin up by 3%.
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

Remark / Item	2017 income (loss) amount	Policies	Reasons for gain or loss	Remedial plans	Investment plan in one year
Shanghai Standard Foods Co.	62,158	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.	473,651	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.	(92,457)	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.	3,106	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.	(489)	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.	(11,641)	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 primary source of interest rate risk to the combined business is bank loans. In 2017, interest expense from bank loans accounted for 2.8% of earnings before taxation. As such, the effect of the change in interest rate on the income position of the combined business is insignificant. In the future, the Company will continue to keep abreast of the trend of interest rate. Through the adjustment of the positions of assets and liabilities, the Company could reduce 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 2017 to the day this report was printed. For hedging off 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 2017 to the day this report was printed, the combined business only loaned to direct or indirect subsidiaries with holding of more than 50% of their stakes. The loaning to the aforementioned subsidiaries served the purpose as working capital for these business entities.

In the undertaking of endorsement/guarantee by the combined business in 2017 to the day this report was printed, the combined business only undertook endorsement/guarantee in favor of its direct or indirect subsidiaries with holding of more than 50% of their stakes. The undertaking of endorsement/guarantee in favor of aforementioned subsidiaries served the purpose as 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 21.75%	NT$8,868 thousand	Q4 2018	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: The combined business 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 positive stance so as to reduce cost 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 is for less than 10% of the total purchase amount in 2017. In addition, Company A was the major sales customer for 16.4% of the net sales. The rest of the sales customers were for less than 10% of the total sales; therefore, there was no centralized purchase or sales.

(X) The impact, risk and response measures of material shares transfers or conversions by directors, supervisors, or major shareholders with over 10% shareholdings: 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, the Company responded with the rules, regulations, and system already established. In addition, the Company 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:
   The Company 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) Internal Auditing unit: It is under the direct administration of the Board of Directors. It regulates the Company's risk assessment and control operating

procedures to help complete the overall risk management action plans. In addition, it also applies a risk assessment and audit model to examine high risk items that affect the goal achievement of the Company and affiliated companies; also manages an internal control system to increase the value of the organization and improve management and operational risk.

VII. Other Important Matters: None.

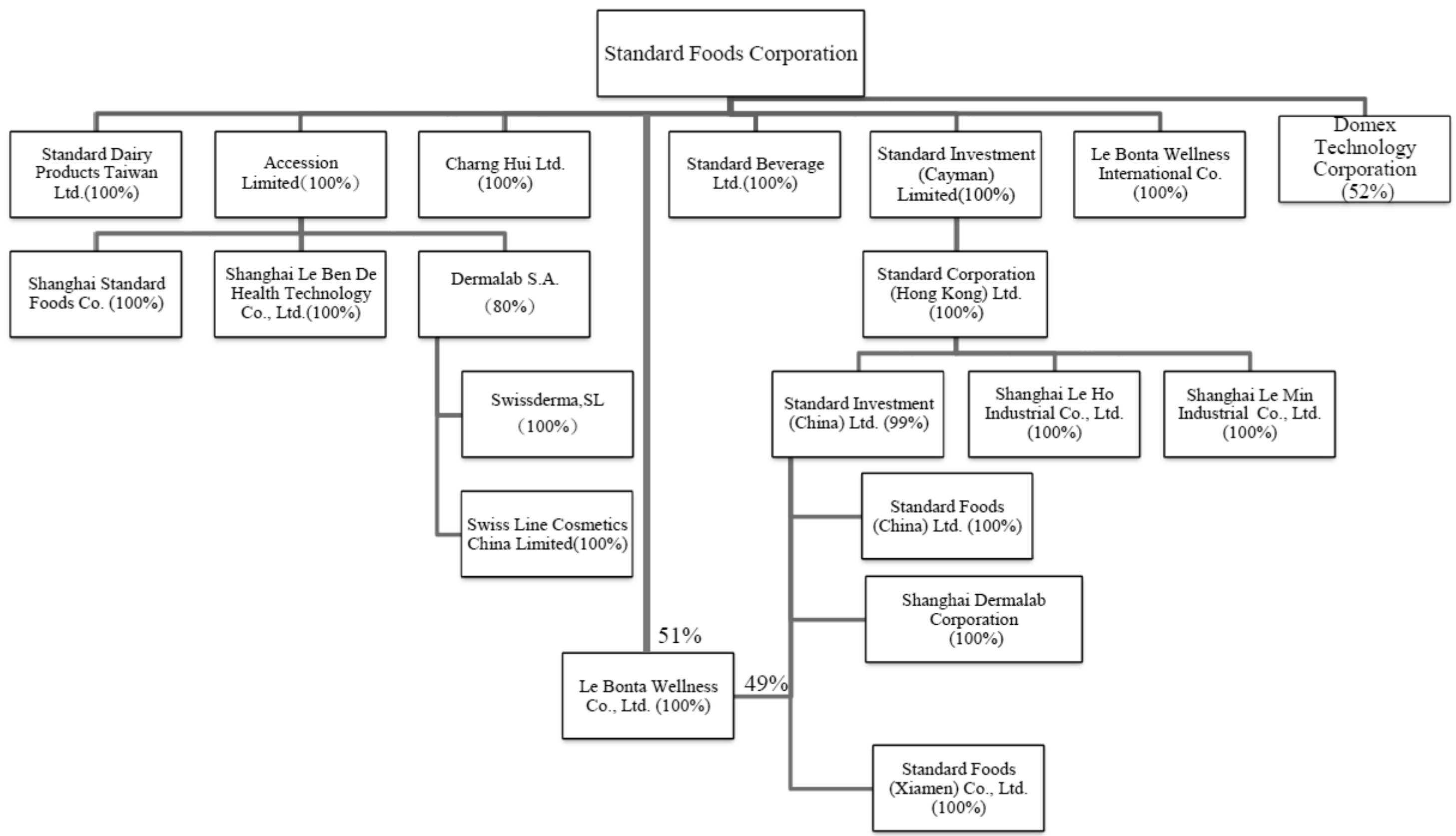
Eight. Special Disclosures

I. Related parties

(I) Consolidated business report of the related parties

1. 2017 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$150,061 thousand	Investment
Standard Corporation (Hong Kong) Ltd.	August 30, 2011	Room 1004, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.	US$150,013 thousand	Investment
Dermalab S.A.	October 31, 1989	Seestrasse 59,8703 Erlenbach, Switzerland	CHF 400 thousand	Development and sales of cosmetics and skincare products
Swissderma, SL	July 5,2012	CalleBalmes 177, 08006 Barcelona, Spain	€3 thousand	Sales of cosmetics and skincare products
Swiss Line Cosmetics China Limited	April 18, 2012	Rm 1701, 17/7, Fee Tat Comm. Ctr., 613 Nathan Road, Mongkok, Kln, Hong Kong	HKD10 thousand	Sales of cosmetics and skincare products
Shanghai Standard Foods Co.	September 11, 2001	3rd floor, Building 8, o.1128, Wuzhong Road, Shanghai	US$123,500 thousand	Production and sales of edible oil and nutritious products
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, 2nd Floor, Block 8, Shanghai City	US$1,000 thousand	Technological transfer, technical consultation, and technical service in health technology.
Standard Foods (Xiamen) Co., Ltd.	Sep 2,2015	No. 99 Sandu Rd. Xiamen Pian District, Pilot Free Trade Zone	US$40,000 thousand	Manufacture and sales of cooking oil and nutrition supplements
Shanghai Le Ho Industrial Co., Ltd.	Jun 8,2015	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, Swissderma, SL and Swiss Line Cosmetics China Limited sell cosmetics and skincare products. Shanghai Le Ho Industrial Co., Ltd. and Shanghai Le Min Industrial Co., Ltd. engage in property management. Le Bonta Wellness International Co. mainly distributes health supplement products.

(5) Director, Supervisor and President of the related party

Corporation	Title	Name or Representative	Shareholding: Shares (Invested capital)	Shareholding: 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	Yu-Ting Huang	—	—
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 150,060,815 shares	— 100.00%
Standard Corporation (Hong Kong) Ltd.	Director	Ter-Fung Tsao	— Standard Investment(Cayman) Limited holds 150,012 ,815 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 320 shares	— — — — — 80.00%

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%

Corporation	Title	Name or Representative	Shareholding	
			Shares (Invested capital)	Shareholding ratio (Capital investment ratio)
	Supervisor	Wei-Lun Tang	—	—
	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%

Corporation	Title	Name or Representative	Shareholding	
			Shares (Invested capital)	Shareholding ratio (Capital investment ratio)
	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	1,751,019	797,999	953,020	3,114,068	571,597	473,651	15.79
Standard Beverage Ltd.	79,070	191,093	110,876	80,217	1,792	(4,388)	1,506	0.19
Charng Hui Ltd.	241,000	745,562	109	745,453	307,019	13,871	10,857	0.45
Domex Technology Corporation	199,471	1,064,687	676,191	388,496	2,251,463	101,178	80,332	4.03
Le Bonta Wellness International Co.	10,000	14,903	1,598	13,305	11,142	2,236	2,068	(Note 1)
Accession Limited	3,979,085	3,478,681	48,129	3,430,552	0	(7,287)	24,290	0.20
Shanghai Standard Foods Co.	3,949,575	3,788,540	764,157	3,024,383	2,714,762	442	62,158	(Note 1)
Shanghai Le Ben De Health Technology Co., Ltd.	31,220	29,104	115	28,989	0	(43)	585	(Note 1)
Dermalab S.A.	13,023	145,453	106,058	39,395	83,278	(11,473)	(11,641)	(Note 1)
Standard investment (Cayman) Limited	4,708,891	4,668,559	22	4,668,537	0	(202)	(91,778)	(29,102.5)
Standard Corporation (Hong Kong) Ltd.	4,707,394	4,668,126	77	4,668,049	0	(157)	(91,545)	(0.61)
Standard Investment (China) Ltd.	3,755,530	7,976,502	4,170,245	3,806,257	11,422,178	(120,298)	(92,457)	(0.61)
Standard Foods (China) Ltd.	1,631,668	3,309,775	1,647,390	1,662,385	5,043,124	61,193	3,106	(Note 1)
Shanghai Dermalab Corporation	29,949	56,281	74,910	(18,629)	95,482	(14,875)	(15,985)	(Note 1)
Le Bonta Wellness Co., Ltd..	380,418	498,386	170,651	327,735	51	(29,385)	(27,141)	(Note 1)
Standard Foods (Xiamen) Co., Ltd.	1,307,582	2,823,893	1,657,179	1,166,714	1,747,986	26,145	(489)	(Note 1)
Shanghai Le Ho Industrial Co., Ltd.	607,717	554,284	0	554,284	0	(81)	(23)	(Note 1)
Shanghai Le Min Industrial Co., Ltd.	378,009	345,476	0	345,476	0	(64)	(251)	(Note 1)

Note 1: The Company held no stock share.

(II) Consolidated financial statements of the related parties: Same as the consolidated financial statements of the parent company and the subsidiary. Please refer to p76~172 for the 2017 consolidated financial statements.

(III) Relationship report of the related parties: N/A.

II. Private subscription of marketable security in the most recent years and up to the printing of the annual report: N/A.

III. The stock shares of the Company held or disposed of by the subsidiary in the most recent years and up to the printing of the annual report:

Unit: NTD Thousand; Shares; %

Name of Subsidiary	Total paid-in capital	Fund source	Shareholding ratio of the Company	Date of acquisition or disposition	Shares and amount acquired	Shares and amount disposed	Investment gain (loss)	Shareholdings & amount up to the printing date of the annual report	Under pledge	Endorsement amount made for the subsidiary	Amount loaned to the subsidiary
Charng Hui Ltd.	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 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): 2 persons.

V. The impacts to shareholders' equity or security price due to events defined in Securities Transaction Law Article #36.3.2 on in the current recent year and up to the printing of the annual report:

(I) Mr. Ter-Fung Tsao retired as the general manager on May 01, 2017 Mr. Yao Steven Yih-Chun ,the former associated president, was therefore promoted to manage the company afterward. Mr. Ter-Fung Tsao was later elected, on May 05, 2017, as the first director through the resolution of the board to cope with the rising business in the China region, strengthen corporate governance and prepare the future business development through the new management system and arrangement.

Standard Foods Corporation

Chairman: Ter-Fung Tsao

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