English Translation of Financial Statements and a Report Originally Issued in Chinese

Ticker: 1707

GRAPE KING BIO LTD.
CONSOLIDATED FINANCIAL STATEMENTS
WITH A REPORT OF INDEPENDENT ACCOUNTANTS
AS OF DECEMBER 31, 2016 AND 2015
AND FOR THE YEARS THEN ENDED

Address: No.402, Sec. 2, Jinling Rd., Pingzhen Dist., Taoyuan City 324, Taiwan (R.O.C.)
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English Translation of Financial Statements and a Report Originally Issued in Chinese

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Grape King Bio Ltd. as of December 31, 2016 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated and Separate Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Grape King Bio Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Grape King Bio Ltd.

By

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Sheng-Lin, Tseng
Chairman
March 21, 2017

English Translation of a Report Originally Issued in Chinese

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

To Grape King Bio Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Grape King Bio Ltd. (the "Company") and its subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditor (please refer to the Other Matter – Making Reference to the Audit of a Component Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2016 and 2015, and their consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Base on our audits and the reports of other auditors,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 2016 consolidated financial statements. 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.

Revenue Recognition

We have determined that revenue recognition is one of the key audit matters due to the following consideration. First of all, the consolidated revenue amounting to NT$9,185,021 thousand for the year ended December 31, 2016 is a significant account to the Company's consolidated financial statements. Secondarily, the Company's revenue sources include a variety of business models, including direct-sale, sale through distributors, subcontracting services, etc. Furthermore, the various and complicated sale terms & conditions embedded in the Company's multiple sales contracts and/or orders also increase the complexity of revenue recognition. As a result, our audit procedures for distributors-sale and subcontracting services include, but are not limited to, identifying the models, assessing the appropriateness of revenue recognition policy, testing the effectiveness of the related controls established by the management, performing test of detail for shipping document to be agreed with underlying sale contracts, sale cutoff testing, and searching for significant subsequent sale return or allowance. For the direct-sale conducted by the Company's subsidiary, Pro-partner Inc., the other auditors have tested the effectiveness of relevant controls including vouching to related orders, shipping document and collection records, testing sale cutoff, and searching for significant subsequent sale return or allowance. We, as the primary auditors, have reviewed and assessed the other auditors' procedures described above and additionally tested the detail of direct-sale transactions, including review on related sale orders, shipping document and collection records. We also consider the appropriateness of the disclosure of operating income in Note 6 to the consolidated financial statements.

Inventory valuation

The net carrying value of inventory as of December 31, 2016 for Grape King Bio Ltd. and its subsidiaries amounted to NT$434,990 thousand, which were significant to the consolidated financial statements. We have determined that valuation on inventory is one of the key audit matters in considering that the maturity of the Company's main products, including health foods and beverages, may be short and the policy for provision against inventory normally involves the management's significant judgment. Our audit procedures therefore mainly include, but are not limited to, assessing the appropriateness of policy for inventory provision including those for identifying slow-moving inventory and analysis on inventory movement, testing the management's execution and compliance with the control policy for identifying products maturity including test on correctness of calculating the duration, analyzing the reasonableness of expiring inventory movement, examining the compliance of computing net realizable value of inventory based on different product maturity, and performing the observation procedure on the Company's inventory physical taking, etc. We also considered the appropriateness of the disclosure of inventories in Note 5 and 6 to the consolidated financial statements.

Other Matter – Making Reference to the Audit of a Component Auditor

We did not audit the financial statements of Pro-partner Inc., a 60%-owned subsidiary of the Company, while they were audited by the other auditors. Our audits, insofar as it relates to the financial statements of Pro-partner Inc. are based solely on the reports of the other auditors. As of December 31, 2016 and 2015, total assets of Pro-partner Inc. were NT$4,994,993 thousand and NT$4,653,425 thousand, representing 52.3% and 54.03% of the consolidated total assets of the Company while the operating revenues for the years then ended were NT$8,169,428 thousand and NT$6,708,035 thousand, representing 88.94% and 92.55% of the consolidated operating revenues.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's 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 auditor's 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 consolidated 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 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 internal control of the Company and its subsidiaries.

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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated 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 and its subsidiaries 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 2016 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Ernst & Young

Ernst & Young
March 21, 2017
Taipei, Taiwan,
Republic of China

<u>*Notices to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIO LTD.

CONSOLIDATED BALANCE SHEETS

As of December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	2016	2015
Current assets			
Cash and cash equivalents	4,6(1)	$1,899,302	$1,432,560
Financial assets at fair value through profit or loss, current	4,6(2)	346,062	721,594
Debt investments without active market	4,6(4)	43,385	4,995
Notes receivable, net	4,6(5)	5,098	8,312
Accounts receivable, net	4,6(6)	196,383	75,553
Accounts receivable-related parties, net	4,6(6),7	2,907	12,720
Other receivables	4	4,056	1,688
Inventories, net	4,5,6(7)	434,990	359,474
Prepayments	4,6(8)	32,645	23,253
Other current assets	4,6(8)	5,736	10,419
Total current assets		2,970,564	2,650,568
Non-current assets			
Financial assets at fair value through profit or loss, non-current	4,5,6(2),(15)	87	2,373
Financial assets measured at cost	4,6(3)	28,028	28,028
Debt investments without active market	4,6(4),8	4,460	1,860
Property, plant and equipment	4,6(9),8	6,084,377	5,596,702
Investment properties	4,6(10)	185,985	185,985
Intangible assets	4,6(11)	26,635	13,195
Deferred tax assets	4,5,6(25)	22,381	5,973
Other assets-others	4,6(8),8	227,239	127,681
Total non-current assets		6,579,192	5,961,797
Total assets		$9,549,756	$8,612,365

Liabilities and Stockholders' Equity	Notes	2016	2015
Current liabilities			
Bank loans	6(12),8	$50,000	$-
Notes payable		11,335	774
Accounts payable		186,737	152,077
Other payables	6(13)	1,686,213	1,317,835
Other payables-related parties	7	33,079	27,347
Current tax liabilities	4,5,6(25)	288,031	192,612
Other current liabilities	6(14)	174,668	71,205
Current portion of long-term debt	4,6(16),8	43,087	26,467
Total current liabilities		2,473,150	1,788,317
Non-current liabilities			
Bonds payable	4,6(15)	168,981	946,164
Long-term debt	4,6(16),8	943,523	1,466,867
Deferred tax liabilities	4,5,6(25)	69,272	69,155
Other liabilities	4,6(17),(19)	111,881	122,306
Total non-current liabilities		1,293,657	2,604,492
Total liabilities		3,766,807	4,392,809
Equity attributable to the parent company			
Capital	6(20)		
Common stock		1,352,142	1,303,001
Additional paid-in capital	6(15),(20)	799,221	59,567
Retained earnings	6(20)		
Legal reserve		545,536	440,371
Special reserve		74,671	74,671
Unappropriated earnings		2,062,646	1,600,204
Other components of equity		(26,204)	395
Non-controlling interests	6(20)	974,937	741,347
Total equity		5,782,949	4,219,556
Total liabilities and equity		$9,549,756	$8,612,365

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIO LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	2016	2015
Operating revenues	4,6(21),7	$9,185,021	$7,247,855
Operating costs	7	(1,265,989)	(862,714)
Gross profit		7,919,032	6,385,141
Operating expenses	7		
Selling and marketing		(5,003,657)	(4,044,908)
General and administrative		(567,321)	(429,136)
Research and development		(114,032)	(98,681)
Operating expenses total		(5,685,010)	(4,572,725)
Operating income		2,234,022	1,812,416
Non-operating income and expenses			
Other income	6(23),7	109,990	92,017
Other gain and losses	6(23),7	194	1,307
Finance costs	6(23)	(31,707)	(23,136)
Non-operating income and expenses total		78,477	70,188
Income from continuing operations before income tax		2,312,499	1,882,604
Income tax expense	4,6(25)	(425,579)	(335,720)
Net income		1,886,920	1,546,884
Other comprehensive income	6(24)		
Items that may be reclassified subsequently to profit or loss			
Actuarial gain (loss) from defined benefit plans		584	(5,461)
Income tax related to items that may not be reclassified subsequently to P/L		(99)	928
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(26,599)	(5,528)
Income tax related to items that may be reclassified subsequently to P/L		-	-
Total other comprehensive income, net of tax		(26,114)	(10,061)
Total comprehensive income		$1,860,806	$1,536,823
Net income attributable to:			
Stockholders of the parent		$1,296,769	$1,051,652
Non-controlling interests		590,151	495,232
		$1,886,920	$1,546,884
Total comprehensive income attributable to:			
Stockholders of the parent		$1,270,689	$1,041,648
Non-controlling interests		590,117	495,175
		$1,860,806	$1,536,823
Earnings per share-basic(NTD)	6(26)	$9.82	$8.07
Earnings per share-diluted(NTD)	6(26)	$9.57	$7.94

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIO LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollar)

			Retained Earnings			Other Components of equity			
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Total	Non-Controlling Interests	Total Equity
Balance as of January 1, 2015	$1,302,350	$4,363	$346,123	$74,671	$1,337,522	$5,923	$3,070,952	$645,756	$3,716,708
Appropriations of prior year's earnings									
Legal capital reserve			94,248		(94,248)		-		-
Cash dividends					(690,246)		(690,246)	(399,584)	(1,089,830)
Changes in capital surplus									
Embedded conversion options derived from convertible bonds		45,273					45,273		45,273
Shares from bonds converted	651	9,931					10,582		10,582
Net income, 2015					1,051,652	-	1,051,652	495,232	1,546,884
Other comprehensive income, 2015					(4,476)	(5,528)	(10,004)	(57)	(10,061)
Total comprehensive income, 2015	-	-	-	-	1,047,176	(5,528)	1,041,648	495,175	1,536,823
Balance as of December 31, 2015	1,303,001	59,567	440,371	74,671	1,600,204	395	3,478,209	741,347	4,219,556
Appropriations of prior year's earnings									
Legal capital reserve			105,165		(105,165)		-		-
Cash dividends					(729,681)		(729,681)	(356,527)	(1,086,208)
Changes in capital surplus									
Embedded conversion options derived from convertible bonds							-		-
Shares from bonds converted	49,141	739,654					788,795		788,795
Net income, 2016					1,296,769		1,296,769	590,151	1,886,920
Other comprehensive income, 2016					519	(26,599)	(26,080)	(34)	(26,114)
Total comprehensive income, 2016	-	-	-	-	1,297,288	(26,599)	1,270,689	590,117	1,860,806
Balance as of December 31, 2016	$1,352,142	$799,221	$545,536	$74,671	$2,062,646	($26,204)	$4,808,012	$974,937	$5,782,949

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

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GRAPE KING BIO LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

(Amounts Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from operating activities:		
Net income (loss) before tax	$2,312,499	$1,882,604
Adjustments to reconcile net income (loss) before tax to net cash provided by (used in) operating activities:		
Depreciation	205,015	149,781
Amortization	4,281	610
Bad debt expenses	2,299	25
Net gain of financial assets at fair value through profit or loss	(1,472)	(3,592)
Interest expense	31,707	23,136
Interest revenue	(3,432)	(3,387)
Dividend revenue	(2)	-
Loss on disposal of property, plant and equipment	1,230	14,056
Changes in operating assets and liabilities:		
Financial asset held for trading	377,532	(513,825)
Notes receivable	3,214	(1,432)
Accounts receivable	(122,874)	2,913
Accounts receivable-related parties	9,813	616
Other receivables	(2,397)	26
Inventories	(75,516)	(91,206)
Prepayments	(3,524)	(3,952)
Other current assets	4,683	(9,223)
Notes payable	10,561	(5,617)
Accounts payable	34,660	31,248
Accounts payable-related parties	-	(987)
Other payables	293,060	128,681
Other payables-related parties	5,732	25,702
Receipts in advance	(11,241)	30,806
Other current liabilities	111,264	(1,913)
Accrued pension liabilities	(22,357)	(10,357)
Cash generated from operations	3,164,735	1,644,713
Interest received	3,461	3,387
Interest paid	(18,500)	(16,696)
Income tax paid	(346,568)	(324,474)
Net cash provided by (used in) operating activities	2,803,128	1,306,930

	2016	2015
Cash flows from investing activities:		
Acquisition of bond investments with no active market	(40,990)	(4,995)
Acquisition of financial assets measured at cost	-	(9,526)
Acquisition of property, plant and equipment	(736,118)	(2,634,649)
Proceeds from disposal of property, plant and equipment	276	-
Decrease (Incerase) in refundable deposits	(11,528)	5,472
Acquisition of intangible assets	(17,721)	(2,594)
Other non-financial assets	(2,659)	(383)
Cash dividends received	2	-
Net cash provided by (used in) investing activities	(808,738)	(2,646,675)
Cash flows from financing activities:		
Increase in short-term loans	50,000	-
Cash received from issurance of debenture	-	995,000
Increase in long-term loans	-	1,800,000
Repayment of long-term loans	(506,724)	(306,666)
Increase in deposits received	16,372	200
Cash dividends distributed	(1,086,208)	(1,089,830)
Net cash provided by (used in) investing activities	(1,526,560)	1,398,704
Effect of exchange rate changes on cash and cash equivalents	(1,088)	(234)
Net increase (decrease) in cash and cash equivalents	466,742	58,725
Cash and cash equivalents at beginning of period	1,432,560	1,373,835
Cash and cash equivalents at end of period	$1,899,302	$1,432,560

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

1. History and organization

Grape King Bio Ltd. (The Company) was incorporated as a listed company limited by shares under the provisions of Company Act, the Securities and Exchange Act and other related regulations of the Republic of China (R.O.C.). In April 1971, the Company was officially registered as "Grape King Food Limited" and started its operation. In 1979, the Company merged with "China Fuso Seiko Pharmaceutical Industries Ltd." and was renamed as "Grape King Inc." In 1981, the Company further merged "Head Fancy Cosmetics Co. Ltd." The Company’s stocks were listed and publicly traded on the Taiwan Stock Exchange (TWSE) starting December 1982. In the annual shareholders' meeting held on June 12, 2002, the Company resolved to change its name for "Grape King Bio Ltd". The Company is engaged in the production and sales of pharmaceutical preparation, patent medicine, liquid tonic, drink, healthy food, etc. The Company’s registered office and main business location is at No.402, Sec. 2, Jinling Rd., Pingzhen Dist., Taoyuan City 324, Taiwan, Republic of China.

2. Date and procedures of authorization of financial statements for issuance

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended 31 December 2016 and 2015 were authorized for issuance at March 21, 2017 by the Company’s Board of Directors.

3. Newly issued or revised standards and interpretations

(1) Standards or interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission (“FSC”), but not yet adopted by the Group at the date of issuance of the Group’s financial statements are listed below.

(a) IAS 36 “Impairment of Assets” (Amendment)

This amendments relate to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendments are effective for annual periods beginning on or after January 1, 2014.

(b) IFRIC 21 “Levies”

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain). The interpretation is effective for annual periods beginning on or after January 1, 2014.

(c) IAS 39 “Financial Instruments: Recognition and Measurement” (Amendment)

Under the amendments, there would be no need to discontinue hedge accounting if a hedging derivative was notated, provided certain criteria are met. The interpretation is effective for annual periods beginning on or after January 1, 2014.

(d) IAS 19 “Employee Benefits” (Defined benefit plans: employee contributions)

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective for annual periods beginning on or after July 1, 2014.

(e) Improvements to International Financial Reporting Standards (2010-2012 cycle):

IFRS 2 “Share-based Payment”

The annual improvements amend the definitions of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The amendments prospectively apply to share-based payment transactions for which the grant date is on or after July 1, 2014.

IFRS 3 “Business Combinations”

The amendments include: (1) deleting the reference to "other applicable IFRSs" in the classification requirements; (2) deleting the reference to "IAS 37 Provisions, Contingent Liabilities and Contingent Assets or other IFRSs as appropriate", other contingent consideration that is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss; (3) amending the classification requirements of IFRS 9 Financial Instruments to clarify that contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in profit or loss depending on the requirements of IFRS 9. The amendments apply prospectively to business combinations for which the acquisition date is on or after July 1, 2014.

IFRS 8 “Operating Segments”

The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendments are effective for annual periods beginning on or after July 1, 2014.

IFRS 13 “Fair Value Measurement”

The amendments to the Basis for Conclusions of IFRS 13 clarify that when deleting paragraph B5.4.12 of IFRS 9 Financial Instruments and paragraph AG79 of IAS 39 Financial Instruments: Recognition and Measurement as consequential amendments from IFRS 13 Fair Value Measurement, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

IAS 16 “Property, Plant and Equipment”

The amendments clarify that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendments are effective for annual periods beginning on or after July 1, 2014.

IAS 24 “Related Party Disclosures”

The amendments clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendments are effective for annual periods beginning on or after July 1, 2014.

IAS 38 "Intangible Assets"

The amendments clarify that when an intangible asset is revalued, the accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendments are effective for annual periods beginning on or after July 1, 2014.

(f) Improvements to International Financial Reporting Standards (2011-2013 cycle):

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendments clarify that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

IFRS 3 "Business Combinations"

This amendments clarify that paragraph 2(a) of IFRS 3 Business Combinations excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendments are effective for annual periods beginning on or after July 1, 2014.

IFRS 13 "Fair Value Measurement"

The amendments clarify that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of the amendments is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. The amendments are effective for annual periods beginning on or after July 1, 2014.

IAS 40 "Investment Property"

The amendments clarify the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property, separate application of both standards independently of each other is required. The amendments are effective for annual periods beginning on or after July 1, 2014.

(g) IFRS 14 “Regulatory Deferral Accounts”

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after January 1, 2016.

(h) IFRS 11 “Joint Arrangements” (Accounting for Acquisitions of Interests in Joint Operations)

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require the entity to apply all of the principles on business combinations accounting in IFRS 3 “Business Combinations”, and other IFRS (that do not conflict with the guidance in IFRS 11), to the extent of its share in a joint operation acquired. The amendments also requires certain disclosure. The amendments are effective for annual periods beginning on or after January 1, 2016.

(i) IAS 16“Property, Plant and Equipment and IAS 38 “Intangible Assets” — Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as selling activities and change in sales volumes or prices. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendments are effective for annual periods beginning on or after January 1, 2016.

(j) IAS 16“Property, Plant and Equipment and IAS 41 “Agriculture” — Agriculture: Bearer Plants

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, and the produce growing on bearer plants will remain within the scope of IAS 41. The amendments are effective for annual periods beginning on or after January 1, 2016.

(k) IAS 27“Separate Financial Statements” — Equity Method in Separate Financial Statements

The IASB restored the option to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the entity’s separate financial statements. In 2003, the equity method was removed from the options. This amendments removes the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with the local regulations in certain jurisdictions. The amendments are effective for annual periods beginning on or after January 1, 2016.

(l) Improvements to International Financial Reporting Standards (2012-2014 cycle):

IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”

The amendments clarify that a change of disposal method of assets (or disposal groups) from disposal through sale or through distribution to owners (or vice versa) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendments also requires identical accounting treatment for an asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners. The amendments are effective for annual periods beginning on or after January 1, 2016.

IFRS 7 “Financial Instruments: Disclosures”

The amendments clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and therefore the disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety under IFRS 7 Financial Instruments: Disclosures is required. The amendments also clarify that whether the IFRS 7 disclosure related to the offsetting of financial assets and financial liabilities are required to be included in the condensed interim financial report would depend on the requirements under IAS 34 Interim Financial Reporting. The amendments are effective for annual periods beginning on or after January 1, 2016.

IAS 19 “Employee Benefits”

The amendments clarify the requirement under IAS 19.83, that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The amendments are effective for annual periods beginning on or after January 1, 2016.

IAS 34 “Interim Financial Reporting”

The amendments clarify what is meant by “elsewhere in the interim financial report” under IAS 34; the amendments states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendments are effective for annual periods beginning on or after January 1, 2016.

(m) Disclosure Initiative — Amendment to IAS 1 “Presentation of Financial Statements”:

The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted, (2) clarifying that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2016.

(n) IFRS 10“Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities”, and IAS 28“Investments in Associates and Joint Ventures” — Investment Entities: Applying the Consolidation Exception

The amendments contain (1) clarifying that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity when the investment entity measures all of its subsidiary at fair value, (2) clarifying that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated when all other subsidiaries of an investment entity are measured at fair value, and (3) allowing the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendments are effective for annual periods beginning on or after January 1, 2016.

The abovementioned standards and interpretations issued by IASB and recognized by FSC are applicable for annual periods beginning on or after January 1, 2017. The Group assesses that there will be no significant impact on the Group’s financial statements then.

(2) Standards or interpretations issued, revised or amended, by IASB but not yet recognized by FSC at the date of issuance of the Group’s financial statements are listed below.

(a) IFRS 15 “Revenue from Contracts with Customers”

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after January 1, 2018.

(b) IFRS 9“Financial Instruments”

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that ‘own credit risk’ adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after January 1, 2018.

(c) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(d) IFRS 16“Leases”

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after January 1, 2019.

(e) IAS 12“Income Taxes” — Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how to account for deferred tax assets for unrealized losses. The amendments are effective for annual periods beginning on or after January 1, 2017.

(f) Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:

The amendments relate to changes in liabilities arising from financing activities and to require a reconciliation of carrying amount of liabilities at the beginning and end of the period. The amendments are effective for annual periods beginning on or Jan. 1, 2017.

(g) IFRS 15 “Revenue from Contracts with Customers” — Clarifications to IFRS 15

The amendments clarify how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a licence should be recognized at a point in time or over time. The amendment are effective for annual periods beginning on or after January 1, 2018.

(h) IFRS 2 “Shared-Based Payment” — Amendments to IFRS 2

The amendments contains (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognised in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognised on that date. Any difference between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2018.

(i) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (January 1, 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before 1 January 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

(j) Transfers of Investment Property — Amendments to IAS 40

The amendments relate to the transfers of investment property. The amendments clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after January 1, 2018.

(k) Improvements to International Financial Reporting Standards (2014-2016 cycle):

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendments revise and amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 28"Investments in Associates and Joint Ventures"

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments" on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after January 1, 2018.

(l) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.The interpretation is effective for annual periods beginning on or after January 1, 2018.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a)~(b) 、(d)~(g), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2016 and 2015 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT$”) unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

If the Company loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) recognizes any surplus or deficit in profit or loss; and
(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

			Percentage of ownership (%)	
Investor	Subsidiary	Main businesses	31 Dec. 2016	31 Dec. 2015
The Company	Pro-partner Inc. (Pro-partner)(Note)	Sales	60%	60%
The Company	Grape King International Investment Inc.(B.V.I.) (GKBVI)	Investment	100%	100%
The Company	Rivershine Ltd. (Rivershine)	Sales	100%	100%
GKBVI	Shanghai Grape King Enterprise Co., Ltd. (Shanghai Grape King)	Manufacturing and Sales	100%	100%

NOTE：The financial statements of Pro-partner Inc. are based solely on the reports of the other auditors. As of 31 December 2016 and 2015, total assets of Pro-partner Inc. were NT$4,994,993 thousand and NT$4,653,425 thousand, and the operating revenues for the year then ended were NT$8,169,428 thousand and NT$6,708,035 thousand.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollar, which is the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising from the settlement or translation of monetary items are taken to profit or loss in the period in which they arise, except for the following:

A. Foreign currency items within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are accounted for based on the accounting policy for financial instruments.

B. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Foreign currency transactions and translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the NCIs in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(6) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading
(c) The Group expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle
(b) The Group holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Group does not have an unconditional right to defer settlement of the liability 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.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are recognized initially at fair value plus or minus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

A. Financial assets

The Group accounts for regular way purchase or sales of financial assets on the settlement date basis.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables. The Group determines the classification of its financial assets at initial recognition based on their natures and purposes.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if:

(a) it is acquired principally for the purpose of selling in short term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

Available-for-sale financial assets

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

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is reclassified to profit or loss.

If equity instrument investments do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group classifies as at fair value through profit or loss, upon initial recognition designates as available-for-sale, or those for which the holder may not recover substantially all of its initial investment due to credit worsening.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments with no active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

(a) significant financial difficulty of the issuer or obligor; or
(b) breach of contract, such as a default or delinquency in interest or principal payments; or
(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(d) the disappearance of an active market for that financial asset due to financial difficulties of the issuer.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the amount recorded for impairment is the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. The impairment amount is reclassified from equity to profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in equity.

Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired

(b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred

(c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

B. Financial liabilities and equity instruments

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract of the Group that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Compound instruments

The Group recognizes the financial liabilities and the elements of equity in respect of the convertible bonds issued by the Group. The other is the conversion of corporate bonds issued, the Department of the distinction between the interests of elements before the assessment of the embedded foreclosure of the economic characteristics and risk is closely related with the main debt goods.

Does not involve the part of the liabilities of derivative financial instruments, the fair value of the use of the same nature and does not convert the characteristics of the bond market interest rate assessment, before the conversion or redemption settlement, this part of the amount classified as amortized after the cost of financial liabilities; An embedded derivative financial instrument that is not closely related to the economic risk of the contract is not limited to the cost of the deferred amortization of the debt commodity on each execution date, except for the elements of the equity The amount of the equity element is determined by the conversion of the fair value of the corporate bonds, and the amount of the book is not renewed in the subsequent accounting period. The amount of the equity interest shall be determined by the amount of the equity interest in the subsequent period. measure. If the convertible corporate bonds are not subject to equity, they are dealt with in the form of a combination of "Financial Instruments: Recognition and Measurement", International Accounting Standards No. 39.

The transaction costs are distributed to liabilities and equity components in proportion to the proportion of convertible corporate bonds to liabilities and equity components.

Conversion of corporate bondholders in the conversion of corporate bonds before the expiry of the right to exercise the conversion, the first component of the debt to adjust the amount of the amount of conversion should be the amount of the book should be issued as the basis for the issuance of common stock.

Financial liabilities

Financial liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Relevant gains or losses and amortization amounts are recognized in profit or loss when the liabilities are derecognized and amortized through the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

C. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials - At actual purchase cost, using weighted average method
Finished goods and work in progress - Including cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, using weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(11) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, Plant and Equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Land improvements	7 years
Buildings	5～60 years
Machinery and equipment	6～30years
Transportation equipment	5～8 years
Leasehold improvements	3～5 years or 46.5years
Other equipment	3～20 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment’s residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(12) Investment Property

The investment property is measured at its original cost and includes the transaction costs of the asset. The carrying amount of investment property includes the cost of refitting or adding existing investment real estate under the condition that the cost can be recognized, but the general daily maintenance costs are not part of its cost. After the original recognition, the measurement of investment real estate is adopted in accordance with the IAS 16 “Property, Plant and Equipment”, but according to the International Financial Reporting Standards No. 5 Current assets and business units "are excluded from the terms of the sale (or those classified as classified groups to be sold).

In the event that the investment real estate is no longer used or is expected to be able to produce future economic benefits from the disposition, it shall be excluded and recognized gains and losses.

The Group decides to transfer or transfer the investment property according to the actual use of the assets.

(13) Leasing

Group as a lessee

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental incomes under operating lease are recognized on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets is assessed finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Group's accounting policies for intangible assets are as follows:

	Cost of Computer Software	Cost of Trademark
Useful economic life	3 to 8 years	4 years
Amortization method	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight- line basis over the period of contract
Internally generated or acquired externally	Acquired externally	Acquired externally

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset's recoverable amount is the higher of an asset's net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(16) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Conditions and methods for the recognition of various types of revenue are listed below:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: significant risks and rewards of ownership of the goods have passed to the buyer; neither continuing managerial involvement nor effective control over the goods sold have been retained; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

Revenue from technical services 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.

Interest income

Interest incomes from financial assets at amortized costs (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets are estimated using the effective interest method and recognized in profit or loss.

Dividend income

Dividend incomes are recognized only when the Group has the right to receive the dividends.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(18) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(19) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(20) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings of the Company and its subsidiaries is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group’s consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Inventory valuation

The estimated value of the net realized value of the inventory considers the impairment of the inventory, all or part of the obsolescence or price declines. The value is the most reliable evidence of the expected amount of net realized value at the time of the estimate. Please refer to Note 6 for more details.

(c)Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(d)Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2016, the un-recognized portion of the Company’s defferred tax assets was disclosed in Note 6.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2016	2015
Cash on hand	$4,187	$3,805
Checking and savings	1,045,316	778,767
Time deposits	-	50,000
Repurchase agreements collateralized by corporate bonds	699,734	394,771
Repurchase agreements collateralized by bonds	150,065	205,217
Total	$1,899,302	$1,432,560

(2) Financial assets at fair value through profit or loss

	As of December 31,	
	2016	2015
Financial assets held for trading:		
Monetary fund	$345,069	$720,000
Valuation adjustments	993	1,594
Subtotal	346,062	721,594
Embedded Derivatives:		
Right of redemption	87	2,373
Total	$346,149	$723,967

	As of December 31,	
	2016	2015
Current	$346,062	$721,594
Non-current	87	2,373
Total	$346,149	$723,967

Financial assets held for trading were not pledged.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Financial assets measured at cost

	As of December 31,	
	2016	2015
Unlisted companies	$28,028	$28,028

	As of December 31,	
	2016	2015
Current	$-	$-
Non-current	28,028	28,028
Total	$28,028	$28,028

a. As of January 1, 2015, the Company has invested US$621 thousand (equivalent to NT$18,482 thousand) in FU-sheng International Inc. (Samoa), for acquiring 621,300 shares. In August 2015, the Company invested US$296 thousand (equivalent to NT$9,526 thousand) in FU-sheng International Inc. (Samoa), for acquiring 296,400 shares. The Company's ownership interest in FU-sheng International Inc. (Samoa) was at 19%. In 2016, the Company did not participate in the issuance of stock for cash of FU-sheng International Inc. (Samoa) and the percentage of ownership was reduced to 18.77%.

b. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

c. Financial assets measured at cost were not pledged.

(4) Bond investments with no active market

	As of December 31,	
	2016	2015
Time deposits	$47,845	$4,995

Current	$43,385	$4,995
Non-current	4,460	1,860
Total	$47,845	$6,855

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There was bond investments with no active market pledged as collateral. Please refer to Note 8 to the consolidated financial statements for more details.

(5) Notes receivables

	As of December 31,	
	2016	2015
Notes receivables arising from operating activities	$5,098	$8,312
Less: allowance for doubtful accounts	-	-
Total	$5,098	$8,312

Notes receivables were not pledged.

(6) Trade receivables and trade receivables from related parties

	As of December 31,	
	2016	2015
Trade receivables	$199,811	$78,926
Less: allowance for doubtful accounts	(3,428)	(3,373)
Subtotal	196,383	75,553
Trade receivables from related parties	2,907	12,720
Less: allowance for doubtful accounts	-	-
Subtotal	2,907	12,720
Total	$199,290	$88,273

	As of December 31,	
	2016	2015
Overdue Receivable	$-	$37,488
Less: allowance for doubtful accounts	-	(37,488)
Net	$-	$-

Accounts receivable which is expected to withdraw over one year have transfered to overdue receivable. Please refer to Note 6(8).

Trade receivables were not pledged.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Trade receivables are generally on the collection term of 30-135 days. The movements in the provision for impairment of trade receivables and trade receivables from related parties are as follows:

	Individually impaired	Collectively impaired	Total
As of 1 Jan. 2016	$37,488	$3,373	$40,861
Charge/(reversal) for the current period	-	55	55
Bad debts	(35,499)	-	(35,499)
Exchange differences	(1,989)	-	(1,989)
As of 31 Dec. 2016	$-	$3,428	$3,428
As of 1 Jan. 2015	$38,242	$3,323	$41,565
Charge/(reversal) for the current period	(25)	50	25
Exchange differences	(729)	-	(729)
As of 31 Dec. 2015	$37,488	$3,373	$40,861

Impairment loss that was individually determined for the years ended 31 December 2016 and 2015 due to the fact that the counterparty was in financial difficulties. The amount of impairment loss recognized was the difference between the carrying amount of the trade receivable and the present value of its expected recoverable amount. The Group did not acquire any collateral for such trade receivables.

Aging analysis of trade receivables that are past due as at the end of the reporting period but not impaired is as follows:

		Past due but not impaired:			
As of	Neither past due nor impaired	<=90 days	90~180days	>180 days	Total
31 Dec. 2016	$197,413	$1,731	$135	$11	$199,290
31 Dec. 2015	$88,243	-	-	30	$88,273

(7) Inventories

	As of December 31,	
	2016	2015
Raw materials	$93,293	$106,490
Supplies	22,953	17,650

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Semi-finished goods and Work in process	164,678	94,430
Finished goods	154,041	140,811
Merchandise	25	93
Total	$434,990	$359,474

a. The cost of inventories recognized in expenses in amount of NT$1,265,989 thousand and NT$862,714 thousand for the years ended 31 December 2016 and 2015, respectively, including the write-down of inventories, were detailed as following

	For the year ended December 31,	
	2016	2015
Inventory loss on retirement	$6,867	6,573
Gains or loss from physical taking	(2,028)	1,266
Total	$4,839	$7,839

b. No inventories were pledged.

(8) Prepayments and other assets

	As of December 31,	
	2016	2015
Prepayment for purchase	$11,530	$5,646
Prepaid rental on land	48,315	54,183
Prepayment for equipment	129,820	36,337
Office supplies	7,809	10,541
Other prepaid expenses	13,137	5,293
Other current assets	5,905	12,192
Refundable deposits	28,905	17,377
Overdue receivable	2,244	37,488
Less: allowance for doubtful accounts	(2,244)	(37,488)
Other noncurrent assets-other	20,199	19,784
Total	$265,620	$161,353
Current portion	$38,381	$33,672
Noncurrent portion	227,239	127,681
Total	$265,620	$161,353

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(1) The amount recognized under the caption of “prepaid rental on land” is the land-transferring fees prepaid to the Ministry of Land and Resource of the People's Republic of China for acquiring the right to use the land in Shanghai Songjiang Industrial Zone. Shanghai Grape King rent the land for construction of their manufacturing plant from October 1997 to March 2044. All fees were paid in full when the lease agreement was entered into and have been amortized in the lease term.

(2) Overdue receivables were those expected not to be collected within a year and the Group has provided a full allowance for doubtful accounts against them. And the Company holds collateral for other receivables of NT$ 2,244 thousand.

(9) Property, plant and equipment

	Land	Land Improvement	Building	Machinery and equipment	Transportation equipment	Leasehold improvement	Other facilities	Construction in progress	Total
Cost:									
As of 1 Jan. 2016	$3,060,144	$1,926	$2,115,913	$1,096,275	$10,349	$7,300	$275,085	$478,646	$7,045,638
Additions	-	-	13,097	20,950	2,898	-	40,162	227,983	305,090
Disposals	-	(986)	(1,843)	(18,050)	(714)	-	(4,443)	-	(26,036)
Transfers	11,548	-	1,000,197	42,280	-	-	13,185	(654,582)	412,628
Ex. Diff.	-	-	(29,233)	(17,803)	(258)	(210)	(1,391)	-	(48,895)
As of 31 Dec. 2016	$3,071,692	$940	$3,098,131	$1,123,652	$12,275	$7,090	$322,598	$52,047	$7,688,425
As of 1 Jan. 2015	$926,167	$1,926	$1,046,891	$1,054,296	$7,718	$7,374	$261,451	$111,687	$3,417,510
Additions	2,133,977	-	997,364	2,723	1,138	150	28,918	384,580	3,548,850
Disposals	-	-	(26,946)	(13,911)	(426)	(169)	(16,779)	-	(58,231)
Transfers	-	-	105,744	57,729	1,990	-	1,540	-	167,003
Ex. Diff.	-	-	(7,140)	(4,562)	(71)	(55)	(45)	(17,621)	(29,494)
As of 31 Dec. 2015	$3,060,144	$1,926	$2,115,913	$1,096,275	$10,349	$7,300	$275,085	$478,646	$7,045,638
Accumulated Depreciation:									
As of 1 Jan. 2016	$-	$1,270	$438,810	$813,202	$7,236	$3,761	$184,657	$-	$1,448,936
Depreciation	-	143	79,766	85,418	997	1,793	36,898	-	205,015
Disposals	-	(986)	(1,843)	(17,255)	(642)	-	(3,804)	-	(24,530)
Ex. Diff.	-	-	(7,577)	(16,139)	(261)	(84)	(1,312)	-	(25,373)
As of 31 Dec. 2016	$-	$427	$509,156	865,226	7,330	5,470	216,439	$-	$1,604,048

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of 1 Jan. 2015	$-	$1,152	$408,274	$762,640	$7,061	$2,807	$167,696	$-	$1,349,630
Depreciation	-	118	50,341	64,606	670	1,052	32,994	-	149,781
Disposals	-	-	(17,973)	(9,975)	(426)	(78)	(15,720)	-	(44,172)
Transfers	-	-	-	-	-	-	-	-	-
Ex. Diff.	-	-	(1,832)	(4,069)	(69)	(20)	(313)	-	(6,303)
As of 31 Dec. 2015	$-	$1,270	$438,810	$813,202	$7,236	$3,761	$184,657	$-	$1,448,936
Net carrying amount as of:									
31 Dec. 2016	$3,071,692	$513	$2,588,975	$258,426	$4,945	$1,620	$106,159	$52,047	$6,084,377
31 Dec. 2015	$3,060,144	$656	$1,677,103	$283,073	$3,113	$3,539	$90,428	$478,646	$5,596,702

a. The significant part of the Company’s buildings include main plant, air conditioning, electrical and wastewater treatment equipment and decoration while and the related depreciation is calculated based on the economic lives as shown below.

Significant part of buildings	Estimated economic lives
Main plant	30~60 years
Air conditioning, electrical and wastewater treatment equipment	8~25 years
Decoration	5~30 years

b. Please refer to Note 8 for details on property, plant and equipment under pledge.

c. For the urban planning, Taoyuan City government has expropriated the Company’s partial land and land improvement based on the Land Expropriation Act during the period in 2016. The Company received a compensation of NT$99,217 thousand, recorded under the caption of other current liabilities.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) Investment property, net

	Land	Building	Investment Properties under construction	Total	Accumulated depreciation	Net
As of 1 Jan. 2016 and As of 31 Dec. 2016	$185,985	$-	$-	$185,985	$-	$185,985
As of 1 Jan. 2015 and As of 31 Dec. 2015	$185,985	$-	$-	$185,985	$-	$185,985

a. No investment property was pledged.

b. Investment properties held by the Group are not measured at fair value while its fair value disclosed in accordance with the Group policy. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties held by the Group is NT$247,692 thousand and NT$233,575 thousand, as of December 31, 2016 and 2015, respectively. The fair value has been determined based on the publicly announced current land value, and building value.

c. Value of the land listed above includes an agricultural land that is worth NT$5,600 thousand and was acquired due to overdue debt settlement. The land trust ownership was originally registered under the name of the ex-Chairman of the Company. The land trust ownership has been transferred to Mr. Tseng Sheng-Lin, the current Chairman. The Company receives a NT$5,600 thousand guaranteed note from Mr. Tseng for security purpose.

(11) Intangible assets

	Computer software	Trademark	Total
Cost:			
As of Jan. 1, 2016	$13,955	$-	$13,955
Addition-acquired separately	2,672	15,049	17,721
As of Dec. 31, 2016	$16,627	$15,049	$31,676
As of Jan. 1, 2015	$11,361	$-	$11,361
Addition-acquired separately	2,594	-	2,594
As of Dec. 31, 2015	$13,955	$-	$13,955

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Accumulated Amortization:			
As of Jan. 1, 2016	$760	$-	$760
Amortization	1,991	2,290	4,281
As of Dec. 31, 2016	$2,751	$2,290	$5,041
As of Jan. 1, 2015	$150	$-	$150
Amortization	610	-	610
As of Dec. 31, 2015	$760	$-	$760
Net carrying amount as of:			
Dec. 31, 2016	$13,876	$12,759	$26,635
Dec. 31, 2015	$13,195	$-	$13,195

Amortization expense of intangible assets under the statement of comprehensive income:

	For the year ended December 31,	
	2016	2015
General administrative expenses	$4,281	$610

(12) Short-term borrowings

		As of	
	Interest Rates (%)	Dec. 31, 2016	Dec. 31, 2015
Secured bank loans	0.99%	$50,000	$-

The Group’s unused short-term lines of credits amount to NT$1,526,200 thousand, and NT$1,268,566 thousand, as of December 31, 2016, and December 31, 2015, respectively.

Please refer to Note 8 for property, plant and equipment pledged as collateral for short-term borrowings.

(13) Other Payables

	As of December 31,	
	2016	2015
Bonus to direct sellers	$879,100	$729,877
Salaries and incentive bonus	119,247	104,559
Bonus to employees	237,155	177,919

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Bonus to directors and supervisors	30,830	25,186
Other accrued expenses	131,238	102,306
Payables on equipment	204,039	128,956
Accrued VAT payable	74,581	45,521
Others	10,023	3,511
Total	$1,686,213	$1,317,835

(14) Other current liabilities

	As of December 31,	
	2016	2015
Sales revenue received in advance	$42,309	$48,263
Rental received in advance	5,478	7,325
Provisions for sales returns and allowances	7,500	-
Other current liabilities-other	119,381	15,617
Total	$174,668	$71,205

Provisions for sales returns and allowances

	Sales Returns and Allowances
As of January 1, 2016	$-
Additions	7,500
As of December 31, 2016	$7,500
As of December 31, 2016	
Current	$7,500
Non-current	-
Total	$7,500

Sales returns and allowances

In December 2016, the Company was affected by news events suspected of being overdue goods. In order to resolve the consumers' concern, the Company has accepted the return from consumers by the end of February 2017 and recorded the estimated loss from sale return in amount of NT$7,500 thousand in 2016.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(15) Bonds payable

	As of December 31,	
	2016	2015
Domestic convertible bonds	$168,981	$946,164
Less: current portion	-	-
Net	$168,981	$946,164

(a) Domestic convertible bonds payable

	As of December 31,	
	2016	2015
Liability component:		
Principal amount	$173,200	$988,900
Interest Payable Refund from Bond Conversion	1,302	7,435
Premiums (discounts) on bonds payable	(5,521)	(50,171)
Subtotal	168,981	946,164
Less: current portion	-	-
Net	$168,981	$946,164
Embedded derivative－Redemption	$87	$2,373
Equity component－Convertible	$7,842	$44,770

For the details of the gain or loss from valuation through P/L on embedded derivative－redemption right and the interest expense on the domestic convertible bonds payable, please refer to Note 6(23) to the consolidated financial statements.

(b) On August 26, 2015, the Company issued zero-coupon unsecured convertible bonds. The terms of the convertible bonds were evaluated to include a liability component, embedded derivatives (a call option and a put option) and an equity component (an option for conversion into issuer's ordinary shares). The terms of the bonds are as follows:

Issue amount: NT$1,000,000 thousand.

Period: August 26, 2015~August 26, 2018

Secured or unsecured: Unsecured bonds

Terms of Exchange:

a. Underlying Securities: Common shares of the Company

b. Exchange Period: The bonds are exchangeable at any time on or after September 27, 2015 and prior to August 26, 2018 into common shares of the Company except closed period. In addition to the suspension of the transfer period and the company free of allotment to stop the transfer date, the cash dividend to stop the transfer date or cash replenishment to stop the transfer of the previous 15 business days, to the right to send the base date, the reduction of capital reduction from the base date The Company shall, at any time after the date of the commencement of trading of the Stock Exchange and the other period of suspension of the transfer of the Company, convert to the ordinary shares of the Company at the request of the Company.

c. Conversion Price and Adjustment: The conversion price was originally at NT$170.5 per share. It will be subject to adjustments upon the occurrence of certain events set out in the indenture.

   Because the cash dividends - common stock, distributed on 2016, were higher than 1.5% of current per share, the conversion price should be adjusted in accordance with Unsecured convertible bonds and Terms of Exchange 11, The conversion price was adjusted to NT$165.9 from July 24, 2016.

d. Redemption on the Maturity Date: The Company will redeem the bonds with interest refund (0.7519% of the principal amount) in cash if the convertible bonds will not have settled by the maturity date.

Redemption clauses:

a. The Company may redeem the bonds, in whole, but not in part, after a month of the issuance (September 27, 2015) and prior to the maturity date (July 17, 2018), at the principal amount of the bonds if the closing price of the Company’s ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 30% of the conversion price.

b. The Company may redeem the bonds, in whole, but not in part, at the Early Redemption Price if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

c. There were NT$826,800 thousand and NT$11,100 thousand bonds payable converted into shares as of December 31, 2016 and 2015 respectively.

(16) Long-term loan

Details of long-term loan as of December 31, 2016 and 2015 are as follows:

Lenders	As of Dec. 31, 2016	Interest Rate (%)	Maturity date and terms of repayment
Secured Long-Term Loan from ChangHwa Commercial Bank	$500,000	1.44%	Effective May 27, 2015 to May 27, 2030. Principal is repaid with interest payments due monthly.
Secured Long-Term Loan from Taiwan Cooperative Bank	486,610	1.44%	Effective May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due monthly.
Secured Long-Term Loan from Mega International Commercial Bank	-	-%	Note1
Subtotal	986,610		
Less: current portion	(43,087)		
Total	$943,523		

Note 1: The Company has fully repaid the secured loan in July 2016.

Lenders	As of Dec. 31, 2015	Interest Rate (%)	Maturity date and terms of repayment
Secured Long-Term Loan from ChangHwa Commercial Bank	$800,000	1.58%	Effective May 27, 2015 to May 27, 2030. Principal is repaid with interest payments due monthly.
Secured Long-Term Loan from Taiwan Cooperative Bank	500,000	1.65%	Effective May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due monthly.
Secured Long-Term Loan from Mega International Commercial Bank	193,334	1.688%	Effective May 27, 2015 to May 27, 2030. Principal is repaid in 3 months payments with interest payments due monthly. Each period is NT$3,333 thousand.
Subtotal	1,493,334		
Less: current portion	(26,467)		
Total	$1,466,867		

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Certain land and buildings are pledged as first priority security for secured bank loans.Please refer to Note 8 for more details.

(17) Other noncurrent liabilities

	As of December 31,	
	2016	2015
Other long-term payables	$17,203	$17,601
Accrued pension liabilities	12,522	35,481
Guarantee deposit received	20,869	4,497
Other noncurrent liabilities-other	61,287	64,727
Total	$111,881	$122,306

(18) Operating leases

Operating lease commitments – Group as lessor

Shanghai Grape King has entered into an operating lease in term from June 2014 to March 2034 with a non-related party. As of December 31, 2016, Shanghai Grape King has received prepaid rents, recorded as advances received, for the period of 9 years and 3 months. The movement schedule of prepaid rents is listed as follows:

	As of December 31,	
	2016	2015
Beginning balance	$72,052	$64,933
Prepaid rent added in current period	14,661	25,990
Rent income recognized in current period	(17,832)	(17,768)
Exchange difference	(5,026)	(1,103)
Ending balance of prepaid rent	$63,855	$72,052

Advances received for operating leases are as follows:

	As of December 31,	
	2016	2015
Other current liabilities	$5,478	$7,325
Other non-current liabilities-other	58,377	64,727
Total	$63,855	$72,052

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Operating lease commitments – Group as lessee

Future minimum lease payments of non-cancellable operating leases are as following:

	As of December 31,	
	2016	2015
Within one year	$47,238	$31,968
From one year to five years	105,220	61,078
Total	$152,458	$93,046

The lease contracts listed above are rental expenses for leasing operations centers, automobiles and warehouses.

Operating lease expenses recognized are as follows:

	2016	2015
Minimum lease payments	$47,207	$42,209

(19) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts. In addition, before the end of each year, the Company estimates the balance of the aforesaid labor retirement reserve account. If the balance is less than the amount of the pension that is estimated to be in accordance with the aforesaid pension in the next year, The difference before the end of the month.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2016 and 2015 were NT$18,946 thousand and NT$14,396 thousand, respectively.

Defined benefit plan

Expenses under the defined benefit plan for the years ended December 31, 2016 and 2015 were NT$1,187 thousand and NT$1,814 thousand, respectively.

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries and its domestic subsidiaries contribute an amount equivalent to 2% of the employees’ total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds 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 fund is operated in a portfolio basis by Governance Committee on Labor Retirement Fund in accordance with the Rule for Custody and Operating the Labor Retirement Fund. The investment of the Fund may be executed either by the Committee itself or by outsourced other profession institutions with its investment strategy, including both active and passive management, targeting in a medium or longer term. In considering the risks of market, credit and liquidity, the Committee establishes the ceiling of fund investment and control plan, in one hand, to reduce investment risk to an affordable extent and, in the other hand, to achieve the targeted return flexibly. The use of the Fund, the annual income of the minimum allocation of income shall not be lower than the local bank two-year deposit of the proceeds, if insufficient, then approved by the authorities for the treasury to make up. Because the Company is not entitled to participate in the operation and management of the Fund, it is not possible to disclose the fair value of the planned assets in accordance with the provisions of Paragraph 142 of IAS 19.

As of December 31, 2016, the Company plans to contribute NT$4,171 thousand to the funds under its defined benefit scheme during the following fiscal year.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2016 and 2015, the maturities of the Company's defined benefit plan were expected in 2029 and 2028 and the detail information is listed as below.

Pension costs recognized in profit or loss were as follows:

	For the year ended December 31,	
	2016	2015
Current period service costs	$761	$1,036
Net interest of defined benefit liability (asset)	426	778
Total	$1,187	$1,814

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	As of		
	Dec. 31, 2016	Dec. 31, 2015	Jan. 1, 2015
Defined benefit obligation	$39,068	$45,295	$48,984
Plan assets at fair value	(26,546)	(9,482)	(8,578)
Other non-current liabilities – net defined benefit liability	$12,522	$35,813	$40,406

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2015.01.01	$48,984	$8,578	$40,406
Current service cost	1,036	-	1,036
Interest expense(revenue)	963	185	778
Past service cost and settlement	-	-	-
Total	50,983	8,763	42,220
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	-	-	-
Actuarial gain/loss due to change in financial assumptions	3,578	-	3,578
Experience adjustments	1,934	-	1,934
Re-measurement on defined benefit assets	-	51	(51)
Total	5,512	51	5,461

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Benefits paid	(11,200)	(3,980)	(7,220)
Contributions by employer	-	4,648	(4,648)
Effect of exchange rate	-	-	-
2015.12.31	45,295	9,482	35,813
Current service cost	761	-	761
Interest expense(revenue)	591	165	426
Past service cost and settlement	-	-	-
Total	46,647	9,647	37,000
Re-measuerment on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	-	-	-
Actuarial gain/loss due to change in financial assumptions	(1,050)	-	(1,050)
Experience adjustments	452	-	452
Re-measurement on defined benefit assets	-	(14)	14
Total	(598)	(14)	(584)
Benefits paid	(6,981)	-	(6,981)
Contributions by employer	-	16,913	(16,913)
Effect of exchange rate	-	-	-
2016.12.31	$39,068	$26,546	$12,522

The actuarial assumptions used for the Group's defined benefit plan are shown below:

	As of December 31,	
	2016	2015
Discount rate	1.5%	1.25%
Expected rate of salary increases	2.00%	2.00%

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Sensitivity analysis:

	For the year ended December 31,			
	2016		2015	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.25%	$-	$(1,005)	$-	$(1,189)
Discount rate decrease by 0.25%	1,050	-	1,243	-
Expected salary level increased by 0.25%	1,042	-	1,230	-
Expected salary level decreased by 0.25%	-	(1,002)	-	(1,183)

For the purpose of sensitivity analysis above, the Company calculated the impact on defined benefit obligation due to a reasonable and feasible change of one single assumption (i.e. discount rate or expected salary level) with other assumptions remaining equal. Please note that the sensitivity analysis has its limitation due to the co-relation between different actuarial assumptions and the rarity that only one assumption changes at a time.

The method used in the analysis is consistent for both current and prior years.

(20) Equities

(a)Common stock

The Company had 150,000 thousand authorized shares of which 1,352,142 thousand shares and 1,303,001 thousand shares were issued, as of December 31, 2016 and 2015, respectively, each at par of NT$10.

During 2015, the unsecured convertible bonds in amount of NT$11,100 thousand were converted into 65,101 shares at par value of NT$651 thousand.

During 2016, the unsecured convertible bonds in amount of NT$815,700 thousand were converted into 4,914,070 common shares at par value of NT$49,141 thousand. Among these shares, 1,263,976 shares at par value of NT$12,640 thousand has not yet been legally registered for the capital change as of December 31, 2016.While the Board has resolved in a meeting held on January 19, 2017 the measurement date to be at February 6, 2017.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b)Capital reserve

	As of December 31,	
	2016	2015
Treasury share transactions	$4,363	$4,363
Convertible bonds－share option	7,842	44,770
Additional paid-in capital	787,016	10,434
Total	$799,221	$59,567

According to Taiwan Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c)Retained earnings and dividend policy

A.Retained earnings

According to the amendment of Article #235-1 of Taiwan Company Act announced on May 20, 2015, the Company shall provide a fixed amount or percentage of the actual profit for a year to be distributed as “employees’ compensation”. The shareholders’ meetings of the Company and its subsidiary, Pro-partner Inc., held on June 16, 2016 and April 26, 2016, respectively, have resolved the amendments of their Articles of Incorporation. According to the revised Articles of Incorporations, current year’s earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues;
b. Making up loss for preceding years, if any;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders’ meeting.

Prior to the amendments of Articles of Incorporation, for the Company and Pro-partner Inc., current year’s earnings, if any, after payment of all taxes and dues, it should be first used to offset the operating loss, if any, incurred from previous years. After that, 10% of the remaining balance should be set aside for legal reserve. Afterwards, according to the related regulations, part of the remaining should be set aside for the special reserve if deemed necessary. Both companies may, based on business needs, resolve to make certain reservation from the combined amount of the remaining current earnings and the accumulated undistributed earnings from previous years and distribute the rest in the ratio listed below respectively.

	The Company	Pro-partner
Dividends and bonus	87%	90%
Employees' bonuses	11%	5%
Directors' and supervisors' remuneration	2%	5%

B. Dividend policy

The Company's dividend policy shall be determined pursuant to the factors, such as the investment environment, capital requirement, domestic and overseas competition environment, current and future business development plan, as well as shareholders' interests. The distribution of shareholders dividend shall be not lower than 60% remaining current-year earnings. However, the shareholders may resolve not to distribute dividends if the accumulated earnings were lower than 10% of the paid-in capital. The dividend can be distributed by cash, stock or both while at least 10% of total dividends shall be in cash.

C. Legal reserve

According to Taiwan's Company Act, the Company needs to set aside an amount as legal reserve unless where such legal reserve amounts to the amount of total authorized capital. The legal reserve can be used to make good the deficit. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

D. Special reserve

Following the adoption of TIFRS, the Taiwan FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

E. Details of the Company's 2016 and 2015 earnings distribution and dividends per share as approved in the Board of Director meeting held on March 21, 2017 and annual shareholders' meeting on June 16, 2016 are listed as follows:

	Appropriation of earnings		Dividend per share (in NT$)	
	2016	2015	2016	2015
Legal reserve	$129,677	$105,165		
Common stock－cash dividend	862,120	729,681	6.4	5.6

As to the details of estimation regarding employee's and directors' compensation, please refer to Note 6(22) to the financial statements.

F. Information regarding Pro-Partner's 2016 and 2015 earnings distribution and dividends per share as proposed/approved in the Board of Director meeting held on February 21, 2017 and annual shareholders' meeting on April 26, 2016 are listed as follows:

	Appropriation of earnings		Dividend per share (in NT$)	
	2016	2015	2016	2015
Legal reserve	$147,538	$123,808		
Common stock－cash dividend	1,062,201	891,316	60.35	50.64

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

G. Non-controlling interests

	For the year ended December 31,	
	2016	2015
Beginning balance	$741,347	$645,756
Profit attributable to non-controlling interests：		
Net income	590,151	495,232
Cash dividends to non-controlling interests	(356,527)	(399,584)
Actuarial gains and losses on defined benefit	(34)	(57)
Ending balance	$974,937	$741,347

(21) Operating revenue

	For the year ended December 31,	
	2016	2015
Sale of goods	$8,559,406	$7,052,812
Revenue arising from rendering of services	624,401	195,043
Other operating revenue	1,214	-
Total	$9,185,021	$7,247,855

(22)Schedule of employee benefits, depreciation and amortization by function during the years ended December 31, 2016 and 2015:

	For the year ended December 31,					
	2016			2015		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries & wages	$175,608	$646,498	$822,106	$162,803	$533,007	$695,810
Labor and health insurance	12,846	24,674	37,520	11,160	18,373	29,533
Pension	10,006	10,127	20,133	7,911	8,299	16,210
Other employee benefits	6,562	20,929	27,491	3,100	13,167	16,267
Depreciation	128,698	76,317	205,015	88,677	61,104	149,781
Amortization	-	4,281	4,281	-	610	610

A resolution was passed at the shareholders’ meeting of the Company held on June 16, 2016 to amend the Articles of Incorporation of the Company. According to the resolution, 6%~8%

of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on Board of Directors' resolution regarding employees' compensation and remuneration to directors and supervisors can be obtained from "Market Observation Post System" on the website of TWSE.

Based on profit of the year ended December 31, 2016, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2016 to be 8% of profit of the current year and 2% of profit of the current year, respectively, recognized as employee benefits expense and remuneration to directors and supervisors. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2016 amount to NT$123,322 thousand and NT$30,831 thousand, respectively. Employees'compensation and remuneration to directors and supervisors for the year ended December 31, 2015 amount to NT$100,745 thousand and NT$25,186 thousand, respectively.

The Company's Board of directors, in a meeting held on March 14, 2016, have approved the Company's 2015 employee compensation and remuneration to directors and supervisors, all in cash, to be NT$100,745 thousand and NT$25,186 thousand, respectively.

The Company's Board of directors, in a meeting held on March 21, 2017, have approved the Company's 2016 employee compensation and remuneration to directors and supervisors, all in cash, to be NT$123,322 thousand and NT$30,831 thousand, respectively.

In addition, the Articles of Incorporation of Pro-Partner Inc., stipulate that,the profit of current year should be covered by accumulated loss,4% of the remaining amount is distributed as employee's compensation and no higher than 5% is distributive as remuneration to directors and supervisors.

Pro Partner Inc., estimated the employees compensation and remuneration to directors amounted to NT$65,556 thousand and NT$81,946 thousand, respectively.The difference amounted to NT$15 thousand between the estimation and the resolution of Directors'meeting was recognized in profit and loss in 2016.

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The distributions of employees' compensation and remuneration to directors for 2016 amounted to NT$79,314 thousand and NT$99,142 thousand,respectively were approved through the Board of Directors' meeting.

(23) Non-operating incomes and expenses

(a) Other incomes

	For the year ended December 31,	
	2016	2015
Interest income from bank deposits	$3,432	$3,387
Rental revenue	21,660	22,413
Dividend revenue	2	-
Other Income	84,896	66,217
Total	$109,990	$92,017

(b) Other gains and losses

	For the year ended December 31,	
	2016	2015
Gain from disposal of PPE	$(601)	$-
Foreign exchange gain, net	(611)	(639)
Gain from financial assets at fair value through P/L	1,472	3,592
Others	(66)	(1,646)
Total	$194	$1,307

(c) Finance costs

	For the year ended December 31,	
	2016	2015
Imputed interest on deposit	$169	$81
Interest on borrowings from bank	18,168	16,615
Interest on bonds payable	13,370	6,440
Total	$31,707	$23,136

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(24) Components of other comprehensive income

For the year ended December 31, 2016

	Arising during the period	Income tax relating to components of other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Not reclassified to profit or loss:				
Measure on defined benefits plan	$584	$584	$(99)	$485
To be reclassified to profit or loss in subsequent period:				
Exchange differences resulting from translating the financial statements of foreign operations	(26,599)	(26,599)	-	(26,599)
Total	$(26,015)	$(26,015)	$(99)	$(26,114)

For the year ended December 31, 2015

	Arising during the period	Income tax relating to components of other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Not reclassified to profit or loss:				
Measure on defined benefits plan	$(5,461)	$(5,461)	$928	$(4,533)
To be reclassified to profit or loss in subsequent period:				
Exchange differences Resulting from translating the financial statements of foreign operations	(5,528)	(5,528)	-	(5,528)
Total	$(10,989)	$(10,989)	$928	$(10,061)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(25)Income tax

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2016	2015
Current income tax expense (benefit):		
Estimated 10% income tax on unappropriated earnings	$43,963	$15,784
Current income tax charge	398,006	317,538
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to origination and reversal of temporary difference	(16,390)	2,398
Total income tax expense	$425,579	$335,720

Income tax relating to components of other comprehensive income

	For the year ended December 31,	
	2016	2015
Deferred tax expense (benefit):		
Exchange differences on translation of foreign operations	$-	$-
Remeasurement of defined benefit plans	99	(928)
Income tax relating to components of other comprehensive income	$99	$(928)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2016	2015
Accounting profit (loss) before tax from continuing operations	$2,312,499	$1,882,604
Tax payable at the enacted tax rates	$591,091	$441,593
10 % surtax on undistributed retained earnings	43,963	15,784

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Others	(155,112)	(119,602)
Tax effect of deferred tax assets/liabilities	(50,738)	(2,055)
Reversal of uncertain tax position upon finalization	(3,625)	-
Total income tax expense (income) recognized in profit or loss	$425,579	$335,720

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2016

	Beginning balance as of Jan. 1, 2016	Deferred tax income (expense) recognized in P/L	Deferred tax income (expense) recognized in OCI	Ending balance as of Dec. 31, 2016
Temporary differences				
Unrealized revaluation	$(68,463)	$-	$-	$(68,463)
Employee benefit payable	241	-	-	241
Allowance for uncollectible accounts	205	280	-	485
Subsidy revenue	-	16,527	-	16,527
Unrealized of Inventory scrap	-	42	-	42
Provisions for sales returns and allowances	-	1,275	-	1,275
Non-current liability – Defined benefit Liability	2,603	(2,344)	-	259
Actuarial gains or losses on defined benefits plan	(602)	-	(99)	(701)
Unrealized intragroup profits and losses	2,834	610	-	3,444
Deferred tax income/ (expense)		$16,390	$(99)	
Net deferred tax assets/(liabilities)	$ (63,182)			$(46,891)
Reflected in balance sheet as follows:				
Deferred tax assets	$5,973			$22,381
Deferred tax liabilities	$(69,155)			$(69,272)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2015

	Beginning balance as of Jan. 1, 2015	Deferred tax income (expense) recognized in P/L	Deferred tax income (expense) recognized in OCI	Ending balance as of Dec. 31, 2015
Temporary differences				
Unrealized revaluation	$(68,463)	$-	$-	$(68,463)
Employee benefit payable	241	-	-	241
Allowance for uncollectible accounts	205	-	-	205
Non-current liability – Defined benefit Liability	4,510	(1,907)	-	2,603
Actuarial gains or losses on defined benefits plan	(1,530)	-	928	(602)
Unrealized intragroup profits and losses	3,325	(491)	-	2,834
Deferred tax income/ (expense)		$(2,398)	$928	
Net deferred tax assets/(liabilities)	$(61,712)			$(63,182)
Reflected in balance sheet as follows:				
Deferred tax assets	$8,342			$5,973
Deferred tax liabilities	$(70,054)			$(69,155)

The following table contains information of the unused tax losses of the Group:

Year	Tax loss for the period	Unused tax losses carry－forward as of December 31, 2016	2015	Maturity
2012	$17,454	$-	$17,454	2017
2013	7,346	-	7,346	2018
2014	3,943	-	3,943	2019
2015	24,997	163	24,997	2025
2016	17,315	17,315	-	2026
		$17,478	$53,740	

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Unrecognized deferred tax assets

As of December 31, 2016 and 2015, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$51,044 thousand and NT$101,782 thousand, respectively.

Imputation tax credit information

	As of December 31,	
	2016	2015
Balance of imputation tax credit		
The Company	$177,187	$146,231

The expected creditable ratio for 2016 and the actual for 2015 were 8.59% and 18.97%, respectively.

The Company's earnings generated in the year ended December 31, 1997 and prior years have been fully appropriated.

Tax assessment

As of December 31, 2016, the assessment from tax authority for the Company and Pro-partner Inc. are as follows:

	Status
The Company	Assessed and approved up to 2014
Pro-partner Inc.	Assessed and approved up to 2014

(26) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the year ended December 31, 2016	For the year ended December 31, 2015
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$1,296,769	$1,051,652
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	131,988	130,240
Basic earnings per share (in NT$)	$9.82	$8.07

	For the year ended December 31, 2016	For the year ended December 31, 2015
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$1,296,769	$1,051,652
Interest expense from convertible bonds (in thousand NT$)	12,707	6,333
Gain or loss on valuation of redemption	528	(1,794)
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$1,310,004	$1,056,191
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	131,988	130,240
Effect of dilution:		
Employee bonus－stock (in thousand shares)	763	771
Convertible bonds (in thousands shares)	4,112	2,036
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	136,863	133,047
Diluted earnings per share (in NT$)	$9.57	$7.94

There were no other transactions involving ordinary shares or potential ordinary shares except as disclosed in Note 11 between the balance sheet date and the date of completion of the consolidated financial statements.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(27)Subsidiary that has material non-controlling interests

Financial information of subsidiary that has material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

		As of December 31,	
Name	Country of Incorporation and operation	2016	2015
Pro-partner	Republic of China	40%	40%

	As of December 31,	
	2016	2015
Accumulated balances of material non-controlling interest:		
Pro-partner	$974,937	$741,347

	For the year ended December 31,	
P/L allocated to material non-controlling interest:	2016	2015
Pro-partner	$590,151	$495,232

	For the year ended December 31,	
Dividends paid to material non-controlling interest:	2016	2015
Pro-partner	$356,527	$399,584

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Summarized information of profit or loss for the years ended December 31, 2016 and 2015 is as follows:

	For the year ended December 31,	
	2016	2015
Operating revenue	$8,169,428	$6,708,035
Profit/loss from continuing operation	$1,475,377	$1,238,081
Total comprehensive income for the period	$1,475,290	$1,237,938

Summarized information of financial position as at December 31, 2016 and 2015 is as follows:

	As of December 31,	
	2016	2015
Current assets	$1,467,175	$1,171,640
Non-current assets	3,548,077	3,498,453
Current liabilities	(1,631,003)	(1,346,440)
Non-current liabilities	(946,907)	(1,470,286)

Summarized cash flow information for the years ended December 31, 2016 and 2015 is as follows:

	For the year ended December 31,	
	2016	2015
Operating activities	$1,738,734	$1,497,080
Investing activities	(113,470)	(2,027,058)
Financing activities	(1,397,599)	494,572
Net increase/(decrease) in cash and cash equivalents	227,665	(35,406)

7. Related party transactions

(1) Significant transactions with related parties

(a) Sales

	For the year ended December 31,	
	2016	2015
Other related parties	$34,581	$106,714

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The above mentioned parties are the exclusive distributors for beverage products of the Company, and the Multi-level marketing (MLM) members of the subsidiaries. The sales price for the other related parties was determined based on mutual consent and the price for the third-party MLM member customers. There is no significant difference regarding the terms and conditions for the other related parties and for the third-parties.

(b) Amounts owed by related parties

	As of December 31,	
	2016	2015
Other related parties	$2,907	$12,720
Less: allowance for doubtful debts	-	-
Net	$2,907	$12,720

(c) Other payables to related parties

	As of December 31,	
	2016	2015
Other related parties	$33,079	$27,347

(d) Sales and marketing expenses - commission

	For the year ended December 31,	
	2016	2015
Other related parties	$381	$3,848

The above related parties are MLM members of subsidiary. The calculation and payment terms are the same as with the general membership in accordance with the regulations of Business Manual.

(e) General and administrative expenses – rental

	For the year ended December 31,	
	2016	2015
Other related parties	$2,642	$2,172

The rental to the above related parties and normal rental prices were similar and comparable. The rental was paid either monthly or in full at the beginning of each year.

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(f) General and administrative expenses – incentive

	For the year ended December 31,	
	2016	2015
Other related parties	$-	$177

The above related parties are MLM members of subsidiary. The calculation and payment terms are the same as with the general membership in accordance with the regulations of Associate Member contest approaches.

(g) General and administrative – donations

	For the year ended December 31,	
	2016	2015
Other related parties	$300	$200

(h) Revenue from rental assets

	For the year ended December 31,	
	2016	2015
Other related parties	$2,723	$3,628

The rental from the above related parties and normal rental prices were similar and comparable. The term of collection was either in a monthly installment or in full at the beginning of each year.

(l) Key management personnel compensation

	For the year ended December 31,	
	2016	2015
Short-term employee benefits	$108,701	$96,877
Post-employment benefits	256	357
Total	$108,957	$97,234

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

8. Assets pledged as collaterals

The following assets are pledged as collaterals for bank loans and contract deposit.

	As of December 31,	
Assets pledged	2016	2015
Property, plant and equipment-land	$2,121,928	$2,314,312
Property, plant and equipment-building	1,055,355	1,268,046
Other financial assets- pledged time deposits	4,460	1,860
Total	$3,181,743	$3,584,218

9. Commitments and contingencies

(1) The Company's guarantee notes issued to banks for credit lines amounted to NT$302,810 thousand.

(2) The Company entered into a contract for plant and machinery. Total contract amount is NT$979,998 thousand while NT$63,587 thousand remained unpaid as of December 31, 2016.

(3) For operational needs, Pro-partner has to establish operational bases in Taipei, Taoyuan, Hsinchu, Fengyuan, Taichung, Kaohsiung, Pingjhen, Hualien and Tainan. All offices, except for Taipei operational center which is a business building purchased and owned by Pro-partner, were leased from others. The information concerning the operating leases sustained as of December 31, 2016 is listed below:

Operation Sites	Lessor	The lease term	Monthly rental
Taipei City	Uni-President Enterprises Corporation	2013.5.1~2018.4.30	$570
Hsinchu City	Tsai,Fu-Ching	2015.10.1~2017.3.31	110
Hsinchu City	Lin,Zhuang-Long, Wu,Yi-Wan	2016.11.1~2021.10.31	320
Fengyuan Dist.	Lin,Fen-Ling	2014.6.1~2017.5.31	70
Taichung City	Pu-Lin Ltd.(NOTE)	2007.11.1~2027.11.1	220
Taichung City	Pu-Lin Ltd.(NOTE)	2010.4.1~2030.3.31	129
Kaohsiung City	The Company	2016.8.1~2019.7.31	236
Pingzhen City	The Company	2016.4.1~2017.3.31	48
HuaLian City	Liou,Chuen-Hou, Liou,Chuen-Lung	2014.3.1~2017.2.28	130
Tainan City	Cathay Life Insurance Company, Ltd.	2016.3.21~2021.7.31	799

NOTE: According to the general manager of Pro-partner Inc., Pu-Lin Ltd has been funded by herself while it has registered under the name of Yide Lin as the sole director and shareholder. However, as she failed in requesting back the ownership of Pu-Lin Ltd from Mr. Lin, she files a petition to the Court to abort the registration under other's name. Pu-Lin Ltd would be proved to have no relation with Pro-partner from the very beginning of Pu-Lin Ltd if the petition were lost at final court decision. It can be construed that the general manager of Pro-partner is solely a fund-provider of Pu-Lin Ltd, instead of a related party, before her petition is finalized by the Court. Therefore, the Company's rental expenditures paid to Pu-Lin Ltd, including NT$4,198 thousand per year for both 2015 and 2016, were not disclosed in Note 7 to the consolidated financial statements.

(4) Pro-partner Inc. has purchased the software rights of the cloud version of the direct marketing information management system from WELLAN SYSTEM CO., LTD., in August 2016. The total contract price is in amount of NT$19,780 thousand to be paid in 24 installments during the period of 2 years. As of December 31, 2016, the software system mentioned above was not completed yet.

10. Losses due to major disasters

None.

11. Significant subsequent events

1.On January 3, 2017, the Company's board has resolved to buy back its own shares as treasury stocks for transferring to its employee. The repurchase period is from January 4, 2017 to March 3, 2017 and the share volume to be brought back are 3,000,000 shares with the unit price interval of NT$118 to NT$349.5. As of the end of the repurchase period, the number of shares repurchased were 508,000 shares and the average repurchase unit price NT$179.26.

2.Pro-partner Inc. has entered into certain agreements for computer software and hardware leasing and maintenance contracts on February 1, 2008. Pro-partner Inc. also has entered into additional software leasing and maintenance contracts for logistics management on January 1, 2013 with "FINE EAGLE INVESTMENT LIMITED" for the services provided by WELLAN SYSTEM CO., LTD., The general manager of Pro-partner Inc. has paid the related commission in amount of NT$17,607 thousand to Pro-partner on behalf of "FINE EAGLE INVESTMENT LIMITED" due to an Investigation Bureau case against her. As the investigation is yet finalized, Pro-partner recorded the payment under the caption of temporary receipts. Pro-partner will either return the payment or reclassify it for proper account based on the Court's decision.

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3. In December 2016, the Company was affected by news events suspected of changing label on overdue goods. In order to allay the consumers' concern, the Company accepted the return from consumers by the end of February 2017. The Company has recorded the allowance in amount of NT$7,500 thousand due to the sale return in the year of 2016. Please refer to Note 6.14 for more details. As of February 28, 2017, the actual return amounted to NT$5,838 thousand. As this case is in interrogation by authority, it is not feasible to reasonably assess the impact of the event on the Company as of the issuance date of the financial statements.

12. Financial instruments

(1) Categories of financial instruments

Financial assets	As of December 31,	
	2016	2015
Financial asset at fair value through P/L:		
Held for trading	$346,062	$721,594
Designated financial asset at fair value through P/L	87	2,373
Total	$346,149	$723,967
Available-for-sale financial assets (including financial asset measured at cost)	28,028	28,028
Loans and receivables		
Cash and cash equivalents (excluding cash on hand)	1,895,115	1,428,755
Debt investments without active market	47,845	6,855
Notes receivable	5,098	8,312
Accounts receivable	196,383	75,553
Accounts receivable from related parties	2,907	12,720
Other receivables	4,056	1,688
Subtotal	2,151,404	1,533,883
Total	$2,525,581	$2,285,878

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial liabilities	As of December 31,	
	2016	2015
Financial liabilities at amortized cost:		
Short-term loans	$50,000	$-
Notes payable	11,335	774
Accounts payable	186,737	152,077
Other payables	1,686,213	1,317,835
Other payables – related parties	33,079	27,347
Bonds payable	168,981	946,164
Long-term loans (current portion included)	986,610	1,493,334
Other long-term payables	17,203	17,601
Total	$3,140,158	$3,955,132

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk preference.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by Board of Directors must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policy at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against foreign currency USD by 10%, the profit before tax for the years ended December 31, 2016 and 2015 is decreased/increased by NT$11,867 thousand and NT$803 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments with variable interest rates. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit before tax for the years ended December 31, 2016 and 2015 to decrease/increase by NT$906 thousand and increase/decrease NT$58 thousand, respectively.

Equity price risk

The fair value of the Group's unlisted equity securities and monetary fund are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities are classified under available-for-sale financial assets.

The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 5% in the net asset value of the monetary fund held for trading could increase/decrease the Group's profit before tax for the years ended December 31, 2016 and 2015 by NT$17,303 thousand and NT $36,080 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that the counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

There is no concentration of credit risk of a single customer for the years ended 2016 and 2015. Therefore, the credit risk is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and highly liquid equity investments. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial instruments

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
As of 31 Dec. 2016						
Carried at amortized cost						
Short-term loans	$50,039	$-	$-	$-	$-	$50,039
Notes payable	11,335	-	-	-	-	11,335
Accounts payable	186,737	-	-	-	-	186,737
Bonds payable	-	-	174,502	-	-	174,502
Other payables	1,484,623	234,669	-	-	-	1,719,292
Long-term payables	-	-	-	-	17,203	17,203
Long-term loans (current portion included)	21,656	36,822	73,644	220,933	773,991	1,127,046
As of 31 Dec. 2015						
Carried at amortized cost						
Notes payable	$774	$-	$-	$-	$-	$774
Accounts payable	152,077	-	-	-	-	152,077
Bonds payable	-	-	-	996,335	-	996,335
Other payables	1,169,578	175,604	-	-	-	1,345,182
Long-term payables	-	-	-	-	17,601	17,601
Long-term loans (current portion included)	23,832	29,875	92,954	349,027	1,240,617	1,736,305

(6) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

	Book value		Fair value	
Financial liabilities：	2016.12.31	2015.12.31	2016.12.31	2015.12.31
Bonds payable	$168,981	$946,164	$169,597	$953,695

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.8 for fair value measurement hierarchy for financial instruments of the Group.

(7) Derivative financial instruments

The Group’s derivative financial instruments include embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2016, and December 31, 2015 is as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(15) for further information on this transaction.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Monetary fund	$346,062	$-	$-	$346,062
Embedded derivative — Redemption	-	-	87	87
Total	$346,062	$-	$87	$346,149

As of December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Monetary fund	$721,594	$-	$-	$721,594
Embedded derivative — Redemption	-	-	2,373	2,373
Total	$721,594	$-	$2,373	$723,967

Transfers between Level 1 and Level 2 during the period

During the Years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	At fair value through profit or loss
Beginning balances as of January 1, 2016	$2,373
Convertible for the year ended December 31, 2016	(1,758)
Total gains and losses recognized for the year ended December 31, 2016:	
Amount recognized in profit or loss (presented in "other profit or loss")	(528)
Ending balances as of December 31, 2016	$87

Total gains and losses recognized in profit or loss for the years ended December 31, 2015 in the table above contain gains and losses related to assets on hand as of December 31, 2016 in the amount of NT$(528) thousand.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2016

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through profit or loss					
Embedded derivatives	Option pricing model	Volatility	31.94%	The higher the volatility, the higher the fair value of the embedded derivatives.	1% increase (decrease) in the volatility would not impact on the Group's profit or loss.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2015：

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through profit or loss					
Embedded derivatives	Option pricing model	Volatility	43.08%	The higher the volatility, the higher the fair value of the embedded derivatives.	1% increase (decrease) in the volatility would result in decrease in the Group's profit or loss by NT$593/890 thousand

(c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6.10)	$-	$-	$247,692	$247,692
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 6.15)	$-	$-	$169,597	$169,597

As of December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6.10)	$-	$-	$233,575	$233,575
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 6.15)	$-	$-	$953,695	$953,695

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below: (In Thousands)

	As of Dec. 31, 2016			As of Dec. 31, 2015		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	$4,409	32.03	$141,233	$848	32.72	$27,737
Financial liabilities						
Monetary items:						
USD	$705	32.03	$22,566	$608	32.44	$19,708

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Company's functional currency is variety. It can not be disclosured the foreign exchange gains or losses on monetary financial assets and financial liabilities with each significant influence. The Foreign exchange gains or losses of the Company amounted to

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

NT$(611) thousand and NT$(639) thousand respectively on December 31, 2016 and 2015.

(10) Capital management

The objective of Company's capital management is maintaining a good capital structure and to ensure the ability to operate continuously, in order to provide returns to stockholders and the interests of other related parties, while maintaining the primal capital structure to reduce costs of capital. The Company’s capital structure management strategies were based on the industry size of the Company and its subsidiaries, industry's future growth, product roadmaps, and changes in the external environment and other factors. The Company plans the required capacity and the necessary plant and equipment to achieve this capacity and the corresponding capital expenditure according to those strategies. Then the Company calculates the required working capital and cash, based on industry characteristics, and estimate the possible product margins, operating margin and cash flow. In order to determine the most appropriate of the Company’s capital structure, taking into consideration cyclical fluctuations in industrial, product life cycle and other risk factors.

As of December 31, 2016 and December 31, 2015, the debt ratios of the Group are listed below:

	As at December 31,	
	2016	2015
Total liabilities	$3,766,807	$4,392,809
Total capital	$9,549,756	$8,612,365
Debt ratio	39.44%	51.01%

13. Other disclosure

(1) Information at significant transactions

a. Financing provided to others for the years ended December 31, 2016: None

b. Endorsement/Guarantee provided to others for the years ended December 31,2016: Please refer to attachment 1

c. Securities held as of December 31, 2016(excluding subsidiaries, associates and joint venture): Please refer to attachment 2.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the years ended December 31, 2016: None

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the years ended December 31, 2016: None

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2016: None

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the years ended December 31, 2016: Please refer to attachment 3.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2016: Please refer to attachment 6.

i. Financial instruments and derivative transactions: None

j. Intercompany relationships and significant intercompany transaction: Please refer to attachment 8.

(2) Information on investees

1. Names, locations and related information of investees as of December 31, 2016 (excluding the investment in Mainland China): Please refer to attachment 4.

2. Information at significant transactions

a. Financing provided to others for the year ended December 31, 2016: Please refer to attachment 5.

b. Endorsement/Guarantee provided to others for the year ended December 31,2016: None

c. Securities held as of December 31, 2016 (excluding subsidiaries, associates and joint venture): Please refer to attachment 2.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the years ended December 31, 2016: None

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2016: Please refer to attachment 7

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2016: None

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the years ended December 31, 2016: Please refer to attachment 3.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2016: Please refer to attachment 6.

i. Financial instruments and derivative transactions: None

(3) Information on investments in mainland China：

Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), book value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China：

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated Investment Outflows from Taiwan as at January 1, 2016	Investment Flows		Accumulated Investment Outflows from Taiwan as at December 31, 2016	Net Income (Loss) of Investee Company	Percentage of Direct or Indirect Ownership	Investment Profit(Loss) Recognized (Note 2)	Carrying Amount as at December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Shanghai Grape King Enterprise Co., Ltd.	Manufacturing and selling capsule, tablet, related products and services.	US$27,900 thousand	(Note1(2)) (Note 3)	$495,672 (USD16,350 thousand)	$352,000 (USD11,000 thousand) (Note 5)	$-	$847,672 (USD 27,350 thousand)	$227,182 (Note2 (2)B)	100%	$227,182 (Note 2(2)B)	$416,094	$-
Shanghai Yusong Co., Ltd.	Stock management and related services of the thermostatic fresh freezing freezing warehouse.	US$ 4,890 thousand	(Note 1(2)) (Note 4)	$26,794 (USD878 thousand)	$-	$-	$26,794 (USD878 thousand)	$- (Note 2(3))	18.77%	$- (Note 2(3))	$28,008	$-

Accumulated investment in Mainland China as at December 31, 2016	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
$874,466	$874,466	$3,469,769

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

(1) Direct investment in Mainland China.

(2) Indirectly investment in Mainland China through companies registered in a third region. (Please specify the name of the company in third region).

(3) Other methods

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

1. Please specify no investment income (loss) has been recognized due to the investment is still during development stage.

2. The investment income (loss) were determined based on the following basis:

(A) The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.

(B) The financial statements certificated by the CPA of the parent company in Taiwan.

(C) Others.

3. Recorded as financial assets at cost-noncurrent

Note 3：The Company invested in Shanghai Grape King Enterprise Co, Ltd. through subsidiary Grape King International Investment Inc. (BVI).

Note 4：The Company invested in Shanghai Yusong Co., Ltd. through Fu-Sheng International Inc. (SAMOA)

Note 5：The Company remitted US$3,690 thousand and the subsidiary GRAPE KING INTERNATIONAL INVESTMENT INC with its own funds of US$600 thousand, the Company will pay US$6,710 thousand for the mainland investment business Shanghai Grape King Enterprise Co., Ltd.Total investment is US$11,000 thousand.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

14. Segment information

The Group determined its operating segments based on business activities with discrete financial information regularly reported through the Company's internal reporting protocols to the Company's chief operating decision maker. The Company is organized into business units based on its marking channels and services. As of December 31, 2016 and 2015, the Company had the following segments: MLM (Multi-level marketing), Distributors, and OEM (Original Equipment Manufacturer).

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

1. Information on profit or loss, assets and liabilities of the reportable segment:

2016.12.31

	MLM	Distribution	OEM	Subtotal	Others	Adjustment/ elimination	Consolidated
Revenue							
External customer	$8,169,428	$325,653	$689,940	$9,185,021	$-	$-	$9,185,021
Inter-segment	1,427,275	129,443	2,542	1,559,260	-	(1,559,260)	-
Total revenue	$9,596,703	$455,096	$692,482	$10,744,281	$-	$(1,559,260)	$9,185,021
Interest expenses	$30,910	$646	$151	$31,707	$-	$-	$31,707
Depreciation and amortization	$188,649	$5,888	$14,492	$209,029	$-	$267	$209,296
Segment profit	$2,133,867	$15,889	$162,743	$2,312,499	$-	$-	$2,312,499
Capital expenditure on non-current assets	$708,379	$24,228	$23,615	$756,222	$-	$-	$756,222
Segment assets	$10,657,959	$317,487	$850,884	$11,826,330	$-	$(2,276,574)	$9,549,756
Segment liabilities	$3,648,606	$122,713	$265,169	$4,036,488	$-	$(269,681)	$3,766,807

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2015.12.31

	MLM	Distribution	OEM	Subtotal	Others	Adjustment/ elimination	Consolidated
Revenue							
External customer	$6,708,035	$261,859	$272,344	$7,242,238	$5,617	$-	$7,247,855
Inter-segment	1,163,949	-	3,167	1,167,116	-	(1,167,116)	-
Total revenue	$7,871,984	$261,859	$275,511	$8,409,354	$5,617	$(1,167,116)	$7,247,855
Interest expenses	$20,654	$1,334	$1,148	$23,136	$-	$-	$23,136
Depreciation and amortization	$100,779	$19,932	$29,420	$150,131	$-	$260	$150,391
Segment profit	$1,956,092	$8,757	$(73,269)	$1,891,580	$(11,865)	$2,889	$1,882,604
Capital expenditure on non-current assets	$2,026,777	$600,364	$20,371	$2,647,152	$-	$-	$2,647,152
Segment assets	$7,804,425	$1,068,537	$1,375,808	$10,248,770	$-	$(1,636,405)	$8,612,365
Segment liabilities	$3,796,201	$327,241	$451,552	$4,574,994	$-	$(182,185)	$4,392,809

[1] Revenue from Others that are operating segments that do not meet the quantitative thresholds for reportable segments.

[2] Inter-segment revenue are eliminated on consolidation and recorded under the "adjustment and elimination" column, all other adjustments and eliminations, which has not significant influence, are not disclosed below.

2. Information on reconciliations of revenue, profit or loss, assets, liabilities and other material items of reportable segments:

(1) Revenue

	For the year ended December 31, 2016	2015
Total revenue from reportable segments	$10,744,281	$8,409,354
Other revenue	-	5,617
Elimination of inter-segment revenue	(1,559,260)	(1,167,116)
Total revenue	$9,185,021	$7,247,855

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Profit or loss

	For the year ended December 31,	
	2016	2015
Total profit or loss for reportable segments	$2,312,499	$1,891,580
Other profit	-	(11,865)
Adjustment to post-employment benefits expense in consolidation	-	2,889
Profit (loss) before tax from continuing operations	$2,312,499	$1,882,604

(3) Assets

	As of December 31,	
	2016	2015
Total assets of reportable segments	$11,826,330	$10,248,770
Other Assets	-	-
Unallocated defined benefit pension assets	(2,276,574)	(1,636,405)
Segment assets	$9,549,756	$8,612,365

(4) Liabilities

	As of December 31,	
	2016	2015
Total liabilities of reportable segments	$4,036,488	$4,574,994
Other liabilities	-	-
Unallocated defined benefit pension liabilities	(269,681)	(182,185)
Segment liabilities	$3,766,807	$4,392,809

(5) Other material items

For the year ended December 31, 2016

	Reportable segments	Adjustments	Consolidated
Interest expenses	$31,707	$-	$31,707
Capital expenditure on non-current assets	756,222	-	756,222
Depreciation and amortization	209,296	-	209,296

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2015

	Reportable segments	Adjustments	Consolidated
Interest expenses	$23,136	$-	$23,136
Capital expenditure on non-current assets	2,647,152	-	2,647,152
Depreciation and amortization	150,391	-	150,391

3. Information about product and service

	For the year ended December 31, 2016	2015
Health food	$8,206,235	$6,790,925
Drink	228,934	109,868
OEM and ODM	624,401	195,043
Other	125,451	152,019
Total	$9,185,021	$7,247,855

4. Geographical information

Revenue from external customers：

	For the year ended December 31, 2016	2015
Taiwan	$8,584,390	$6,927,131
China	600,019	312,363
Other countries	612	8,361
Total	$9,185,021	$7,247,855

The revenue information above is based on the location of the customer.

Non-current assets:

	As of December 31, 2016	2015
Taiwan	$6,174,858	$5,549,578
China	347,530	373,985
Total	$6,522,388	$5,923,563

5. Information about major customers

There were no individual customers whose sales were accounted for at least 10% of net sale for the years ended December 31, 2016.

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Grape King Bio Ltd. and Subsidiaries

Endorsement/Guarantee Provided to Others

For the year ended December 31, 2016

ATTACHMENT 1

(Amounts Expressed in Thousands of New Taiwan Dollars)

Endorsements or guarantees provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party(Note3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed(Note3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note1)	Name	Company Name	Relationship (Note2)										
0	Grape King Bio Ltd.	Shanghai Grape Enterprise Co., Ltd.	3	$1,901,139	$93,930	$93,930	$-	$93,930	2.22%	$2,027,881	Y	N	Y

Note1：No.0 is for the parent company. Subsidiaries are numbered from Arabic numerals 1.

Note2：The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

1.business related parties。

2.A company in which the public company directly holds more than 50 percent of ordinary shares.

3.The investee company with more than 50% of the shares held by the parent company and its subsidiaries.。

4.The parent company directly holds more than 50% of the ordinary shares of the company or through subsidiaries indirectly hold more than 50% of the ordinary shares of the company.

5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry

6.A company whose co-investment relationship is endorsed by its shareholders in proportion to their shareholding ratio。

Note3：According to the Company's "Endorsement Procedures", the total amount of the guarantees endorsed by the Company is limited to 48% of the net value of the Company's most recent financial statements。

The guarantee limit for endorsement of a single enterprise is limited to 45% of the net value of the most recent financial statements.

Grape King Bio Ltd and Subsidiaries
ATTACHMENT 2 (Securities held as of December 31, 2016 (excluding subsidiaries, associates and joint venture))
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Held Name	Marketable Securities Type and Name(note 1)		Relationship with the Company	Financial Statement Account	31-Dec-16				Note
					Shares/Units	Carrying Value (note 2)	Percentage of Ownership	Fair Value	
Grape King Bio Ltd	Fund	UPAMC James Bond Money Market	-	Financial assets at fair value through profit or loss, current	2,435,825.24	$40,334		40,334	
		Fuh Hwa Money Market	-	Financial assets at fair value through profit or loss, current	3,500,000.00	50,117		50,117	
		Paradigm Pion Money Market	-	Financial assets at fair value through profit or loss, current	8,770,929.63	100,461		100,461	
		Hua Nan Phoenix Money Market	-	Financial assets at fair value through profit or loss, current	3,106,670.60	50,061		50,061	
		Total				240,973		$240,973	
Grape King Bio Ltd	Stock	Fu-Sheng International Inc.(BVI)	-	Financial assets carried at cost, noncurrent	917,700.00	$28,008	18.77%	28,008	Note 3
		Hsin Tung Yang Co., Ltd.	-	Financial assets carried at cost, noncurrent	2,000.00	20	-	20	
		Total				$28,028		$28,028	
Pro-partner Inc.	Fund	UPAMC James Bond Money Market	-	Financial assets at fair value through profit or loss, current	2,115,225.39	$35,025		$35,025	
		Nomura Taiwan Money Market	-	Financial assets at fair value through profit or loss, current	2,167,437.66	35,032		35,032	
		Jih Sun Money Market	-	Financial assets at fair value through profit or loss, current	2,388,035.26	35,032		35,032	
		Total				$105,089		$105,089	

Note1：The marketable securities mentioned here refer to the stocks, bonds, the beneficiary certificates, and the marketable securities derivative from the aforementioned items regulated in IAS 39"Financial Instruments： Recognition and Measurement"

Note2：The book value of those measured by the fair value is calculated after adjusting the fair value. The book value of those that are not measured by fair value is calculated from the original cost of acquisition or the cost after amortization.

Note3：The numbers listed represent the book value.

Grape King Bio Ltd and Subsidiaries

ATTACHMENT 3 (Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2016)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction(note1)		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	Percentage of total Purchases (Sale)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of total receivables (payable)	
Grape King Bio Ltd	Pro-partner Inc.	Subsidiary	Sales	$1,427,275	78.08%	Net 30 days after monthly closing	By contract	-	$138,130	54.26%	(Note2)
Grape King Bio Ltd	Rivershine Ltd.	Subsidiary	Sales	$129,443	7.08%	Net 120 days after monthly closing	By contract	-	$64,777	25.45%	
Pro-partner Inc.	Grape King Bio Ltd	Parent Company	Purchases	$1,427,275	100.00%	Net 30 days after monthly closing	By contract	-	$(138,130)	92.51%	
Rivershine Ltd.	Grape King Bio Ltd	Parent Company	Purchases	$129,443	100.00%	Net 120 days after monthly closing	By contract	-	$(64,777)	100.00%	

Note1：If the terms of transactions with the related parties are different from normal terms, the difference and the reason for the difference should be declared in the column of unit price or credit period.

Note2：The transactions have been eliminated in the consolidated financial statements.

Grape King Bio Ltd and Subsidiaries
ATTACHMENT 4 (Names, locations and related information of investees as of December 31, 2016 (excludingthe investment in Mainland China))
(Amounts in Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Business	Original Investment Amount		Balance as of December 31,2016			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				As of December 31, 2016	As of December 31, 2015	Shares	Percentage of Ownership	Book Value			
Grape King Bio Ltd	Grape King International Investment Inc.(BVI)	BVI	Investment activities	$1,198,018	$1,081,229	24,890,000	100.00%	$531,966	$129,413	$129,413	Subsidiary
	Pro-partner Inc.	Taoyuan County, Taiwan	Import and selling of health food, drink, cosmetics, sports apparatus, cleaning the articles, etc.	15,000	15,000	10,560,000	60.00%	1,445,590	1,475,376	885,835 (Note1)	Subsidiary
	Rivershine Ltd.	Taoyuan County, Taiwan	Import and selling of health food, drink, daily commodies, appliances, etc.	30,000	30,000	3,000,000	100.00%	12,523	(17,314)	(17,314)	Subsidiary
			Total					$ 1,990,079		$ 997,934	

Note1：The effect from the unrealized profit of the downstream transactions on income tax, which is NT$610 thousand has been adjusted.
Note2：The book value at the end of the period and the current investment gain(loss) recognized have been eliminated in the consolidated financial statement.

Grape King Bio Ltd and Subsidiaries

ATTACHMENT 5 (Financing provided to others for the year ended December 31, 2016)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

NO.	Capital Provider	Capital Receiver	Financial Statement Account	Related Party	Maximum Balance for the Period (US$ in Thousands)	Ending Balance (US$ in Thousands)	Amount Actually Drawn (US$ in Thousands)	Interest Rate	Nature of capital (Note1)	Transaction Amounts	Reason for short term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	Grape King International Investment Inc. (BVI)	Shanghai Grape Enterprise Co., Ltd.	Long-term Accounts Receivable-Related Parties	YES	$442,833 (US$13,239thousand)	$112,063 (US$3,475thousand)	$112,063 (US$3,475thousand)	-	b	-	the need for short-term financing	-	-	-	$2,112,377 (Note2)	$2,112,377 (Note2)

Note1：Nature for financing

a. business related parties

b.Those with need for short-term financing.

Note2：The Company holds, directly or indirectly, 100% of the voting shares, the limit of total financing amount and limit for each borrowing company shall not exceed 50% of the amount of the net value of the Company of Dec. 31, 2016.

Grape King Bio Ltd. and Subsidiaries

ATTACHMENT 6 (Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2016)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance (US$ in Thousands)		Turnover Rate	Overdue		Amounts Received in Subsequent Period	Recognized as Allowance for Bad Debts
						Amount	Action Taken		
Grape King International Investment Inc. (BVI)	Shanghai Grape King Enterprise Co., Ltd	Subsidiary	Long-Term Accounts Receivable-Related Parties	$112,063 (US$3,475thousand)	-	$-	$-	$-	$-
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	Accounts Receivable -Related Parties	$138,130	10.97	$-	$-	$138,130	$-

Note：The transactions have been eliminated in the consolidated financial statements

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Grape King Bio Ltd. and Subsidiaries

Acquisition of Individual Real Estate with Amount of at Least NT$ 300 million or 20% of the Paid-in Capital as of December 31, 2016

ATTACHMENT 7

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Pro-partner Inc.	Houses and buildings Neihu headquarters	2016.4.26	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1		Requirement of operation growth and promotion of operation performance	None

Note1:The Company's Board of directors held on April 26, 2016 has approved the budget of the building's decorating construction and the construction has started.

Grape King Bio Ltd and Subsidiaries

ATTACHMENT 8 (Intercompany relationships and significant intercompany transaction)

For the year ended December 31, 2016

(Amounts in Thousands of New Taiwan Dollars)

No. (Note1)	Company Name	Counterparty	Nature of Relations (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Revenue or Total Assets (Note3)
0	Grape King Bio Ltd	Pro-partner Inc.	1	Sales	$1,427,275	The price by contract	15.54%
0	Grape King Bio Ltd	Pro-partner Inc.	1	Accounts Receivable	$138,130	The price by contract	1.45%
0	Grape King Bio Ltd	Rivershine Ltd.	1	Sales	$129,443	The price by contract	1.41%
0	Grape King Bio Ltd	Rivershine Ltd.	1	Accounts Receivable	$64,777	The price by contract	0.68%

Note1： No.0 is for the parent company. Subsidiaries are numbered from Arabic numerals 1.

Note2： There are three types of relations between the parent company and the subsidiaries. Only categories should be identified.(There is no need to declare the same interaction between the parent company and the subsidiary, or the same transaction among subsidiaries repeatedly. For example,if the parent company has declared the transaction from parent company to subsidiary, the subsidiary need not repeatedly declare the same transaction. If the transaction is between subsidiaries, when one subsidiary has declared the transaction, the other subsidiary doesn't need to declare the same transaction.)

(1) represents the transactions from parent company to subsidiary.

(2) represents the transactions from subsidiary company to parent.

(3) represents the transactions between subsidiaries.

Note3： When calculating the amount of transaction as a proportion of the consolidated revenue or assets, if it is recognized as items of assets or liabilities, the ending balance should be divided by the consolidated assets: if it is recognized as income or loss, the midterm accumulated amount should be divided by the consolidated

Note4： The so-called significant transaction refers to those amount reaching NT$100 million or over 20% of the paid-in capital of the parent company.