



**GRAPE KING BIO**



2016

GRAPE KING BIO

Corporate Social Responsibility Report



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## About the Report

This is a corporate social responsibility (CSR) report issued by Grape King Bio Inc. (Grape King Bio) in 2017, which will disclose our achievements in the CSR material issues to different stakeholders in an open and transparent manner. This report is divided into seven sections—business operation, corporate governance, food safety, R&D innovation, employee relations, social prosperity, and green environment. We hope this report can express the vision we desire to enable our stakeholders to understand our efforts in recent years and our continued commitment to sustainable development.



## Scope



The information disclosed in this report are based on Grape King Bio's subsidiaries in Taiwan. In the future, we will gradually expand the scope, to include I Chao Co., Ltd., Pro-partner Co., Ltd., and Shanghai Grape King Bio Enterprises Corp., so that information disclosure will be complete and reliable.

## Independent Assurance



The Grape King Bio CSR report's assurance engagement has been planned and performed in accordance with ISAE 3000 by Ernst & Young. Ernst & Young provides a 'limited level' assurance opinion on the completeness and accuracy of the claims and performance data presented in the report base on GRI G4 Core option. The result of 'limited level' assurance has been effectively communicated with Grape King Bio's management. For detail scope and result of the assurance, please see the Independent Assurance Statement at Appendix.

## Company Information



Business	Address	Telephone Number
Pingzhen head office	No.402, Sec. 2, Jinling Rd., Pingzhen Dist., Taoyuan City	+886-3-457-2121
Zhongli factory	No.60, Sec. 3, Longgang Rd., Zhongli Dist., Taoyuan City	+886-3-457-2121
Longtan logistics center	No.146, Lane 545, Sec. 2, Zhongyuan Rd., Longtan Dist., Taoyuan City	+886-3-272-7997
Taipei business office	No.10, Lane 27, Linyi St., Zhongzheng Dist., Taipei City	+886-2-2351-9696

## Contact Us



If you have any questions regarding the Grape King Bio CSR Report 2016, you are welcome to contact us through the information listed below:

### Grape King Bio Inc. Corporate Social Responsibility Committee

Add: No.402, Sec. 2, Jinling Rd., Pingzhen Dist., Taoyuan City

Tel: +886-3-4572121

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E-mail: [CSR@grapeking.com.tw](mailto:CSR@grapeking.com.tw)

Website: <https://www.grapeking.com.tw/en/contact>

## Period and Cycle



This is the third year Grape King Bio has issued the Corporate Social Responsibility report. The reporting period for information disclosure is January 1st, 2016, to December 31st, 2016.

Issue date: December 2017



For Eco-friendly reasons, the report is only published digitally. Please go to the official website to download the PDF file.

(<https://www.grapeking.com.tw/en/home>)

## Report Structure



This report is based on the Global Reporting Initiative (GRI) G4 Core Option and the AA1000 (2008) standard, with the disclosed financial data derived from the public annual report information audited by independent certified public accountants, Ernest and Young Taiwan.

## Chairman's Message

We have always regarded Corporate Social Responsibility as an essential part of Grape King Bio's business strategies. We believe that enterprises are not just about corporate governance and operational performance, but also about social support which prompts us to constantly move towards the goal of sustainable development and social welfare.



# Chairman's Message

This year is the 47th anniversary of Grape King Bio's founding. Grape King Bio has experienced a consistent annual increase in revenue turnover growth throughout the past few years. In addition to the continuous implementation of our three new strategies—"new products, new marketing, new customer groups", a re-branding campaign was launched to accomplish our mission of "Health experts to take care of the whole family". We have always regarded Corporate Social Responsibility as an essential part of Grape King Bio's business strategies. We believe that enterprises are not just about corporate governance and operational performance, but also about social support which prompts us to constantly move towards the goal of sustainable development and social welfare.

## Our Mission: Live Healthy, Think Grape King



This year we have published the CSR report based on GRI G4 standards, in the hope that the public and stakeholders will have a better understanding of Grape King Bio's efforts with respect to Corporate Social Responsibility and sustainable operations.



From its founding, Grape King Bio has embraced the concept of Corporate Social Responsibility, in such ways as setting up the Grape King Bio baseball team and golf team, long-term

neighborhood assistance programs, and provision of emergency relief grants for local schools. In addition, we have participated in a number of disaster relief and child welfare related activities. Over the few past decades, we also collaborate with peers in the industry, various colleges and universities throughout the Taiwan.

In 2011, we donated ambulances to Zhongli District and adopted fire hydrants in the district. In 2012, we began to expand and promote our staff-oriented plans, hoping to link the internal with external business. Finally, the Corporate Social Responsibility Committee was established in 2013 to put together the framework of the Company's core values—"Technology, Health, and Hope," into developing the CSR strategies by following a "better society" philosophy.

In the years to come, based on the spirit of innovation and development and in the view of providing consumers with a better product experience, we have not only introduced an optimal inventory management for a supply chain and customer orders but also in the construction phase of setting up a new R&D plant in the Hsinchu Science Park Longtan area, which is expected to be completed in 2018. Moreover, a new manufacturing plant and office were established in Pingzhen in the fourth quarter of 2016, whilst the Grape King Bio Health and Vitality Power Center is to be opened in the third quarter of 2017. The Centre's doors will be open to the general public so that they experience and see the corporate mission of "Health experts to take care of the whole family."

1-new R&D plant/ 2-new manufacturing plant and office/ 3-Grape King Bio Health and Vitality Power Center



In view of the CSR strategies is divided into five categories: Food Safety, R&D Innovation, Employee Relations, Social Prosperity, and Green Environment, as explained below;



## Food Safety 1



We continue to strengthen the comprehensive food safety management approach in order to fulfill the Corporate Social Responsibility. We have established an electronic pedigree

system for food safety (archiving basic information on raw materials inspection, process management, finished product quality, homemade product and OEM, ODM product raw materials, additives, and suppliers). In addition, we possess several international certifications such as ISO22000, ISO/IEC 17025, fermentation raw material Halal. In 2017, we will also obtain NSF GMP certification based on US current good manufacturing practice (cGMP), which means the whole production management is as rigorous as that of medication—all mechanisms are subject to standard procedures to ensure that the company's product quality the requirements of NSF. We hope to apply the most stringent standards so that our customers can be fully assured when using our products.

## R&D Innovation 2



For many years, Grape King Bio has actively carried out industry-academia collaboration plans with R&D, marketing, new product development, and other projects. Not only do we deliver the most immediate and advanced industry-related information to academia but we also provide young students with plenty of internship programs and opportunities to visit the factory. In addition, Grape King Bio also works on campus and training institutions and does not hesitate to share the professional skills with students. With a view of cultivating young students' competitiveness in the workplace through industry-

academia collaboration, we encouraging employees with excellence performance to serve as lecturers for the institutes of higher education and professional training institutions, and jointly instruct graduate students by assisting their oral examination for a Master's thesis/doctoral dissertation defense. Our chairman also set an example to personnel by participating in Taiwan Institute of Directors' executive director talent training program and serving as an enterprise mentor. We are hoping to cultivate national industry-related professionals as our mission whereby we are able to combine the strength of the business and academic communities. We wish to help young students accumulating their practical experience eventually narrow the gap between the theory learned at school and common practices in the workplace.

## Employee Relationships 3



Over these years, Grape King Bio has created a superior work environment for our staff. Through launching the "daily 5000 steps" scheme among internal divisions in 2013, our company distributed pedometers to all employees, encouraging them to exercise more and taking care of their health. The scheme was listed among performance appraisal items, with the aim of fulfilling the company's core value of health. In 2014 and 2015, in an attempt to further expand and enrich staff's life experience, Grape King Bio not only holds our Family Day every year, encouraging our employees to bring their family members along, but also promotes the CSR point collection system whereby our staff members can experience diverse life through various activities (e.g. painting exhibitions, public welfare activities, science exhibitions, sports events), so as to embody the "Technology, Health, Hope" core values.

## Social Prosperity 4



For society, Grape King Bio not only promises to make contributions to underprivileged groups and support their learning but also constantly develops and produces goods that benefit society

by making the best of our advanced biotechnology. We hope that through setting a good example, various public welfare activities organized can connect internal staff to the wider society, and more people can be more aware of the importance of social welfare and engage in it.

Since 2013, we have fully utilized our resources to participate and monitor social activities in order to maximize the benefits. The scope is very diverse, including care for disadvantaged groups regardless of gender, age or even animals—for example, Pingzhen Junior High School and Longgang Elementary School emergency allowances and family visit and Christmas Dream Come True programs; setting up a Grape King Bio secondary school scholarship, motivating disadvantaged students to study hard and cultivating professional talent to contribute to society; helping to build Bali Dog's Home and collecting clothing from the staff so that the dogs can live through cold winter; assisting the Hondao Senior Citizen's Welfare Foundation to complete a trip around Taiwan for senior citizens.

We also encourage our employees to take part in public welfare activities, with a total of 596 people participating in these events over the past four years—for example, we have regular collaborations with the Chensenmei Social Welfare Foundation on events held every six months, with a high degree of participation by the employees; setting up stalls on Family Day to raise money; taking infant-asylum children to go on a trip around the island, see movies, set off on farm tours and railway backpacking.

happiness of the younger generation; for example, we invested NT\$20 million and more than NT\$500,000 of maintenance costs per month to reinforce sewage and air pollution control; installing sound-proof doors in production lines to effectively curb the noise in the engine rooms; we use recycled copy paper and set up resource recycling area at the same time; we also switch off the factory and the office lights during the lunch break between 12:00 p.m. and 1:00 p.m.

In 2015, our company expanded the program by initiating a "Love the Earth, No More CO2 Emissions" drive for the purpose of cutting the emissions by more than 80000kg. In combination with the green point collection system, we engage our staff in environmental protection, such as participating in coastal cleanup activities, going on a vegetarian diet, preparing lunchboxes and tableware, using public transportation, and other energy-saving efforts. In 2015, the CO2 emissions were reduced yearly by a remarkable 228881kg. In addition, in order to continuously improve environmental care practices and corporate sustainable operation, in 2017 we plan to introduce the certified OHSAS 18001 occupational safety, health management system, TOSHMS Taiwan occupational safety and health management system, and the ISO 14001 environmental management system.

Based on the above, Grape King Bio not only is striving to meet shareholder expectations and customer requirements but also upholds the concept of sharing and compassion for members of the public and hopes to contribute to society as a whole. We are convinced that through continuous efforts and practices, the company will be able to reach a milestone for a triple win situation between us, our employees and the society with respect to Corporate Social Responsibility.

## Green Environment 5



In an attempt to maintain a sustainable environment for future generations, we continue to strengthen environmental protection for achieving the goal of balancing the environment with

we invested **NT\$20 million** and

more than **NT\$500,000** of maintenance costs per month

to reinforce sewage and air pollution control

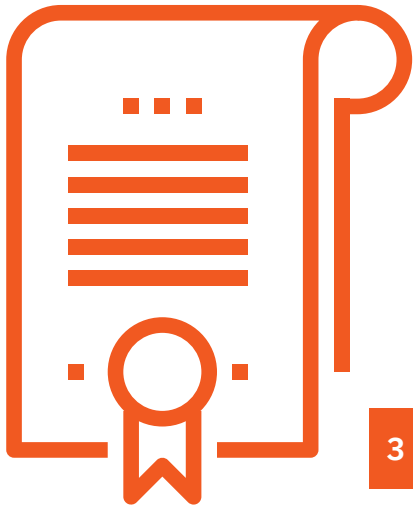




## Performance Snapshot





## Performance Snapshot




1  **27%**  
revenue growth


2  In 2016, **100%**  
supplier assessment pass rate

3  All 79 products  
can be traced internally

4  Five production lines in the plant have all been verified,  
with a completion rate of **100%**

5  The production lines finished  
the third-party verification of

**ISO 22000,**  
**HACCP, and NSF GMP**

6  In 2016, the reinstatement rate and retention rate  
or unpaid parental leave for raising children were **100%**.


7  In 2016, our salary level was **1.5** times higher  
than average industry standards

# Grape King Bio Value Chain




# Grape King Bio Value Chain

**1 Raw Materials**  
 Raw materials are provided by qualified suppliers evaluated and audited by Grape King Bio, to ensure the safety of original materials.



**2 Bioengineering Center**  
 Main duty is to develop, ferment and extract key materials, control quality of fungi, to ensure ingredient activation.




**3 Manufacturing Process**  
 Products are manufactured with the facilities of Grape King Bio in compliance with the relevant food safety control system. The manufacturing process ensures product quality and food safety through multiple quality control points




**4 Storage & Transportation**  
 To supervise and ensure the quality of storage in order to avoid product deterioration during shipping.



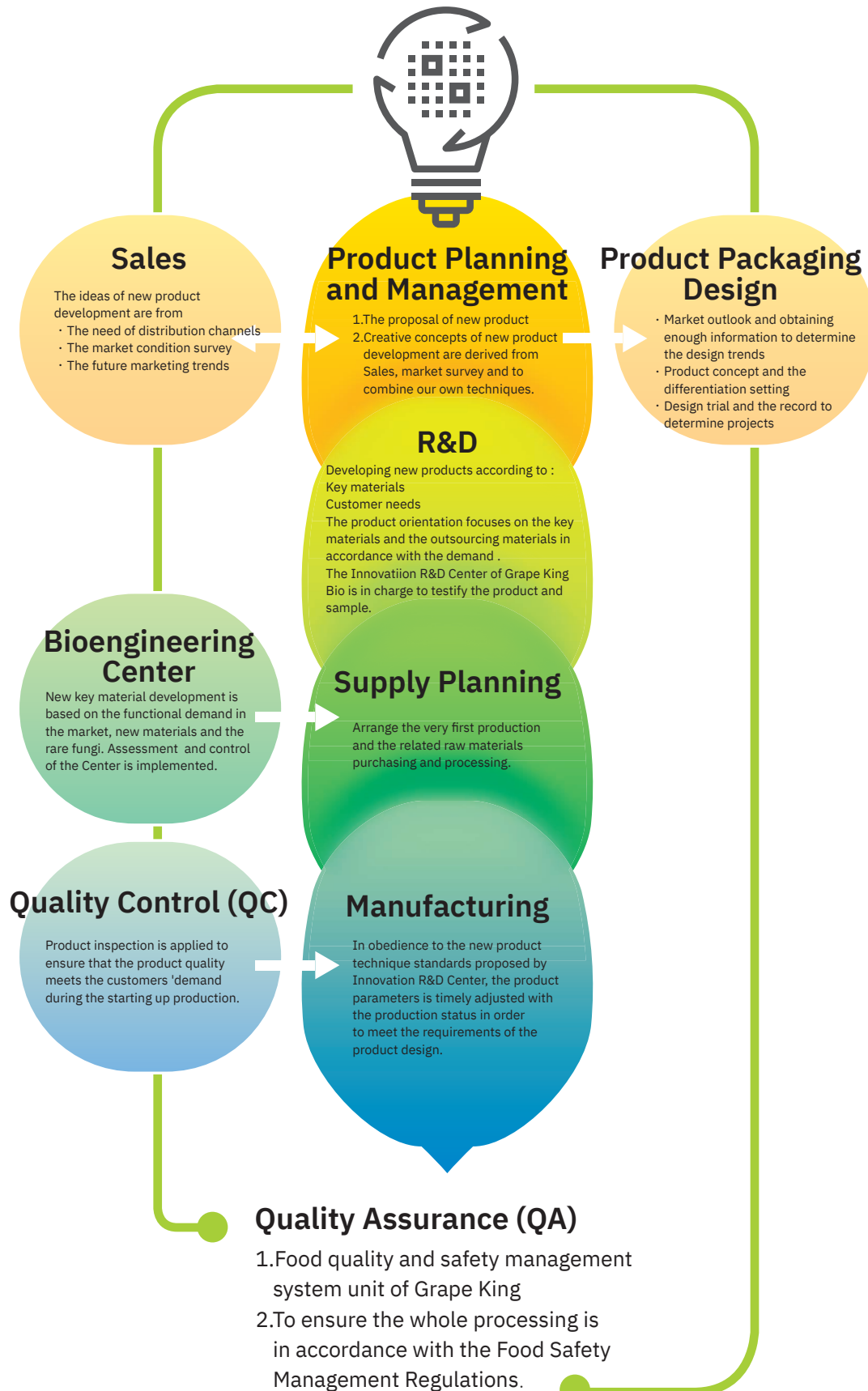
**5 Sales**  
 Grape King has solid and virtual sales channels, our core value is to provide health and safety as well as to deliver products to customers with positive attitude and excellent service.



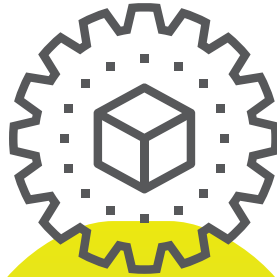
**6 Customers**  
 Safety of Grape King's health food is strictly guaranteed for customer health.



# Value Chain of New Product Development



# Value Chain of Mass Product Maintenance



## Sales Team

- Sales forecast comes from
1. Quotation of clients
  2. Market survey
  3. Market trends
  4. Customer reaction and feedbacks
  5. Product promotion and training

## Supply & need

- Conduct calculation through MRP system to implement the following plans based on result:
1. Product supply plan
  2. Procurement plan
  3. Production plan

## Quality control (QC)

Conduct raw material examination , source tracing to ensure product traceability management

**100% of raw materials are required for examination, analysis and risk evaluation before using**

## Procurement & raw material warehouse

Conduct raw material procurement, maintenance of storage environment and a mount checking

## Quality control (QC)

1. Conducting semi-finished product testing (including microbial tests, etc.) based on risk assessment.
2. Process sampling test: with filling, torque testing

## Manufacturing

Mixing Filling Packing

Manufacture products based on technique standards of R&D center.

## Quality control (QC)

1. Product check: conducting physical analysis (containing standard ingredient analysis ) Microbiological examination and related hazardous substances test
2. Reserve sample from each batch of finished products ,conduct stability test based on the frequency.

## Finished product warehouse

Finished products are stored after inventory check, and are allowed to be delivered after quality check. To hand out to shipping vendors based on customer orders and finally to deliver to customers.

**Actual qualified rated of examination reaches 100%**

## Quality Assurance (QA)

The control unit is in charge of the food safety management system in Grape King Bio: Based on ISO22000 manufacturing process , raw material exception analysis and customer complaint management, risk evaluation and analysis of production line and supply chain, to ensure suppliers and raw materials are in compliant with both legal and Grape King Bio's requirements for safety of ingredients.

**Production lines are certified with ISO 22000, HACCP, NSF, GMP standard through third-party verification.**

## Invested

**3.3 million NTD on food safety control mechanisms**

# About Grape King Bio

## 1.0

**1.1 Background**

**1.2 Business Philosophy**

**1.3 Primary Services**

**1.4 Current Business Locations**

**1.5 Chronicles**

**1.6 Honors**

## 1.1 Background

In the late 1960s when infrastructural development was in full swing in Taiwan, the founder and chairman of Grape King Bio Tseng Shui-Chao identified a growing trend and established China Fusang Shenghuang Pharmaceutical Industry Co., Ltd. (officially renamed "Grape King Bio" in 1971) in 1969, with our first product produced—ComeBest energy drink. However, with social evolution, the founder was deeply aware of the importance of industrial transformation. Therefore, in 1991, he set up a Bioengineering Center, focusing on the research of mushroom raw materials for on the development of health food products.

In 1993, subsidiary Pro-Partner Co., Ltd. was established and formally expanded into the health food market in 1998 using a diverse marketing strategy. In terms of overseas markets, Grape King Bio entered the Chinese market in 1994 and founded Shanghai Grape King Bio Enterprises Corp., and actively expanded the

international market with a variety of health food and beauty products. Grape King Bio has established our "smiling curve" from upstream R&D innovation through midstream manufacture processes to downstream branding channels. This business model developed so far has achieved remarkable results and has won many awards in Taiwan and overseas over the previous decades.

In 2014 and 2015, Grape King Bio made it to the Forbes "Asia's Best Under A Billion" list of the top 200 companies. In 2016, Grape King Bio was the only company in Taiwan that was ranked by BioSpectrum magazine among fastest growing 50 biotech companies across Asia Pacific. Moreover, one of our products Original Ganoderma King has been named by Commonhealth magazine as Taiwanese favorite Original Ganoderma brand for 11 consecutive years.

In 2016, Grape King Bio was the only company in Taiwan that was ranked by BioSpectrum magazine

among fastest growing  
50 biotech companies  
across Asia Pacific.





## 1.2 Business Philosophy

Over the past 47 years, Grape King Bio has been constantly improving ourselves with cutting-edge technology and innovative R&D, which has made us recognized as leaders in the biotech industry. With a view to becoming a Taiwan-based and globally-oriented business, Grape King Bio is a pioneer in the field of biotechnology. To continue strengthening food and drug safety management, an electronic pedigree system for food safety has been set up.

In addition, international quality certifications, such as PIC/S GMP, and ISO22000, ISO/IEC 17025 TAF certification laboratories, and fermentation raw material Halal, are our promises to consumers and the stock listing is our commitment to the public.

"Technology, Health, Hope" has always been Grape King Bio's spiritual guidance. We understand that biotechnology is the mainstream of the 21st century

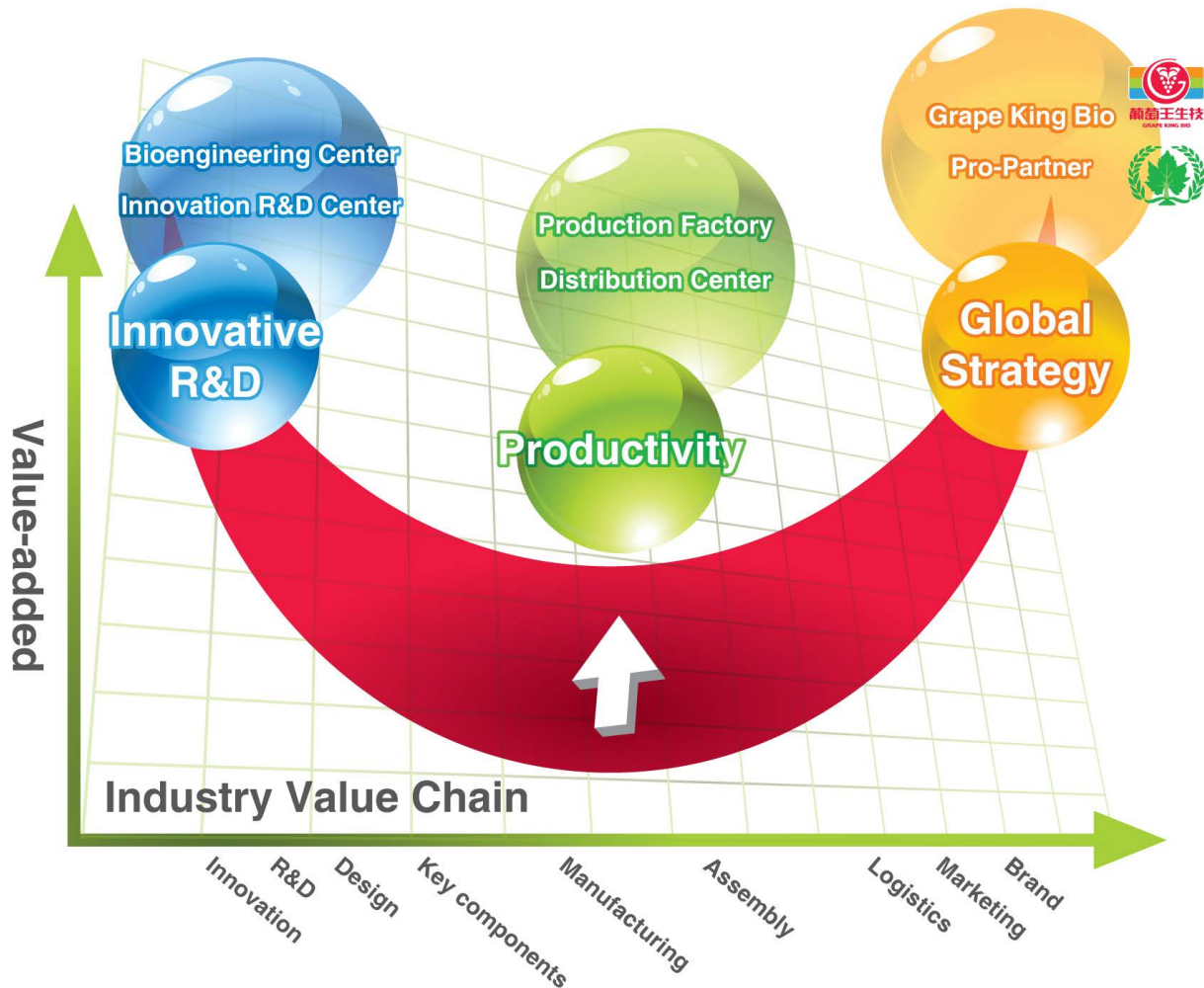
and we strive to pursue the goal of becoming a pioneer in this industry. For this reason, with "Live Healthy, Think Grape King" as the mission, Grape King Bio employees are working together to bring growth and prosperity to the company, thus providing a richer life for the public so as to jointly embrace a promising future.

Live Healthy,  
Think Grape King



## 1.3 Primary Services

Grape King Bio owns our health food and energy drink brands and offers health food and medication ODM/OEM services. The advantages of Grape King Bio business are detailed as follows using the “smiling curve”:



### (1) Top left: R&D and Technology

Grape King Bio is committed to the development of health food and our raw materials and has thus stayed far ahead of our competitors. In order to seize the market opportunity, a Bioengineering center was set up in 1991 for research and development of key components. With more than ten years of experience in R&D over our rivals, we can maintain a leading edge in the industry. In addition to own research and development, we also accept original equipment manufacturing (OEM), including mushroom raw materials, probiotics, and other raw materials for fermentation.

### (2) Mid area: Assembly and Manufacture

Grape King Bio started with the manufacture of medication which was followed by energy drinks and health food to cGMP specifications. After years of experience, we have now obtained a number of international certifications, such as PIC/S GMP and ISO22000, ISO/IEC and 17025 TAF certification laboratories. All of our products have gained abundant cooperation experience in different aspects such as product manufacturing, quality control, or logistics management. We also have received good reputation from the government-industry-university partnership. We have installed a one-stop OEM platform where upstream patent raw materials were imported to cross-type production lines and back-end product packaging is integrated.

### (3) Top right: Logistics, Marketing and Branding

Grape King Bio views our brand which remained firm for more than 47 years in the market as our most important asset. Grape King Bio utilizes biotechnology to create health and hope for people in Taiwan and this has been our goal over these years. In 2012, Grape King Bio officially launched a rebranding project for our corporate identity updating. At the end of 2014, we began to conduct comprehensive packaging reformation based on consumer needs. In 2015, we proposed three new strategies—"new products, new marketing strategies, new target groups," updating marketing ploys for popular commodities with an attempt to develop potential consumers.

For example, we use fun facts to emphasize the benefits of Original Ganoderma King for immune system improvements; adapting famous song Betrayal to focus on the benefits of Original Antrodia King for liver protection and blood pressure regulation; promoting Beneficial Bacteria King and LGG Probiotics which contain adequate amounts of good bacteria by recounting stories about police vs robbers. Furthermore, our new products continue to be introduced, such as TianQi Ganoderma King, PowerBOMB Energy Drink, and Ginseng Clam PlusB.

So far we have seen excellent results and were given recognition by the 2015 Manager Today magazine online survey and expert selection of influential brands. At

the end of 2016, Grape King Bio's visitor center will be completed, persevering in conveying the "Live Healthy, Think Grape King" mission.

In addition to the outstanding performance of our own brand, our multi-level marketing subsidiary Pro-Partner was placed 66th place in the 2013 world rankings. In 2016, our turnover exceeded NT\$8 billion for the first time, which came in the 2nd place among the top ten domestic marketing companies for the 3rd consecutive year in Taiwan.

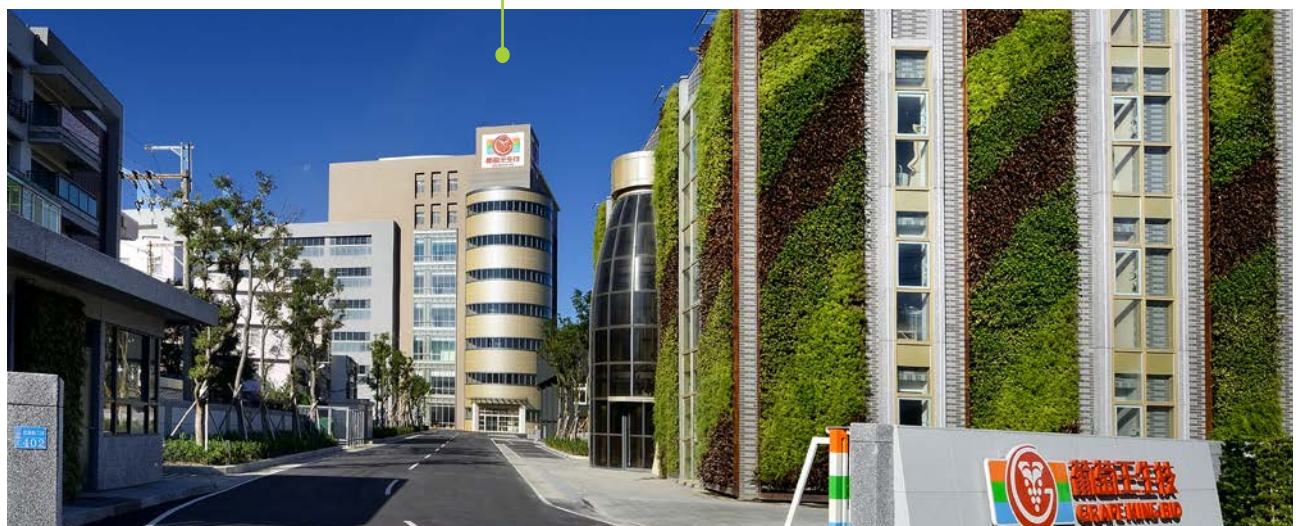
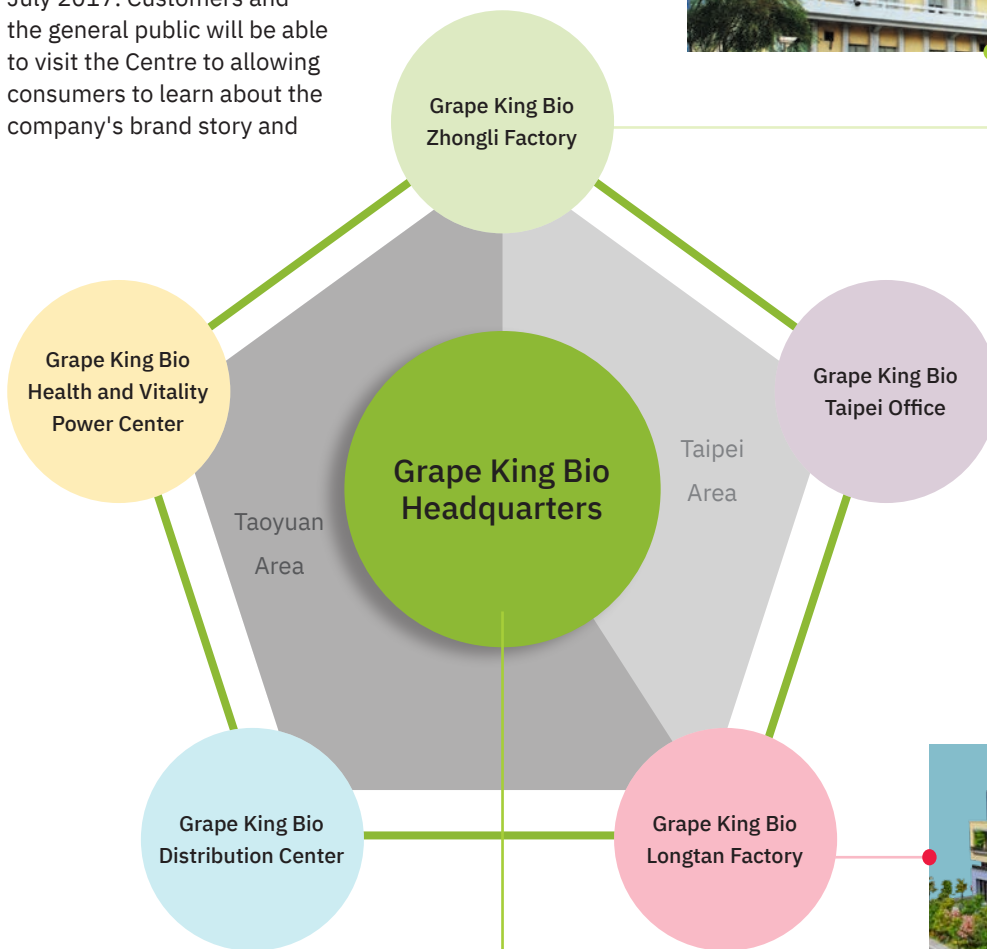
Grape King Bio's tourism factory (Grape King Bio Health and Vitality Power Center)



# 1.4 Current Business Locations

At present, Grape King Bio's business locations are concentrated mainly in northern Taiwan, where the main production, R&D, and logistics centers are based in Taoyuan areas. In September 2016, the newly-built Pingzhen site, became the new office building and backend packaging and assembly factory, is served as our headquarters. In addition, Grape King Bio's tourism factory Health and Vitality Power Center is being constructed on the same Pingzhen site and is scheduled to be opened in July 2017. Customers and the general public will be able to visit the Centre to allowing consumers to learn about the company's brand story and

business philosophy at any time. The original Zhongli factory houses a R&D and fermentation whilst logistics management is located at Longtan. A new fermentation plant, which is being built in the Hsinchu Science Park Longtan area is expected to be completed in 2018.



## 1.5 Milestones

### 1960s

- In 1969, China Fuso Seiko Pharmaceutical Industries Ltd. was founded. The popular energy drink, "ComeBest", was first produced.

### 1970s

- In 1971, Grape King Foods Co. Ltd. was founded to manufacture foods and pharmaceutical products.
- In 1973, KangBei Cosmetics Co., Ltd. was established.
- In 1976, KangBei Cosmetics Co., Ltd. was renamed as Haifeisi Cosmetics Co., Ltd.
- In 1979, China Fuso Seiko Pharmaceutical Industries Ltd. and Grape King Foods Co. Ltd. were merged to form a the new company Grape King Inc.

### 1980s

- In 1981, Haifeisi Cosmetics Co., Ltd. was incorporated into Grape King Bio Enterprise Co., Ltd.
- In 1982, Grape King Inc. was approved by Securities Management Commission, Ministry of Finance, to become a public listed company.
- In 1987, Officially certified by Department of Health as an approved GMP pharmaceutical manufacturer.

### 1990s

- In 1991, the Bioengineering Center was established to research, develop and manufacture mushroom based raw material products..
- In 1991, Pingzhen Distribution Center was established, which was 3,000 sq.ft.
- In 1993, Grape King established Pro-Partner Enterprise to sell a premium range of health food products.
- In 1994, Shanghai Grape King was founded to manufacture and sell various health and beauty products.
- In 1998, Pro-Partner Enterprise was registered with the Fair Trade Commission of Taiwan, officially recognized as a legal Multilevel Marketing company.

### 2000s

- In 2002, Grape King Inc. company name was changed to Grape King Biotechnology Inc.
- In 2008, construction of "Biotech Product Automation Production Packaging Factory" and "Brewery Plant".

### 2010s

- In 2010, Grape King expands the fermentation facility by installing 2 new 40T and 6 500L fermenters.
- In 2013, Pro-Partner Enterprise bought new building in Neihu, Taipei City, as a new logistics center and education & training center.
- In May 2014, the groundbreaking ceremony for a new Pingzhen plant was performed and the plant was expected to be operated by the end of 2016.
- In August 2014, Longtan branch of Hsinchu Science Park approved the construction plans for our new fermentation facilities.
- In 2014, Grape King Bio became PIC/S GMP and ISO22000 certified.
- In 2015, we passed ISO/IEC 17025 TAF laboratory certification standards which were approved by the TAF.
- In 2016, PingZhen factory operated on September.



## 1.6 Honors and Awards

### 2012

- **Enterprise** ◻ Grape King Bio won the Taoyuan County Outstanding Enterprise Excellence Award
- **Product** ◻ Antrodia King received the 9th National Innovation Award in the new product category
  - ◻ Antrodia King won the 19th Taiwan SMEs Innovation Award from the Ministry of Economic Affairs

### 2013

- **Enterprise** ◻ Grape King Bio was awarded the National Brand of Yushan Award for Best Popular Brand and National First Prize
  - ◻ Grape King Bio won a Taiwan TrainQuali System (TTQS) Enterprise Version bronze from the Executive Yuan Council of Labor Affairs Bureau of Employment and Vocational Training
  - ◻ Grape King Bio took first place in eight operating indicators evaluated by the Institute for Biotechnology and Medicine Industry
  - ◻ Grape King Bio received the 2nd Taiwan Mittelstand Award for Finalist
  - ◻ Grape King Bio came in 36th in 2013 TOP100 Enterprises Younger Generations Want to Work For and 2nd in the science category from Cheers special issue No. 117



- **Individual** ◻ Chairman and general manager Andrew Tseng received the 9th Ernst & Young Entrepreneur Award for Business Transformation Entrepreneur of the Year.
  - ◻ Chairman and general manager Andrew Tseng was named the 100MVP Manager of the Year from Manager Today magazine.

### 2014

- **Enterprise** ◻ Grape King Bio came in third in the biotech and pharmaceutical category of 2000 corporations from CommonWealth Magazine No. 547.
  - ◻ Grape King Bio came in third in the biotech and pharmaceutical category of 2000 corporations from CommonWealth Magazine No. 547.
  - ◻ Grape King Bio received the 11th National Innovation Award in mushroom healthy food development technology.
  - ◻ Grape King Bio won Top 20 Taiwan Innovative Enterprises 2014.
  - ◻ Grape King Bio made it to the Forbes “Best under a Billion” 2014 list of the top 200 publicly traded companies in the Asia-Pacific region.



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## 2014

**Product** ◻ Antrodia King range won the 16th Golden Peak Award for Top Ten Outstanding Products.

**Individual** ◻ Chairman and general manager Andrew Tseng won the 16th Golden Peak Award for Top Ten Outstanding Managers.



## 2015

**Enterprise** ◻ Grape King Bio came in third in the biotech and pharmaceutical category of 2000 corporations from CommonWealth Magazine No. 572.

◻ Grape King Bio was given recognition in the 2015 influential health food brand category from Manager monthly.

◻ Grape King Bio again made it to the Forbes “Best under a Billion” list of the top 200 publicly traded companies in the Asia-Pacific region.

**Product** ◻ Antrodia King range won the 16th Golden Peak Award for Top Ten Outstanding Products.

**Individual** ◻ Chairman and general manager Andrew Tseng won the 12th Golden Torch Award for Top Ten Outstanding Enterprises – Excellent Managers.

◻ Chairman and general manager Andrew Tseng won the 2015 Taiwan Asia Pacific Entrepreneurship Awards for Best Improvement.

◻ Chairman and general manager Andrew Tseng received the Distinguished Food Entrepreneur Award.



**Patent** ◻ “Compositions and methods for promoting primary hepatocyte proliferation by active ingredients from Antrodia cinnamomea in submerged culture” was awarded with a Gold Medal at the 2014 26th ITEX International Invention Exhibition in the Biotechnology, Health & Fitness category.

◻ Grape King Bio was awarded with a Gold Medal at the 2015 30th American INPEX in the category of “Alternative Medicine/Therapeutic”. The award was given in recognition for the research and development of Antrodia cinnamomea.

◻ “Compositions and methods for promoting primary hepatocyte proliferation by active ingredients from Antrodia cinnamomea in submerged culture” was awarded with a Gold Medal at the 2015 Taipei International Invention Show & Technomart.

◻ “Cordyceps cicadae mycelium active substance, preparation method, pharmaceutical composition and application thereof” was awarded with a Bronze Medal at the 2015 Taipei International Invention Show & Technomart.



# 2016

- Enterprise**
- o Grape King Bio came in 32nd place in 2016 TOP100 Enterprises Younger Generations Want to Work For and 1st in the medical biotech category from Cheers special issue No. 184.
  - o Grape King Bio came in 3rd for three consecutive years in the pharmaceutical and biotech category of 2000 corporations from CommonWealth Magazine No. 597.
  - o Grape King Bio was awarded the 2016 Superbrands.
  - o Grape King Bio was the only company in Taiwan that was ranked by BioSpectrum magazine among “fastest growing 50 biotech companies across Asia Pacific”.
  - o Grape King Bio was the only enterprise praised for its performance in social education by the Taoyuan City Government.
  - o Grape King Bio responded by joining Taiwan Immunization Vision and Strategy’s “Influenza Prevention League,” building a healthy workplace, and received the Epidemic Prevention Pioneer Award.

- Product**
- o Original Ganoderma King won the Excellence Award in the health brand category from Yahoo Health Brand Award.
  - o The probiotics range won the Excellence Award in the health brand category from Yahoo Health Brand Award.

- Patent**
- o "Three times the promotion of normal liver cell proliferation with alkali polysaccharide" was awarded Gold Medal at the 2016 44th Geneva Invention Gold Medal and Special Award at the United Arab Emirates.
  - o "Hericium erinaceus mycelium special process" received Silver medal from 2016 44th Geneva International Invention Exhibition.
  - o Antrodan (peptidoglycan), which protects and promotes hepatocyte hyperplasia, was awarded the Bronze Medal of the Paris International Invention Exhibition in 2016.
  - o "Cicadas flower active substance, its preparation method, including its pharmaceutical composition and its use" received Bronze medal from the 2016 France Paris International Invention Exhibition.
  - o "A method for preventing the degradation of erinacine A in Hericium Erinaceus mycelia" received a Gold Medal from the 2016 Taipei International Invention Show & Technomart Contest.
  - o "A method of preparing bioactive compounds from Lepista nuda mycelia in submerged fermentation against ultraviolet(UV) A irradiation" received a Silver Medal award from the 2016 Taipei International Invention Show & Technomart Contest.
  - o "Antrodia Cinnamomea mycelia as adjuvant treatment to chemotherapy "was awarded Gold Medal from 2016 IIIC International Innovation & Invention Competition.
  - o "A novel compound, erinacine S, isolated from the mycelia of Hericiom Erinaceus for pain treatment" was awarded Silver Medal from 2016 IIIC International Innovation & Invention Competition.





▶ continued from previous page

## 2016

- Patent**
- o "A novel compound, erinacine S, isolated from the mycelia of *Hericium Erinaceus* for pain treatment" was awarded Silver Medal from 2016 IIIC International Innovation & Invention Competition.
  - o Grape King Bio's *Hericium Erinaceus* Mycelia, developed for the Pro-Partner brand, was awarded the "Innovative Process Technology Gold Medal" for its innovation, research and production.
  - o "Cordyceps *Cicadae* mycelium active substances, preparation method, pharmaceutical composition and application thereof" was awarded Gold prize at the 2016 12th Seoul International Invention Fair.
  - o "A pharmaceutical or food composition of *Antrodia Cinnamomea* extract reducing drug-resistance in cancer cells" won Silver prize at the 2016 12th Seoul International Invention Fair.
  - o "Composition and methods of use thereof, for the treatment of cancer pain, comprising *Hericium Erinaceus*" won Bronze prize and Special prize at the 2016 12th Seoul International Invention Fair.



# Communication with Stakeholders

## 2.0

Process of Negotiations with Stakeholders

Matrix of Material Analysis Results

Material Issues of Grape King Bio and Management Approaches

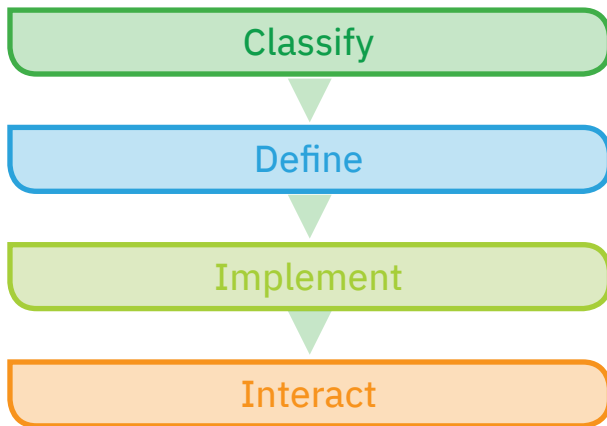
Channels of Communication with Stakeholders

Material Issues Related to Grape King Bio Core Value

Grape King Bio's ultimate goal is to pursue sustainable development. For this reason, it is necessary to understand the thoughts, needs, and expectations of the stakeholders by establishing a transparent and effective communication channel, through which Grape King Bio not only persists in collecting feedback from daily business operation and stakeholders but also endeavors to communicate and reacts in a prompt manner, which is used as a reference for drawing up CSR policies and related plans. The negotiations we conducted throughout the past decades with the stakeholders did not include any of our subsidiaries other than Grape King Bio.

## Process of Negotiations with Stakeholders

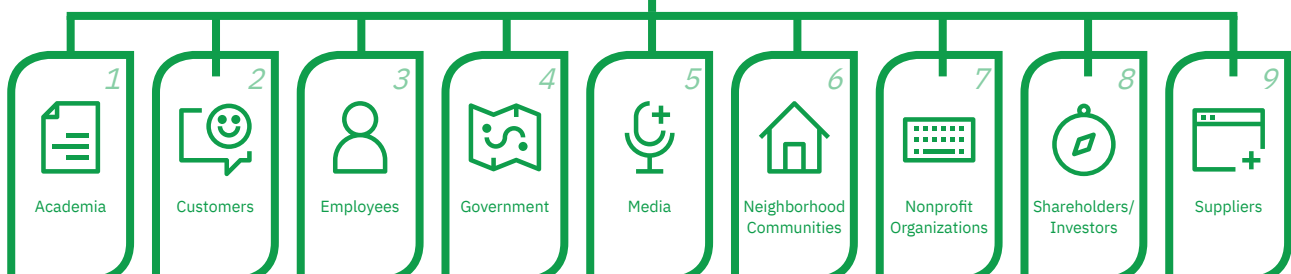
The process is divided into four stages: classify, define, implement, and interact



### Identification of stakeholders

9 categories

After discussions about the definition of the word "stakeholder" the Corporate Social Responsibility Committee classified Grape King Bio's main stakeholders into nine categories: employees, customers, suppliers, shareholders/investors, nonprofit organizations, government, neighborhood communities, academia, and media, we therefore set up various communication channels for collecting feedback.



### Material Analysis

15 material issues

After classifying our stakeholders, Grape King Bio distributed questionnaires every year. This year we collected 139 questionnaires, collating the 42 issues filled in by stakeholders and analyzed them according to the degree of concern. Then, we ranked them based on the stakeholders' influential level to our company and concluded our 15 material issues.

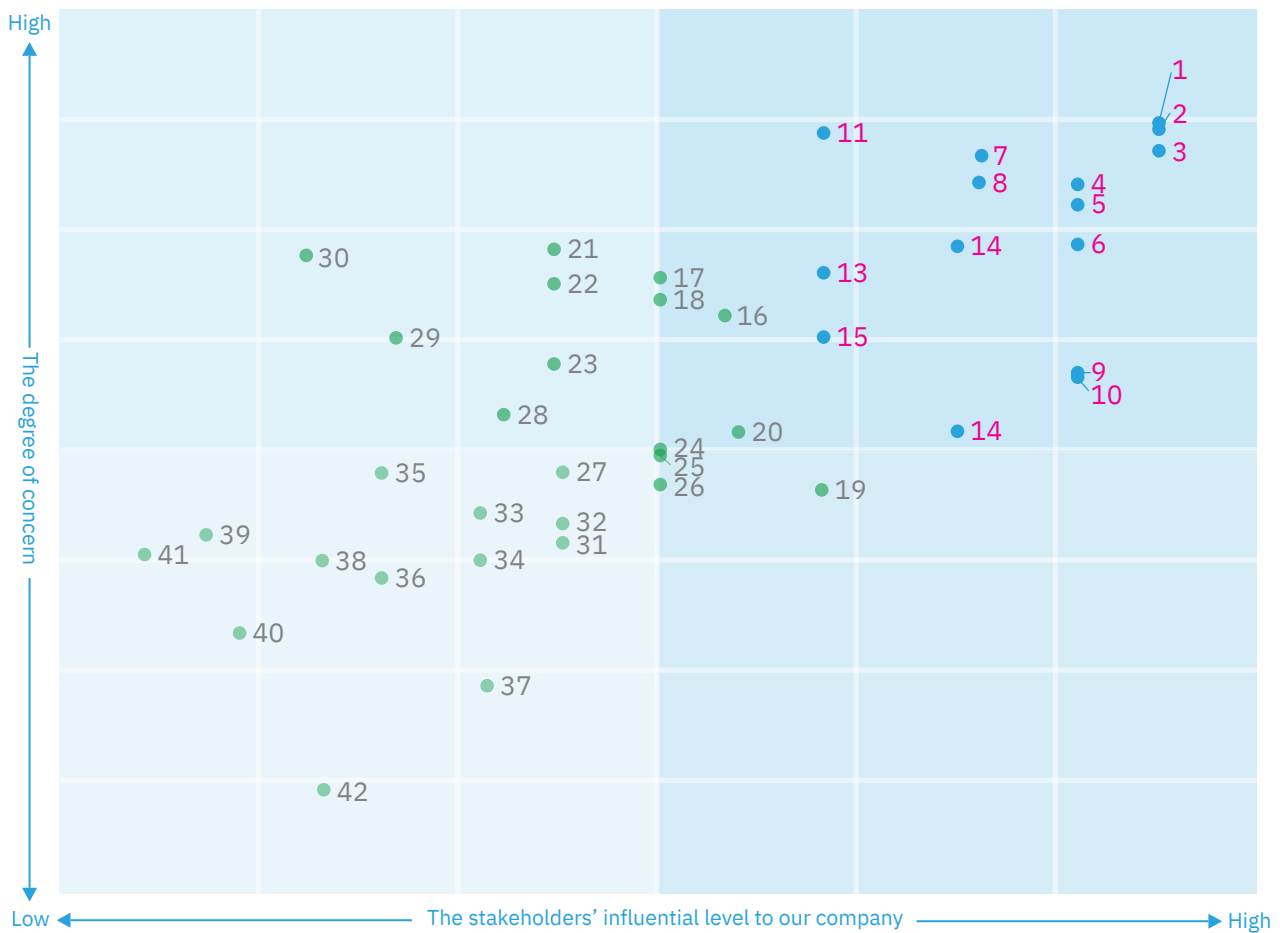
### Implementing the material issues

In order to ensure the sustainable development of the company, all departments of Grape King Bio included the material issues in our annual business strategy or daily business operation and continued to make improvements, according to the material issues defined in the preceding paragraph.

### Interaction with stakeholders

Grape King Bio takes the opinions and suggestions of all stakeholders seriously. In addition to including the material issues in the annual business strategies or daily business operation, we constantly communicate and interact with stakeholders. We also set performance indicators for material issues, conduct reviews on a regular basis, and improve the effectiveness of promoting Corporate Social Responsibility, which is presented in the CSR Report.

# Matrix of Material Analysis Results



## 15 material issues

1. Safety of products and services
2. Products inflict no harm to the human body
3. Full and legal disclosure of information and labeling regarding our products and services
4. Core value setting and guidelines for ethical business practices
5. Customer privacy protection
6. Compliance with marketing advertisement& promotion regulations
7. Provision of a healthy and safe workplace
8. Regulatory compliance-including organizational operations and product services in the environment, society, and product liability
9. Waste management
10. Waste water management
11. Brand marketing and promotion of enterprise products or services (including certifications and marks)
12. Nutrition of our products
13. Product advertisements Compliance with moral ethics and social customs
14. Internal environmental policy setting
15. Anti-corruption

# Material Issues of Grape King Bio and Management Approaches

Business	Significance of Grape King Bio	Management policy	Response chapter	Key response summary
1 Safety of products and services	Food safety is the most important issue for the food industry, and food safety control is essential for the sustainable management of enterprises.	Comply with food safety regulation. Apply multiple food safety management system certifications to achieve self-improvement	4.5 Product Liability	<ul style="list-style-type: none"> <li>Food/drug management systems</li> <li>Hygienic requirements for equipment</li> <li>Quality inspections</li> <li>Product tracking management</li> </ul>
2 Products inflict no harm on health	Attend to food safety and environmental protection, and implement various aspects as the criteria for auditing suppliers. Only by having consistent values and measure can we ensure the quality of our products. Improved quality management systems can boost profitability, express true commitment to the quality of products and services, and enhance customer trust and satisfaction	The purchasing policy of Grape King Bio is based on quality. Suppliers are inspected monthly to prompt suppliers to provide better raw materials. By conducting 100% raw material inspections and supply chain risk assessment, product safety is secured and risk is reduced.	4.1 Introduction	<ul style="list-style-type: none"> <li>Multiple food safety certifications</li> <li>Supplier evaluation systems</li> </ul>
3 Full and legal disclosure of information and labeling regarding products and services	Transparent and autonomous disclosure of information contributes to the establishment of a positive image of the enterprise.	Product information and labeling are reviewed jointly by relevant departments in the factory to reconfirm accuracy and legality.	4.5 Product liability	<ul style="list-style-type: none"> <li>Compliance with food safety regulations and product labeling</li> </ul>
4 Core value setting and guidelines for ethical business practices	Within the framework of enterprise core values—"technology, health, and hope," we execute CSR by following a "better society" philosophy. The company supports and requires all employees to perform with integrity, rigorous standards, and unity. Employees are prohibited from being involved in any unlawful or improper activities and also not allowed to engage or abet others in activities or relationships that may be harmful to duty or professional judgment.	Grape King Bio follows the core value and mission of the enterprise, formulates relevant strategies and establish an ethical code of conduct e listed as follows: (1) Behavioral requirements and principles of attitude (2) Avoidance of conflict of interest and not seeking personal gain (3) Non-disclosure agreement and attribution of right (4) Commercial activities and business transactions (5) Information disclosure and resource utilization (6) Compliance with law and social responsibility (7) Reporting illegal conduct and dishonesty	1.0 About Grape King Bio  3.3 Internal Control	<ul style="list-style-type: none"> <li>Business philosophy</li> <li>Ethical code of conduct</li> </ul>



Business	Significance of Grape King Bio	Management policy	Response chapter	Key response summary
5 Customer privacy protection	Customer privacy is of great importance to Grape King Bio, and customer trust is critical to sustainable business.	Grape King Bio has long endeavored to build our brand and set strict standards for product labeling to after-sales service. For all consumers, we stress integrity, product quality improvement, and progress on customer satisfaction. We also stress on producing safe products, safeguarding the rights of customers, offering accurate product information, providing high-quality after-sales service, giving necessary guidance, and endowing customers with the right to make independent choices. We Customer service quality optimization and enhancement are our ultimate goal, and we are committed to providing the customer with best services.	3.6 Customer Services	· Customer privacy
6 Compliance with marketing advertisement& promotion regulations	Uphold our mission to protect the health of consumers and to maintain the good brand assets that have been developed for years.	At the advertising brainstorming stage, product packaging wording, logos, and the theme will be confirmed whether they are lawful with legal and QA units. The review procedure is expected to be established in July 2017, and the comprehensive control will be carried out to increase the strictness of the management	4.5 Product Liability	· Compliance with marketing advertisement& promotion regulations
7 Provision of a healthy and safe workplace	Grape King Bio has been promoting disaster prevention work in the factory area, actively organizing health promotion activities, gradually completing the risk and opportunity improvement, implementing environmental safety and health education training, improving the quality of work environment, and creating a better living environment for the public.	<ul style="list-style-type: none"> <li>· Safety and health regulations promotions and training</li> <li>· Health promotion management: setting up nursing rooms and organizing health promotion activities, and winning the healthy workplace certification award from the Ministry of Health and Welfare in 2017.</li> <li>· Introducing the certified occupational safety and health management system in 2017</li> </ul>	6.7 Occupational safety	<ul style="list-style-type: none"> <li>· Safety training</li> <li>· Safe and hygienic work environment</li> </ul>
8 Regulatory compliance-including organizational operations and product services in the environment, society, and product liability	Abiding by laws and regulations is the basic principle of enterprise operations, and can further win the hearts of consumers.	Enable compliance with internal regulations announcement and self-examination.	4.5 Product Liability	<ul style="list-style-type: none"> <li>· Regulatory compliance</li> <li>· Promotion and improvement</li> </ul>
9 Waste management	Based on environmental protection, waste sorting and waste reduction in the production phase are implemented to reduce the impact on the environment	<ul style="list-style-type: none"> <li>· Develop waste management methods and achieve:</li> <li>· waste sorting and management</li> <li>· waste reduction in the production phases</li> </ul>	8.4 Waste Management	· Waste management



Business	Significance of Grape King Bio	Management policy	Response chapter	Key response summary
10 Waste water management	Water resources management is vital to the sustainable management of enterprises. Effective allocation and management can not only reduce the waste of water resources, but also booster the efficiency of water utilization.	<ul style="list-style-type: none"> <li>Formulate and implement measures for the management of waste waters:</li> <li>Special personnel for wastewater treatment</li> <li>Wastewater treatment plant management</li> <li>Replace and renew equipment</li> </ul>	8.3 Waste Management	<ul style="list-style-type: none"> <li>Compliance with statutory standards</li> <li>Reduction of effluent and continuous improvement</li> </ul>
11 Brand marketing and promotion of enterprise products or services (including certifications and marks)	Certifications are an affirmation of enterprise management and product design and can deliver the positive image.	Abide by certification and standards.	4.5 Product Liability	<ul style="list-style-type: none"> <li>Food/drug management system framework and status</li> <li>Product advertisements conform compliance with to moral ethics and social customs</li> </ul>
12 Nutrition of our products	Design premium health food and nutritional supplements suitable for different groups to conform to market and customer needs. Create product value and corporate image.	<ul style="list-style-type: none"> <li>Establishment of raw material database</li> <li>Formula database management</li> <li>Improvement of fermentation processes and quality optimization</li> <li>Introduction of academic resources</li> <li>Application for government subsidies</li> <li>Efficacy verification</li> <li>Publication of journal articles</li> </ul>	5.4 Material Development	<ul style="list-style-type: none"> <li>Diversified product material development</li> <li>Diversified product development</li> </ul>
13 Product advertisements conform compliance with to moral ethics and social customs	As advertising is closely related to the corporate image, utilizing ads to strengthen the consumers' impression of enterprises can maintain good brand assets.	Advertisements are presented in accordance with relevant laws and regulations and are jointly reviewed by relevant units to avoid exaggeration and untrue cases. The review procedure is expected to be established in July 2017, and the comprehensive control will be carried out and increase the strictness of the management	4.5 Product Liability	<ul style="list-style-type: none"> <li>Compliance with health regulations</li> <li>Compliance with social customs</li> </ul>
14 Internal environmental policy setting	Attending to environmental protection is vital to sustainable development policy of Grape King Bio. Through environmental impact assessment and the operation mode of P-D-C-A, environmental management objectives and improvement plans have thus been formulated.	Formulate environmental safety and health policy, and obtain environmental management system certification. It is expected that the ISO14001 environmental management system will be verified in 2017.	8.1 Environmental policy	<ul style="list-style-type: none"> <li>Environmental policy</li> </ul>
15 Anti-corruption	As integrity is the most important basis for the company's sustainable development, Grape King Bio promises to abide by national decrees and ethical standards in the place where the business is based. All business activities and commercial behavior require fairness and legal basis to prevent illegal, unethical acts and other violations of regulations and corporate norms, as well as to ensure the company's daily sustainable operation.	Formulate the ethical codes of conduct and report and complaint management procedures for Grape King Bio, and provide communication channels such as a corruption mailbox and email, official website's report email, and a hotline for expressing relevant opinions.	3.3 Internal control 4.3 Supply Chain Management	<ul style="list-style-type: none"> <li>Avoidance of conflict of interest</li> <li>Anti-corruption</li> </ul>

# Channels of Communication with Stakeholders

## Object



### Employees

Communication frequency	Channels of communication	Communication issues	Corresponding topics in this report
Once a quarter	· Regular labor-management meetings	· Company operation	3.1 Corporate Governance
Irregularly	· Company announcements	· Labor relations and benefits	6.4 People-oriented
Irregularly	· Intranet	· Workplace safety and employee health	6.5 Talented Recruitment
Irregularly	· Human resources units	· Waste water and waste management	8.2 Energy Conservation and Carbon Reduction
Irregularly	· Employee suggestion boxes	· Product quality and food safety	
Irregularly	· Report and complaint boxes		

## Object



### Customers

Communication frequency	Channels of communication	Communication issues	Corresponding topics in this report
Every day	· Official websites and external communication boxes	· Process and technology	3.6 Customer Service
Once a year	· Customer satisfaction surveys	· Product quality and food safety	4.2 Raw Material Management
Every day	· Official shopping systems	· Customer service	4.3 Supply Chain Management
Every day	· Telephone interviews	· Anti-corruption	4.4 Sanitary and Hygiene Training
Every day	· Dedicated customer service hotlines and points of contact	· Staff safety and hygiene	4.5 Product Liability

## Object



### Suppliers

Communication frequency	Channels of communication	Communication issues	Corresponding topics in this report
Once to twice a month	· Official websites and external communication boxes	· Anti-corruption	3.3 Internal Control
Every day	· Public bidding, opinion exchanges, and interview meetings	· Purchasing policy	4.3 Supply Chain Management
Twice to three times a month	· On-site supplier audit and guidance	· Supplier management	4.5 Product Liability
Every day	· Questionnaire, telephone, fax, e-mail	· Compliance with statutory norms	4.4 Sanitary and Hygiene Training
		· Environment, safety, and health management	



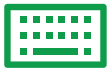
## Object



## Shareholders/ Investors

Communication frequency	Channels of communication	Communication issues	Corresponding topics in this report
Once a year	· Annual shareholders' meetings	· Industry competitive edge	3.1 Corporate Governance
Irregularly	· Irregular investor conference(call)	· Dividend policy	3.2 Financial Performance
Irregularly	· Participation in seminars and face-to-face communication meetings by investment institutions at home and abroad	· Social responsibility performance	
Irregularly	· Answering questions from investors and analysts via telephone, e-mail and external communication box, and collecting feedback regularly	· Company operation	
Once a year	· Issue annual reports of the company and CSR reports, and	· Product quality and food safety	
Irregularly	publish important news on the Market Observation Post System website or announce the company's news on the official website at irregular intervals.		

## Object



## NPOs

Communication frequency	Channels of communication	Communication issues	Corresponding topics in this report
Irregularly	· volunteer activities	· Volunteer services	7.4 Promote Public Welfare
Irregularly	· Official websites		
Irregularly	· Official fans groups		
Irregularly	· ask forces		

## Object



## Government

Communication frequency	Channels of communication	Communication issues	Corresponding topics in this report
Irregularly	· Correspondence	· Water resources management	8.3 Water Resource management
Irregularly	· Meetings (e.g. presentations or hearings)	· Food safety	4.5 Product Liability
		· Water and electricity saving measures	8.2 Energy Conservation and Carbon reduction
		· Public facilities adoption and donation	

## Object



## Neighborhood communities

Communication frequency	Channels of communication	Communication issues	Corresponding topics in this report
Irregularly	· Community activities	· Public benefit activities	7.5 Local Communities
Irregularly	· Point of contact from the heads of boroughs & neighborhoods	· Environmental issues · Folk activities	8.1 Environmental policy

## Object



## Academia

Communication frequency	Channels of communication	Communication issues	Corresponding topics in this report
Irregularly	· Industry-academia collaboration activities and conferences	· Organizational operation and management	5.2 Product Development
Twice a year (winter and summer vacations)	· Internship training and exchanges	· Food safety	4.5 Product Liability
Irregularly	· Keynote speeches and seminars	· Research and Innovation	

32

## Object



## Media

Communication frequency	Channels of communication	Communication issues	Corresponding topics in this report
As determined by demand	· Press conference	· Plant expansion and investment plan	1.5 Chronicles
As determined by demand	· Special interview	· Talent recruitment	6.5 Talented Recruitment
As determined by demand	· Press release	· Organizational reform	5.2 Product Development
Irregularly	· Public relations company	· New product planning	5.4 Material Development

## Report Boundary: ● Report scope for this year

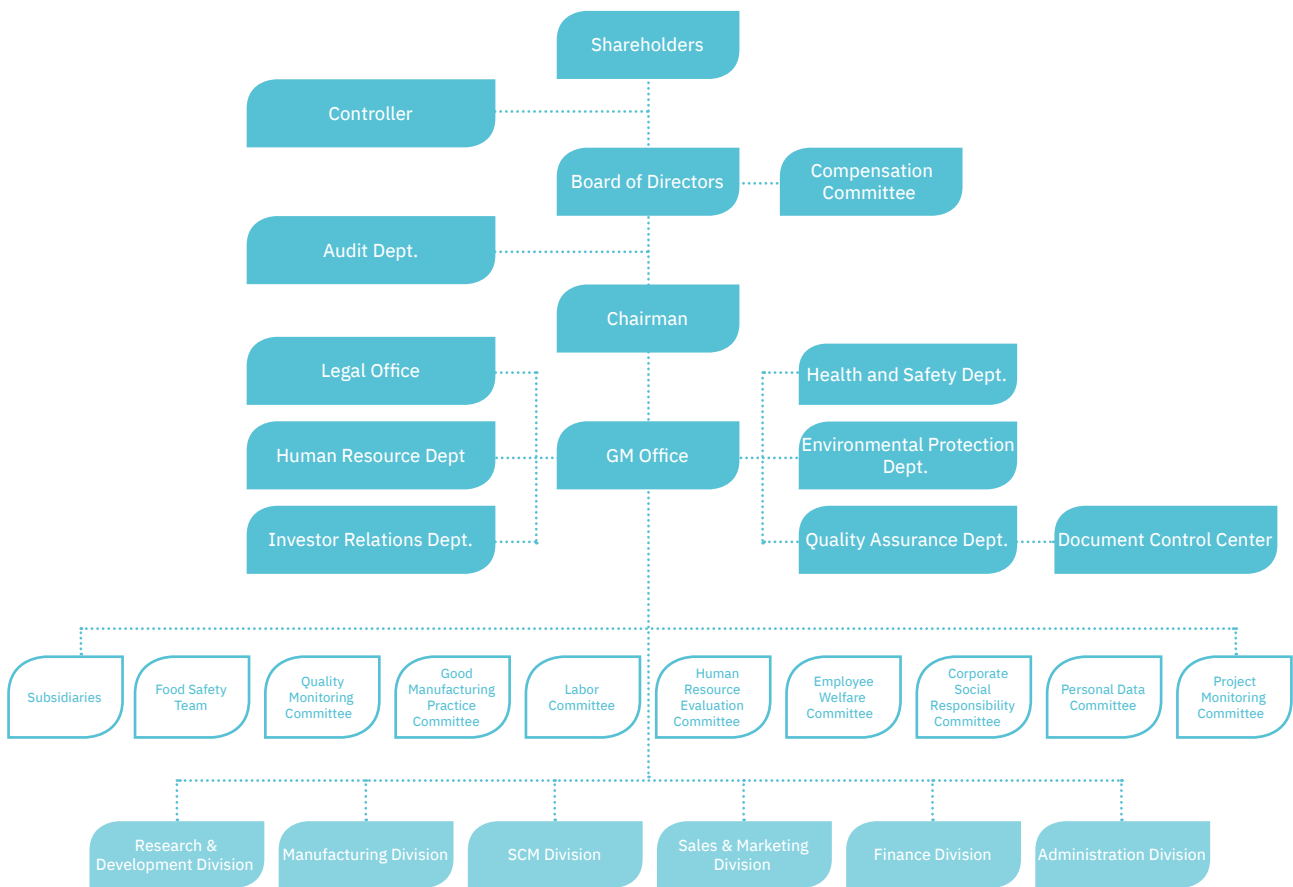
	Material issues	Internal	External		
		Grape King Bio	Customers	Suppliers	Communities
1	Safety of products and services	●	●	●	
2	Products inflict no harm on health	●	●	●	
3	Full and legal disclosure of information and labeling regarding products and services	●	●		
4	Core value setting and guidelines for ethical business practices	●	●	●	
5	Customer privacy protection	●	●		
6	Compliance with marketing advertisement & promotion regulations	●	●		
7	Provision of a healthy and safe workplace	●		●	●
8	Regulatory compliance-including organizational operations and product services in the environment, society, and product liability	●	●	●	●
9	Waste management	●			●
10	Waste water management	●			●
11	Brand marketing and promotion of enterprise products or services (including certifications and marks)	●	●		
12	Nutrition of our products	●	●	●	
13	Product advertisements compliance with moral ethics and social customs	●	●	●	
14	Internal environmental policy setting	●			
15	Anti-corruption	●		●	

# Corporate Governance

## 3.0

- 3.1 Corporate Governance**
- 3.2 Financial Performance**
- 3.3 Internal Control**
- 3.4 Sustainable Development**
- 3.5 Corporate Social Responsibility Organization**
- 3.6 Customer Services**

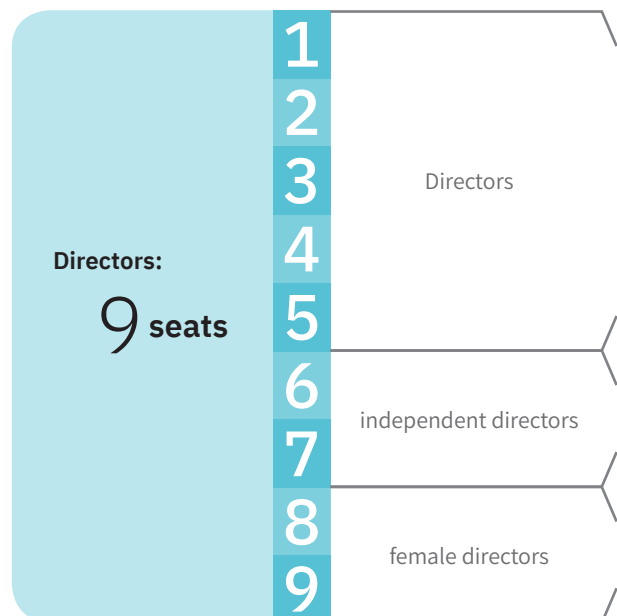
## 3.1 Corporate Governance



### Board of directors

The Board of Directors is the top management unit of Grape King Bio, which currently has nine seats as per the articles of association (in 2015, ten seats were elected at the shareholders' meeting, one of which was resigned on December 1, 2015), two of which are independent directors and two of which are female directors.

In order for the two independent directors to fully exercise their functions and powers as well as to have a better understanding of the company's financial reports and financial and business status, the company set up a communication policy for independent directors, internal audit directors, and accountants, through which in 2016 they communicated with each other two times.



### The independent directors of 2016 (elected in 2015) were:

Name	Education level	Experience
Feng-i Lin	Master from Nankai University's Institute of Economics, Tianjin	Vice General Manager at Want-Want China Holdings Limited
	Bachelor of Soochow University's Department of Accounting	Director at Want China Holdings Limited
Chin-fu Chen	Ph.D. in Decision Sciences at Harvard University	Director of the Graduate Institute of National Defense Decision Sciences at National Defense University
		Independent Director at ADDA Corporation

In an attempt to enhance the health of the company and protect the rights and interests of investors, the 2017 shareholders' meeting passed an amendment to the articles of association with respect to the director election method which adopts a candidate nomination system whereby the candidates are nominated by the board of directors and the shareholders who meet the requirements for the legal shareholding ratio. The director nomination notice and review operations are subject to legal procedures.

The term of office for the board of directors is three years and at least one board meeting is held every quarter for formulating company policies or determining major business matters. In order to fulfill the supervisory responsibility, the board of directors in line with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies drew up the Board Meeting Rules, Article 15 of which stipulates that any conflict of interest shall be avoided so as to perfect the governance function.

## The board of directors held six meetings in 2016, with the attendance situation listed as follows:

Title	Name	Attendance in person B	By proxy	(%) [ B / A ] Attendance rate (%) [ B / A ]	Remarks
Chairman	Andrew Tseng	6	0	100	2015.6.26 assumed the post 2016 attended in person 6 times
Director	Chang-yueh Tseng	5	1	83	2015.6.26 assumed the post 2016 attended in person 5 times
Director	Mei-ching Tseng	4	2	67	2015.6.26 assumed the post 2016 attended in person 4 times
Director	Chih-chia Chang	5	1	83	2015.6.26 assumed the post 2016 attended in person 5 times
Director	Yen-i Huang	3	0	50	2015.6.26 assumed the post 2016 attended in person 3 times
Director	Cheng-an Lai	6	0	100	2015.6.26 assumed the post 2016 attended in person 6 times
Director	Dingfu Investment Co. Ltd. Representative: Cheng-pin Tseng	6	0	100	2015.6.26 assumed the post 2016 attended in person 6 times
Independent Director	Feng-i Lin	4	2	67	2015.6.26 assumed the post 2016 attended in person 4 times
Independent Director	Chin-fu Chen	6	0	100	2015.6.26 assumed the post 2016 attended in person 6 times
Supervisor	Chih-sheng Chang	5	0	83	2015.6.26 assumed the post 2016 attended in person 5 times
Supervisor	Mei-li Chen	6	0	100	2015.6.26 assumed the post 2016 attended in person 6 times

## Supervisors

Grape King Bio elects two supervisors according to regulations for supervising the quality and integrity of the company in the implementation of accounting, auditing, financial reporting processes, and financial control. Their main functions are to assist the board of directors in improving the quality of accounting, financial reporting, and internal control procedures as per the Company Act.

## Remuneration Committee

With an aim to strengthen the corporate governance and improve the remuneration system for directors, supervisors, and managers of the company, the Remuneration Committee was set up with a total of three members, and two of which are independent directors. The Remuneration Committee fulfills the duty of due care of a good administrator and faithfully performs its functions, and presents its proposals to the

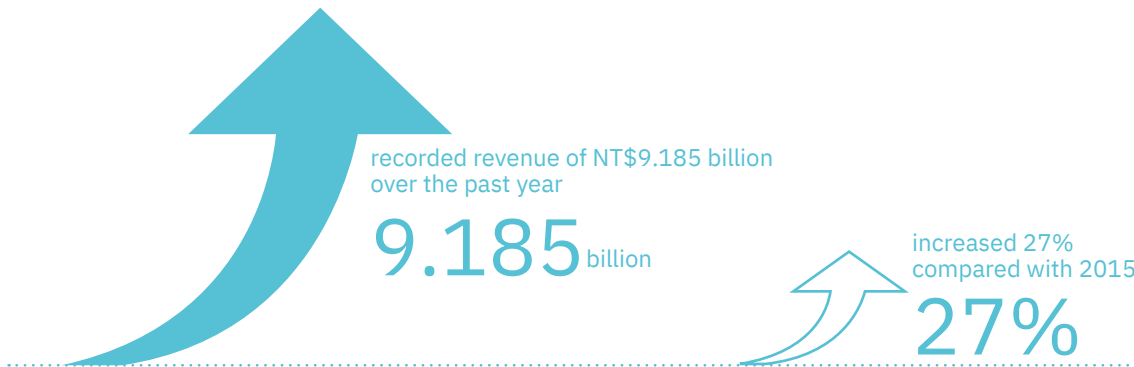
board of directors for discussion. Three meetings were called in 2016.

## Encourage Shareholders to Participate in Corporate Governance

In order to safeguard shareholders' rights and interests, Grape King Bio ensures the discussion procedures and encourages shareholders to participate actively in the shareholders' meetings. Since 2016, the shareholders' meetings have adopted a case-by-case voting approach. In addition, for the sake of fulfilling shareholder activism and making voting more convenient, shareholders are not subject to meeting time and location restrictions. In 2017, the electronic voting system will be applied to the shareholders' meetings and the voting results of the bills are to be disclosed in the proceedings, with the purpose of providing shareholders with diversified voting channels. This allows the shareholders to exercise their rights, and promote the effectiveness of corporate governance.

## 3.2 Financial Performance

2016 is a fruitful year for Grape King Bio, with recorded revenue of NT\$9.185 billion over the past year, which increased 27% compared with 2015. And we have shared these remarkable results with our staff, our shareholders, and our local neighborhood, with

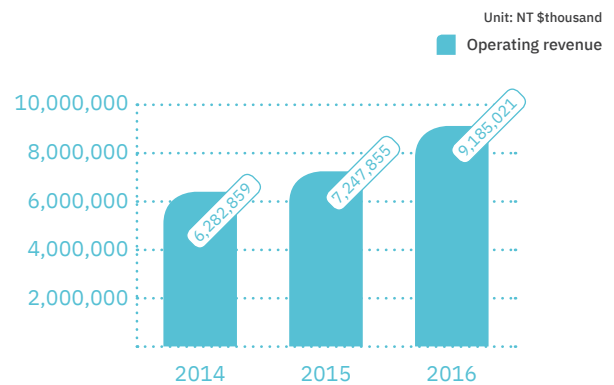


employee benefits growing by 20% compared with 2015, and 18% for shareholders. We were nominated the 2017 “TOP100 Enterprises Younger Generations Want to Work For” from CommonWealth magazine. Grape King Bio has been based in Taoyuan for more than forty years, providing local employment opportunities, with about 77% of the employees coming from local residents; more importantly, about 99% of our staffs are Taiwanese. Grape King Bio supports Taiwan’s industries by taking procurement action, with 93% of the raw materials purchased in the year stemming from Taiwan.

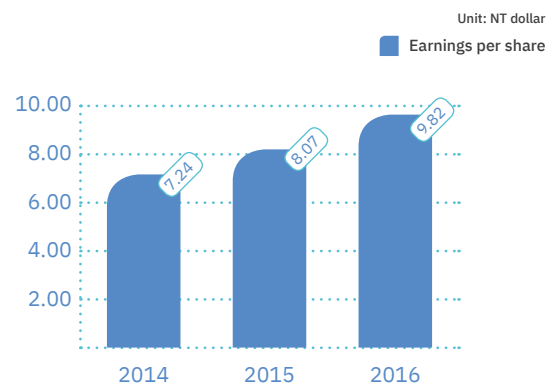
For sustained profitable growth, Grape King Bio provides consumers with high-quality products by conducting strict quality inspections pursuant to laws and regulations. We constantly develop new premium products and actively build channels to increase visibility in the market. In 2016, the Pingzhen factory was officially operated, supplying more stable production capacity to meet market demand. In addition, for the assumption of Corporate Social Responsibility, Grape King Bio has hired mainly Taiwanese workers; production line workers are no exception. To appreciate employees’ hard work, on top of annual dividends and year-end bonuses as well as Dragon Boat Festival and Mid-Autumn Festival bonuses, company products are presented at three Chinese festivals and Labor Day, for the purpose of enhancing staff cohesion and togetherness.

Looking forward to the future, we will continue to orient towards sustainable operation, making donations and offering support for disadvantaged groups in terms of finance and learning. Moreover, we actively participate in public welfare activities and provides services to the locals, improving employee, channel, and consumer satisfaction at an overall level and fulfilling Corporate Social Responsibility, with the aim of building the best biotech brand and happiest workplace for Grape King Bio.

### Operating revenue



### Earnings per share



## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

year	2014	2015	2016
Operating revenues	6,282,859	7,247,855	9,185,021
Operating costs	721,624	862,714	1,265,989
Gross profit	5,561,235	6,385,141	7,919,032
Operating expenses	3,961,443	4,572,725	5,685,010
Operating income	1,599,792	1,812,416	2,234,022
Non-operating income and expenses	89,426	70,188	78,477
Income from continuing operations before income tax	1,689,218	1,882,604	2,312,499
Income tax expense	302,705	335,720	425,579
Net income attributable to stockholders of the parent	942,483	1,051,652	1,296,769
Earnings per share-basic(NTD)	7.24	8.07	9.82
Employee salaries and benefits*	639,013	758,228	907,250
Dividends Distribution**	690,246	729,681	862,120
Investment in community involvement***	8,007	5,118	5,417
Tax****	519,864	538,147	849,595

\* Including Salaries 、 Bonuses and other benefits for employees

\*\* Authorized through Grape King Bio's Annual Meeting of Shareholders

\*\*\* CSR Expenses|Donations|Sponsors in Communities

\*\*\*\* Profit-seeking Enterprise Income Tax 、 Sales Tax 、 Commodity Tax

### 3.3 Internal Control

In order to assure the operation of the company, Grape King Bio establishes our operation systems, corporate internal control institutions in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" with final approval of the board. The Auditing Office was established according to law, which is responsible for the effectiveness and integrity of company internal control implementation, project supervision and verification. The Auditing Office draws up an annual audit plan to be submitted to the board of directors for adoption and implementation, with the audit reports to be reviewed by the supervisors and the independent directors. The internal audit director is also required to attend board meetings, reporting the progress of internal audits, and presenting audit reports for reference.

#### Ethics and Codes of Conduct

The company supports and requires all employees to perform job-related activities with honest attitudes, rigorous standards, and commitment to work and

unity as well as prohibits them from being involved in any unlawful or improper activities. They are also not allowed to engage or abet others in activities or relationships that may be detrimental to the duty or professional judgment. The industry norms shall be based on "ethical codes of conduct," where all business/technical confidential information relating to the company or customers shall remain confidential, so as to jointly safeguard the company's reputation and to maintain good customs and public order.

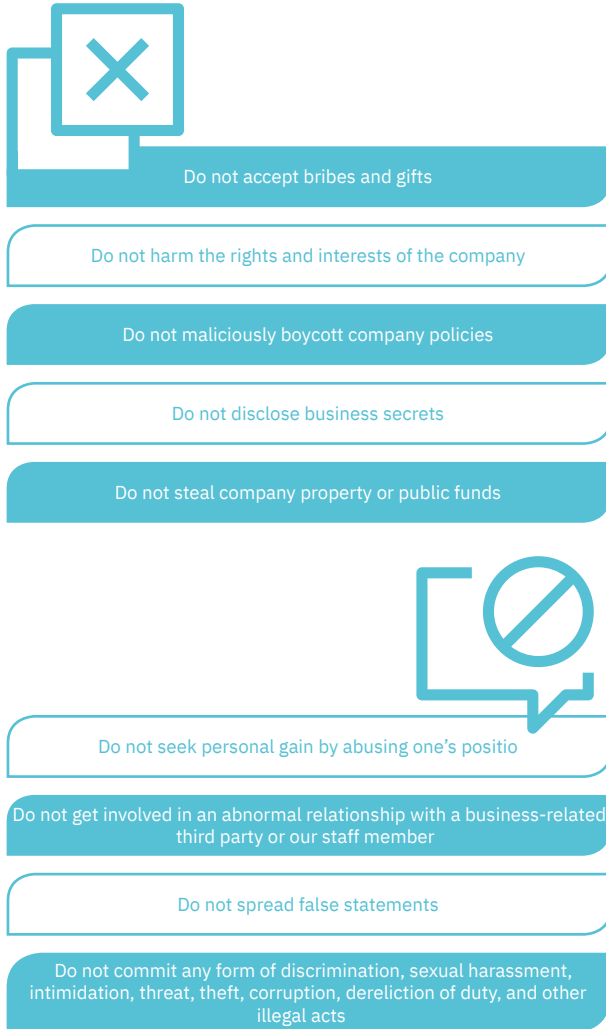
The company irregularly strengthens the need to comply with ethical codes of conduct through a variety of promotion channels, such as organizing training courses, posting company intranet information and issuing internal announcements in order to ensure that all personnel is aware of it.

#### Avoidance of Conflict of Interest

All staff members of the company shall be cautious, honest and diligent, and avoid any conflicts or possible effects between personal and company interests. To this end, all members shall avoid any conflicts of interest in connection with their positions and duties.



This includes but not limited to use of corporate assets, abuse of personal interests. Employees should also avoid of giving any company information or profits to oneself or to relatives. We help employees to ensure to comply with our Code of conduct and so we can earn our reputation as a company that conducts business with integrity.



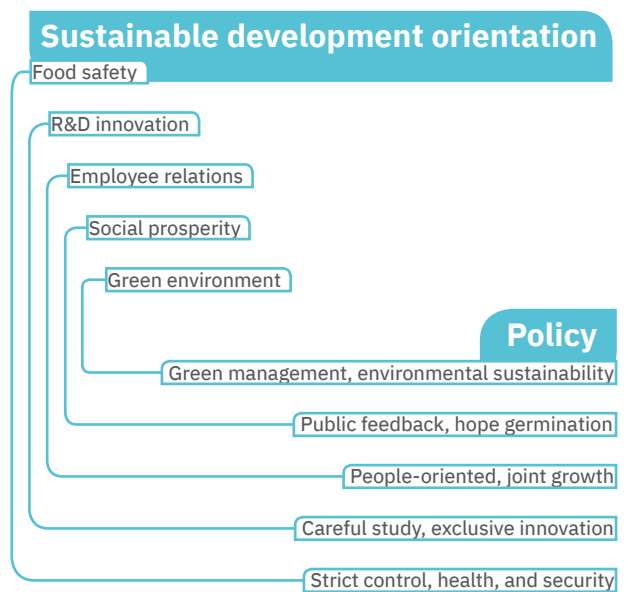
## Anti-corruption

As integrity is the vital basis for the company's sustainable development, Grape King Bio promises to abide by national decrees and ethical standards in the place where the business is based. All business activities and commercial behavior require fairness and legal basis. The various processes of company daily operations are regulated by stringent internal control systems, internal communication, and ethical codes of conduct. Through sustained advocacy, the principle of good faith has been deeply rooted in the corporate culture of Grape King Bio. Grape King Bio prohibits our employees and partners from performing unethical or corrupt practices, and resolutely acts against such actions in an attempt to prevent their occurrence. The company has formulated the ethical codes of conduct and the report and complaint management procedures

to assist all staff members in understanding how to deal with the problems encountered at work. All feedback from external customers, suppliers, consumers, and investors should be collected and included in the lectures along with tests during orientation courses for new recruits' learning outcomes enhancement.

## 3.4 Sustainable Development

There are five aspects of the sustainable development of Grape King Bio—food safety, R&D innovation, employee relations, social prosperity, and green environment, with the policy listed as follows:



## CSR Commitments

Improve corporate governance; comply with regulations and business ethics and code of conduct

Invest in innovative R&D; continuously develop and create new products beneficial to society

Carry out environmental protection; uphold the concept of environmental protection and energy conservation for undertaking various production activities

Create a friendly work environment; provide employees with a healthy and superior workplace.

Promote the company's goal of sustainable development; conduct company operational activities with employee career development taken into consideration.

Promote social welfare; actively encourage the company and employees to participate in social welfare activities

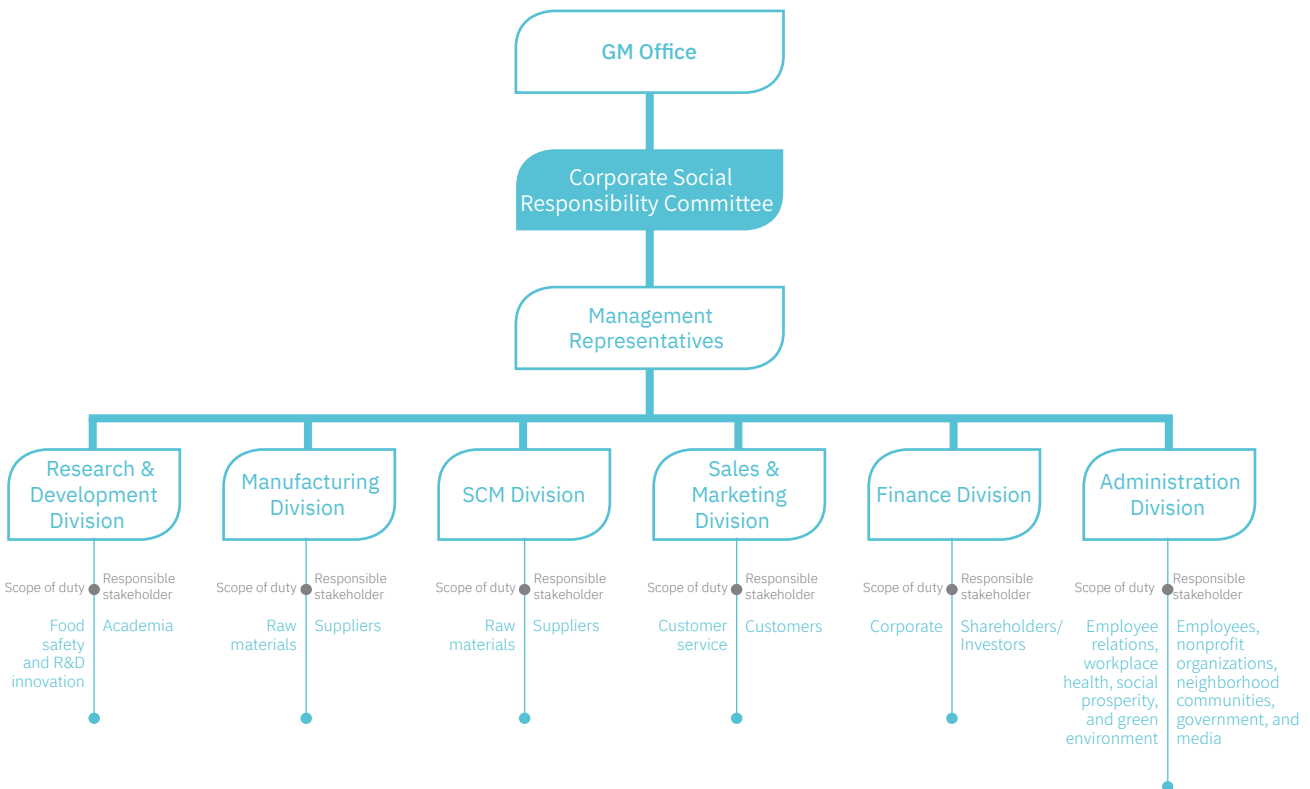
## 3.5 Corporate Social Responsibility Committee

As the company continues to grow, we not only focus on corporate governance and operational performance, Corporate Social Responsibility (CSR) is also the best way to enhance the relationships between stakeholders and reflect the performance of Grape King Bio. In an effort to integrate the core concept of CSR into the business philosophy and organizational culture, we established an interdepartmental CSR Committee in 2013 to promote CSR-related activities through the cooperation of various departments and the internal management mechanism.

The CSR Committee is subordinate to the general manager's office. The senior executive representative acts as the chairperson and the representatives of the

six units—R&D Department, Manufacturing Department, supply chain, Business Department, Finance Department, Management Department—are selected as the members, who hold committee meetings, plan and implement annual CSR plans, regularly review and report the implementation effect and improvement direction, and are responsible for writing and revising the CSR report regularly.

A “better society” philosophy is our CSR’s core concept. In addition to being a leader in health food by following this idea, we expect to achieve a better society through sustained efforts.



## 3.6 Customer Service

### Consumer Satisfaction

Grape King Bio has long endeavored to build our brand and set strict standards for product labeling to after-sales services. For all consumers, we stress integrity, improves product quality, and constantly bolsters customer satisfaction, while at the same time supplying safe products, safeguarding the rights of customers, offering accurate product information, providing high-quality after-sales service, giving necessary guidance, and endowing customers with the right to make independent choices. All along, we have continued to

optimize and enhance customer service quality and have been committed to providing customers with best services.

For example, there was an impressive case in 2016. A critically ill Mr. L called a customer service staff member to tell him/her that at the very start, he was diagnosed with severe illness by a doctor, and after several courses of treatment, the doctor decided that his body was too weak to endure the follow-up therapies, so he was forced to stop treatment. But Mr. L told the staff member that he did not want to give up and desired to be treated again if only his physical state could improve. Mr. L mentioned that when he was disheartened to leave the hospital, he saw the patient (referred to as Mr. B) who was admitted to receive treatment at the same period

as he looked very well and showed great resilience. After inquiry, he realized that Mr. B received treatment while consuming Grape King Bio health food. Therefore, Mr. L said that he was aware of his condition and buying health food was just a gamble to see if we could give him a glimmer of hope because he is a man without a future. The staff member listened attentively to what he said, chatting with him and giving him some advice, and told him that the most important thing now was to regulate immunity and physical strength, and recommended the product which is suitable for him. Just three months after that, the customer service staff member received a call from Mr. L saying that Grape King Bio health food had worked miracles for his body functions and spirit at which even the doctor was amazed and asked him what he had eaten and done. "I've started a course of treatment and I'm finally a person with bright future," Mr. L said happily. Our customer service staff could not be happier than the customer. With Mr. L extending many heartfelt thanks, the staff was moved to feel that all the hard works were all paid off!

With long-term customer feedback collection and interaction, In order to satisfy customers' needs at an all-around level, we strive to connect each link from goods, prices, services, images, feelings, to experience and based on Grape King Bio's core values of "technology, health, and hope," create a better future for our customers.

## Customer Service Center

Provide consumers with product consultation services to meet consumer needs.

### General consultation



immediately respond to consumers' inquiries.

### Complaints



notify the consumers of the processing progress within one hour after receiving the complaint and resolve the case within 24 hours. We aim to provide the perfect solution for customer issues within the prime time span.

## Customer Privacy

The company's computer system has compact firewall protection, with each computer installed with anti-virus software in order to avoid invasions or thefts by hackers and computer viruses.

System-wide vulnerability scanning, intrusion detection, and uses Code Review to minimize the risk of external intrusion and internal data loss.

The company system regularly manages, maintains, and updates all digital security credentials.

Each personal computer's access permission requires a username and password and the operator who is not assigned to the computer cannot access the data.

Any mail with personal information is encrypted before sending to relevant personnel.



Customer service staff has a fixed response process, in which as to various questions customers call to inquire about, their identities are verified first. If information and solutions are not available in time, the reply will be made within the promised time to ensure that the customer can obtain relevant information. All customers' personal information and privacy are strictly confidential without any violation.

## Customer Service Process

In an attempt to provide customers with instant and rapid product consultation services, Grape King Bio specially set up a customer service hotline and a customer support email, as the communication channels between Grape King Bio and our consumers. The scope of customer service is divided into two dimensions: telephone customer service and email replies.



### Telephone customer service scope:

- Customer data maintenance
- Commodity consultation
- Order problems
- Logistics
- Reverse logistics
- Return policy
- Invoices
- Refunds
- After-sales service
- Others



### Customer service email scope

- Online mall login problems
- Customer data maintenance
- Order problems
- Logistics
- Reverse logistics
- Return policy
- Invoices
- Refunds
- Others

With our commenced constructing CRM and data analysis systems, Grape King Bio will keep track of and analyze customer satisfaction on an irregular basis. We will build our customer service system based on data management and preserve. Our the overall service content is continuously optimized through data analysis, including customer satisfaction and product services,

and other items (with confidential and customer-based approaches to the ultimate goal of perfect resolution), further improving product manufacturing or new product development, in order to maintain the competitiveness of Grape King Bio. The customer service process is as follows:

Responsible Units	Responsible Personnel	Issues to be addressed		Case Closure
<b>Operators</b>		-Product Inquiries -Event Inquiries -Product Ordering	Complaints and Comments	
<b>Customer Service Center</b>	Operators Nutritionist	-Receiving calls from customers -Creating customer database	1 Initial calls from customers Creating customer database Record all complaints and comments Solve customer complaints immediately	2 Composition defects -If cannot be resolved, this issue will be further reported internally
<b>Business Department</b>	-Product Manager -Channel / Distribution Manager -Channel/ Distribution Personnel	Product Ordering Procedure		3 Receiving notifications Complaints will then be handled through the customer service process
<b>Quality Assurance Division</b>	-Quality Control staff in charge -Quality Controlling staff -Quality Control manager			4 Handling cases Confirm and determine the complained issues
<b>Responsibility</b>	Managers and other reviewing personnel			5 Tracing the sample quality and tracking the complaint cases
<b>Sales/ Finance Department</b>	Staff in charge	Issuing invoices		6 Returns/Refunds/Discounts
<b>Logistics Center</b>	Staff in charge	Distribution		7 Tally/Shipping and Returning
				8 Inform the staff in charge immediately when receiving the returns
				9 Inform the staff in charge Inform the Sales/Finance Department to void the invoice
				10 Reasons reviewing Solutions planning Improvement tracking Solutions confirming Effectiveness
				11 Investigating on related documents Quality Abnormality Form Report Reply to Business Department Manager
				12 Reply to Operators
				13 Reply to customers Close the case

## Future Optimization Plans:

1. We improve service quality such as "service process", "service attitude", "professional knowledge" and "protection of consumers' personal information and rights and interests."
2. We enhance our service quality and therefore raise our customer satisfaction through customer and service-oriented development processes.
3. We provide various types of services based on social trends and the interests of different ethnic groups in order to improve customer satisfaction in the "Service Quality" and "Empathy" dimension.
4. Encourage employees to attend internal training programs to acquire professional knowledge.
5. We strive to protect our customers' personal information and safeguard their rights and interests to the highest standard.

## Food Safety

# 4.0

- 4.1 Introduction
- 4.2 Raw Material Management
- 4.3 Management of Suppliers
- 4.4 Sanitary and Hygiene Training
- 4.5 Product Liability

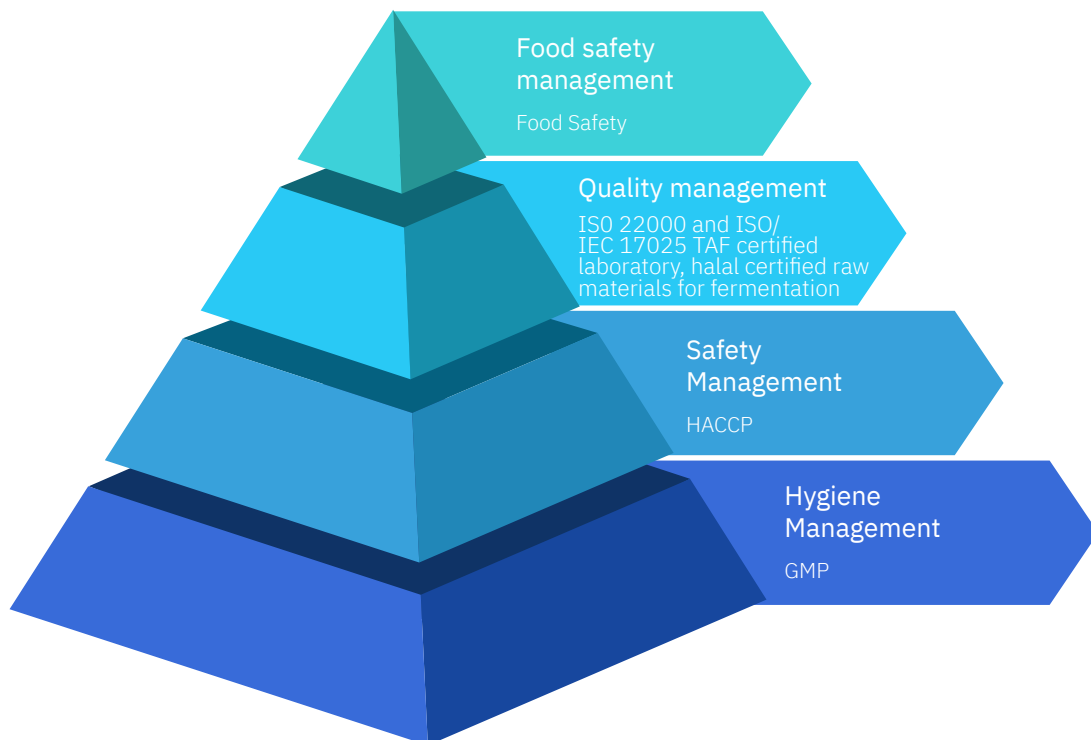
## 4.1 Introduction

Grape King Bio has the vision to develop a stable and sustainable value supply chain with our suppliers that play an indispensable role in corporate growth, sustainability and competitiveness. Grape King Bio also has the social responsibility that requires participation from our supply chain to manage quality and delivery of product; commits to product safety, hygiene and customer satisfaction. With a commitment to food safety for our customers, we strive to strengthen our food safety inspection; our dedication, resource management, and continuous improvement to focus on safety.

We view food safety as our priority and ensure our production plants are ISO 22000, HACCP and PIC/S GMP certified; testing laboratory is TAF ISO/IEC 17025 accredited, certified raw materials such as Halal certificate and other certifications are used in production. Stringent controls have been implemented to measure every aspect of the manufacturing processes including sourcing certified raw materials, manufacturing stages, packaging and sale activities. In view of domestic food safety issues in recent years, contamination of raw materials during the acquisition stage has been the primary concern, highlighting challenges in securing qualified raw materials supplier. However, our proprietary core materials are supplied by our R&D Bioengineering center, Grape King Bio is

able to significantly control and reduce sourcing for potential adulterated raw materials and therefore strengthen the quality assurance of our products. For the supply of general raw materials, we implemented appraisal procedure for initial supplier qualification, sample evaluation, onsite audit and annual tracking of the supplies quality. Each supplier is required to meet multiple assessments before becoming a qualified supplier of Grape King Bio. Additionally, we also implemented second supply source policy to ensure stable and consistent supply of materials for substitution should supplies become unstable.

Development of sustainable supply chain is always one of our important missions. ComeBest 200P and ComeBest (160ml) have been replaced by environmentally friendly lightweight glass bottles since June 2011 and 2012 respectively and other concrete actions including use common carton box, consolidate product specifications and other sustainable packaging strategies to demonstrate our contribution to maintaining a green environment.



## 4.2 Raw Material Management

### Strict Control on Food Safety Risks

Progressively, our current focus on corporate social responsibility has been evolved to cover both upstream and downstream supply chains in the industry. From the aspect of the biotech food industry, Grape King Bio has provided the role model to emphasize that raw materials are the foundation of product safety. High-quality materials are critical to product safety where the purchase of such raw materials shall be view as the first priority in food safety.

Starting with raw material screening, Grape King Bio requires our suppliers to declare detail composition and origin of the raw materials. Additionally, we also monitor the raw materials' cost through supplier's quotation and market feedbacks; once the cost is found out of market trend, the supplier involved is subject to further monitoring and inspection and, where necessary, likely to receive termination of purchase by Grape King Bio. In order to deter suppliers from providing unreliable ingredient information, we have established a sophisticated laboratory which enhances raw material testing capacity to prevent adulteration by unscrupulous suppliers. Since material cost is not the only consideration, our procurement policy, on one hand, may help to avoid losses due to price competition among suppliers that results in bad money drives out good; on the other hand, our policy will encourage supplier to provide raw materials with good quality. This can mutually benefit our customers, suppliers and the company as a whole.

Although our raw material cost policy is likely to increase production cost, it may not necessarily impact on our profitability because products with high quality may increase consumer confidence level and increase their purchase intention. In practice, we have strengthened our control of raw materials including:

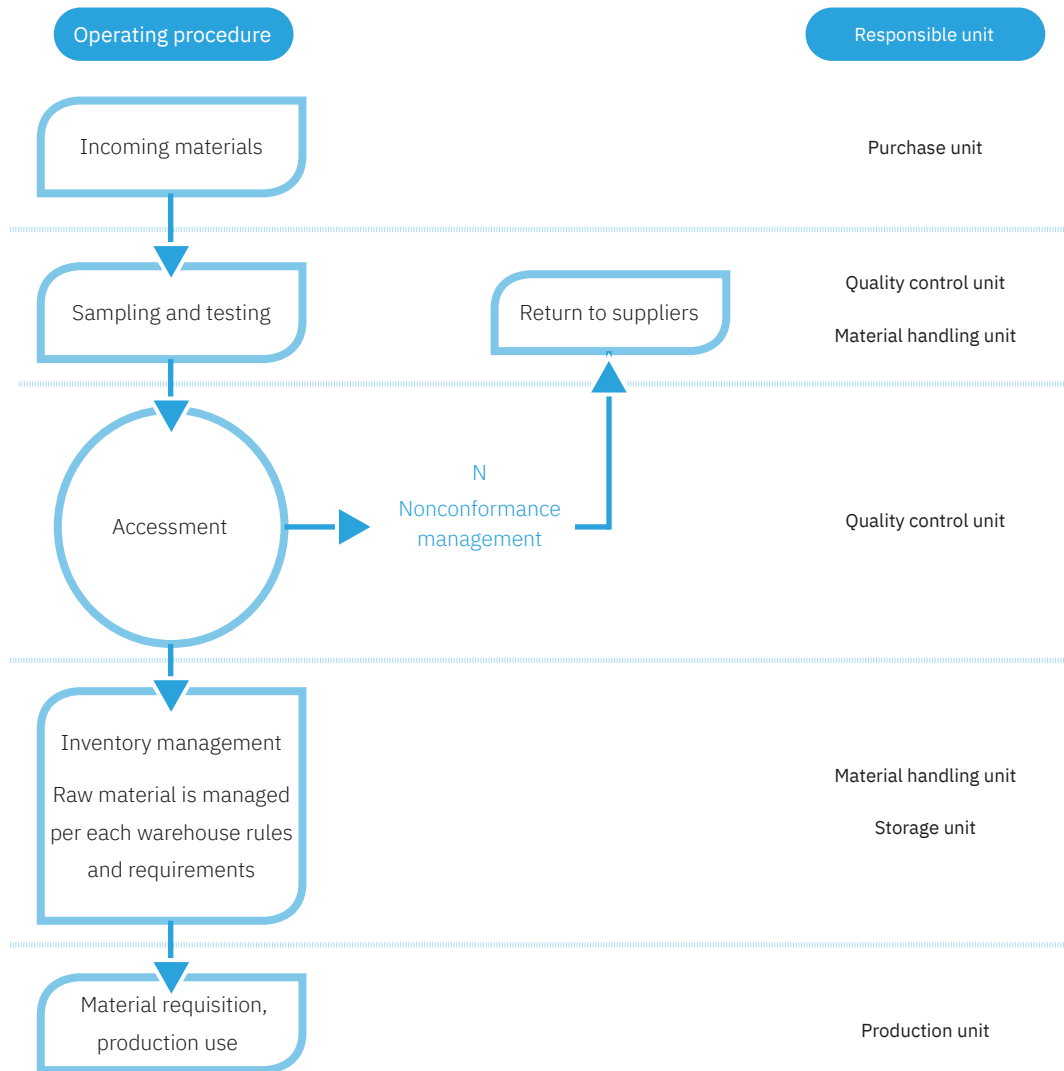
- (1)The raw material supplier must be a registered company enlisted in the "Food Industry Registration System" established by the ministry.
- (2)Supplier shall provide basic information or specification (including raw material composition, percentage labeling) and Certificate of Analysis (COA) for our analysis and comparison.
- (3)We will not purchase any raw materials without R&D and QC prior approval.
- (4)Single-source food additive supplier shall provide "Food Additive Permit" and adhere to original package stipulated in the permit. Any change in packaging, modification or correction of the label is strictly prohibited.

(5)Imported raw materials shall comply with food regulatory requirement and each import shall be subject to import license issued by the Ministry of Health and welfare and in our original packaging; do not repack to avoid the unexpected possible risk that may have derived during repacking activity.

(6)For any change in raw material source or specification, it shall subject to comparative analysis or production trial and in compliance with supplier on-site audit before it can be approved for purchase.

(7)Labeling of raw material shall conform to regulatory requirement; raw material shall be segregated and stored according to our designated storage condition to avoid misuse and to prevent deterioration in quality.

## Raw Materials Purchase Inspection Process



## Improvement in Food Safety Testing Capacity

Since the time Grape King Bio was founded 47 years ago, always strive to provide our service and continues to upgrade our technology and equipment because we want to provide customers with reliable products with satisfaction. In order to test raw materials with precision to reduce food safety risks, in 2015 Grape King Bio Quality Control Department set up an ISO/IEC 17025 certified laboratory accredited by National Foundation for Foundation (TAF), where most of our food safety tests were conducted. Our laboratory test scopes cover general physical properties, chemical, and food safety-related tests. Our adopted test methods are in compliant with TAF certification, relevant methodologies stipulated by the Ministry of Health and Welfare of the Executive Yuan, Bureau of Inspection and Quarantine of the Ministry of Economic Affairs or internationally

recognized test methods such as AOAC.

Grape King Bio has implemented three stringent measures that include traceability management, incoming inspection, and hazardous material inspection to ensure the quality of raw materials purchased is guarded and monitored. We are capable to conduct our own tests as per regulatory requirements and do not fully rely on the test results and reports submitted by suppliers. When incoming raw material test results fail to meet our criteria, Quality Control Department will issue a return request to supplier request to Procurement unit. The supplier should take necessary improvements in response to the request, then they will rectify the non-conformance and identify corrections to prevent recurrence as well as to improve the stability of the supplies. Grape King Bio has established our



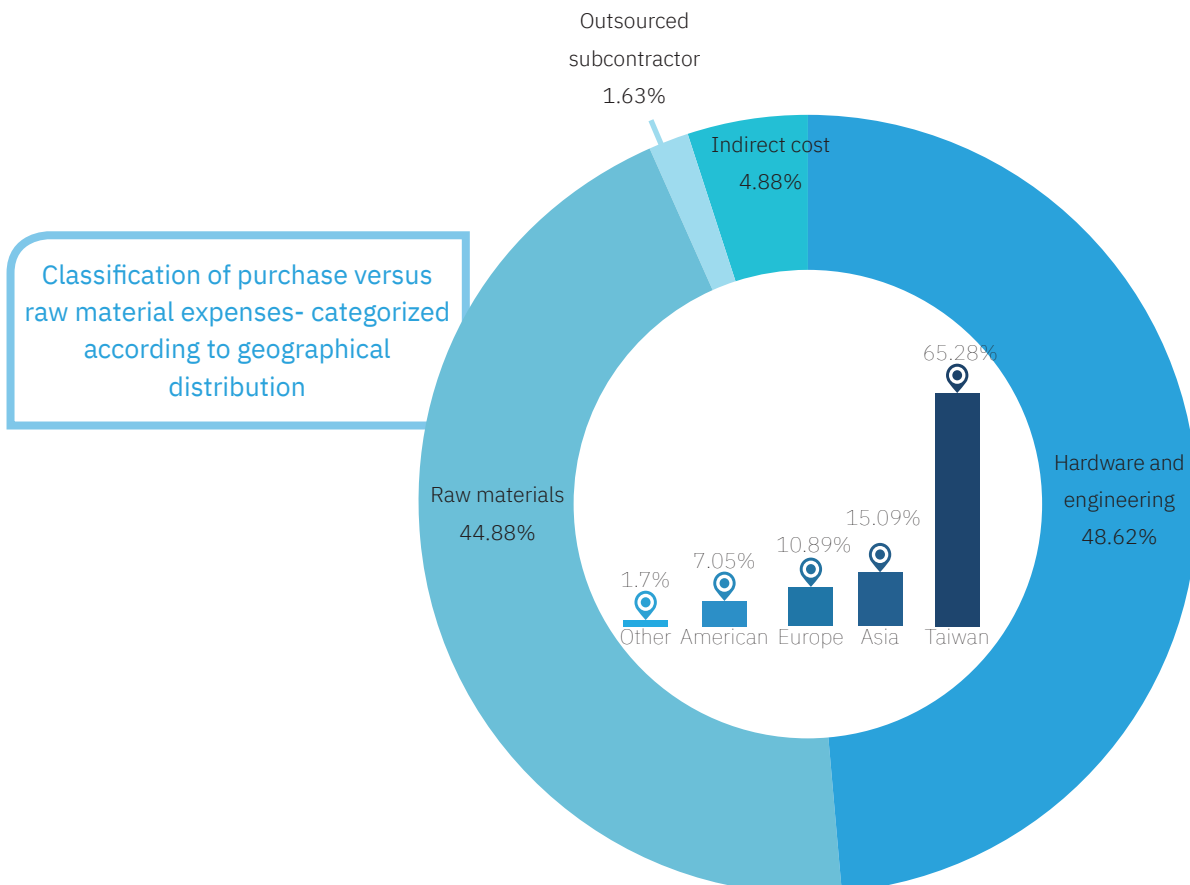
batch number system for all incoming raw materials to facilitate traceability management, in which the status of raw materials, intermediates, and final products can be effectively monitored through our independent testing processes. To monitor any potential risks, it is possible to determine when and where contamination might occur and to provide continuous monitoring to reduce the occurrence of food safety crisis. Moreover, we use complementary check approaches to ensure raw materials are safe so that all purchased goods can be regarded as genuine safe products with high quality.

## Green Purchasing

Primeval forests are one of the most important ecosystems on earth and these forests are facing an unprecedented crisis. Today, the remaining virgin forests take up only 7% of the earth's land area and are rapidly decreasing at an annual average of 7.3 million hectares (equivalent to the area of Ireland). At present, Greenhouse gas emissions caused by the destruction of forests account for about one-fifth of the total global greenhouse gas emissions. Through FSC™ (Forest Management) forest management and Chain of Custody (FSC-CoC) chain of custody, it is guaranteed that the products used are from cultivated forests and this can help to maintain ecological stability. Aluminum foil box of Grape King Bio Combibloc range uses 100% FSC green pulp raw materials produced by certified forest production to help save the forests.

## Domestic Purchasing

As a benchmark corporation in the domestic biotechnology industry, Grape King Bio prioritizes suppliers who devote themselves to the development of green products, emphasis on food safety, environmental protection and protection of labor rights with a view of exerting our influences and make joint efforts to protect the environment. In the meantime, with consideration over freight cost and environmental issues, Grape King Bio tries to purchase from domestic suppliers to reduce transportation and air pollution. We hope this can also nurture local upstream suppliers, create more local employment and eventually boost domestic economic development. We look forward to working with our suppliers and expand the scope of social responsibility in our supply chain. We can mutually establish our supply chain value if all of our suppliers operate their businesses with integrity and responsibility and provide us with high-quality materials.



## 4.3 Management of Suppliers

### Onsite Audit Program

In addition to the quality examination of raw material through the QC Department, supplier's competency is the key to material management. On top of quality of the raw materials supplied, Grape King Bio selects suppliers through various aspects according to our social responsibility point of view to ensure suppliers share the same values and ideas with us.

We take the integrity of our suppliers seriously. We regard our selection of suppliers as legitimate, good credibility, safeguard our employees' rights (human rights, employment terms, and work environment safety), emphasize food safety and environmental protection. The key to superior product quality is having the common vision of our suppliers. We are committed to responsible purchase and ensure that our suppliers respect and uphold the rights of their employees. We, therefore, include human rights aspect in our onsite audit program so that suppliers shall not violate freedom of association, collective bargaining, and forced labor.

(1) We conduct audit and review of the raw material suppliers. For supply chain risk management, our suppliers usually undergo unscheduled on-site audits and evaluations by Purchasing, Manufacturing, Quality Control and Quality Assurance Departments for regulatory compliance. Only suppliers which meet our criteria are qualified as our official suppliers. Document review: Suppliers shall submit such documents such as Business Registration and Factory Registration Certificate to show that it is a legal company or factory and provide certificates of conformity to assess whether the planning of supplier system is well-established.

(2) Onsite audit: The supplier shall provide relevant documents such as internal control documents, production records, product hazard analysis or Certificate Of Analysis (COA), along with plant tour. Additionally, we also check the supplier's safety and

hygiene monitoring practices, machinery and equipment status, quality design, raw material control, process control, finished product control, nonconformance corrective actions, customer complaint handling, labor safety and corporate social responsibility.

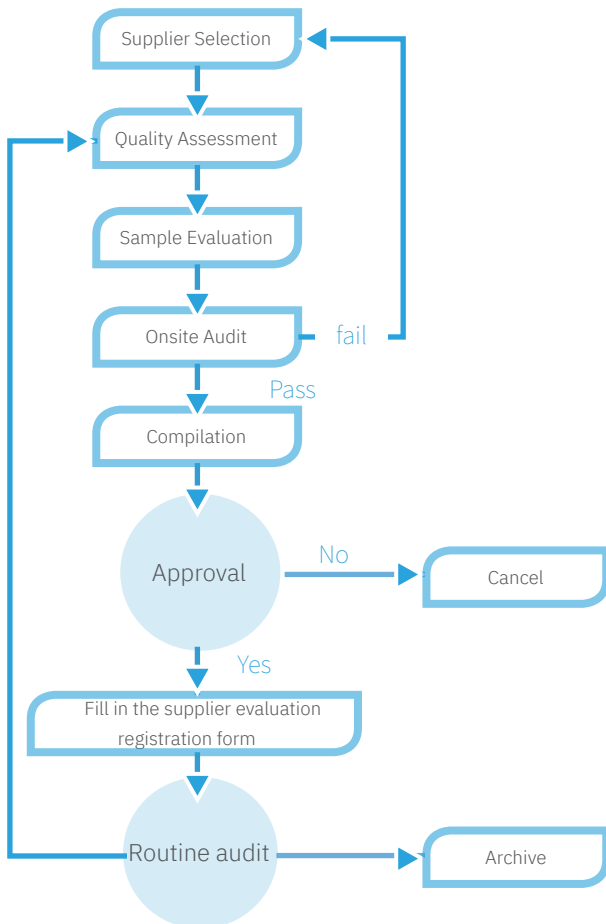
(3) Audit counseling: After the onsite audit process, Grape King Bio will issue a list for improvement to the supplier, both parties will further communicate on the items to be improved, followed by a second review based on the overall evaluation and the responses to the list. If a major nonconformance is identified during the reviewing process, we will suspend our transaction with the supplier, and resume future collaboration based on the amendment progresses.

(4) Annual Evaluation: Grape King Bio conducts annual evaluations on our raw material suppliers and outsourced subcontractors (as shown in the above picture) based on four major assessment criteria, Q (Quality), C (Cost), D (Delivery) and S (Service/cooperation) where the final grading will be given based on risk management procedures. Suppliers with a score of 81 or above are classified as Class A-Superior Suppliers while the ones with a score of 65 ~ 80 are classified as Class B-Qualified Suppliers. For those with a score less than 65, they will be classified as Class C-Unqualified Suppliers, we will suspend and stop purchasing from any unqualified suppliers. In the meantime, we provide consultation and assistance for goal and timeline setting so that suppliers can improve their performance to meet our expectations. By virtue of the evaluation process and consultation mechanisms, early detection of the potential problems can be generated and we can work together with suppliers to develop appropriate solutions for continuous improvement. For instance, in 2016 we managed to conduct supplier evaluations covering all 202 raw material supplier. With thorough assessments and scrutiny; all suppliers were classified as Class B or above and regarded as excellent suppliers of Grape King Bio.

### Annual Evaluation Results Throughout the Past Four Years

Year	2013	2014	2015	2016
Total number of our raw material suppliers	186	178	192	202
Suppliers audited	186	178	192	202
Percentage of supplier audited	100%	100%	100%	100%
Class A	179	151	158	154
Class B	7	27	34	48
Class C	0	0	0	0
Pass rate	100%	100%	100%	100%

## Supplier Selection Flow Chart



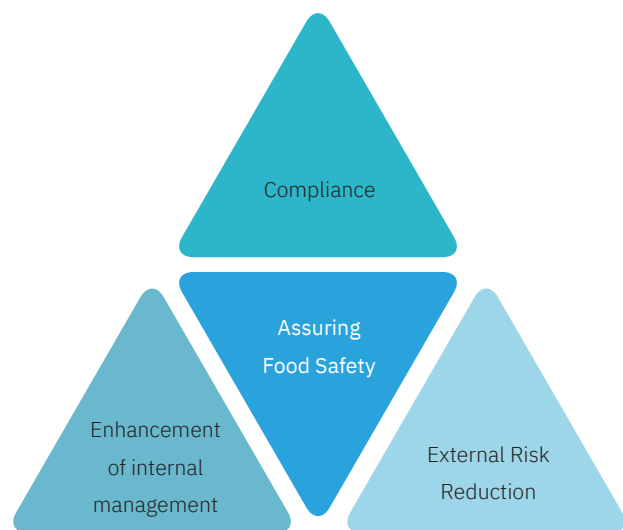
## The Responsibility of Our Supplier Evaluation Team

1. Purchase unit: responsible for the screening and assessment of suppliers, supplier evaluation and archiving related documents.
2. Quality control unit: responsible for supplier sample test and supplier evaluation.
3. R & D unit: responsible for confirming the specifications of new material, trial production, and participating in supplier evaluation when necessary.
4. Quality Assurance Unit: responsible for confirming quality-related documents and supplier evaluation.
5. Manufacturing unit: responsible for the evaluation of supplier's production equipment and supplier evaluation.



## Food Safety Tracking System

In order to strengthen our supplier management system and to ensure the quality of our products, Grape King Bio has set up a "Food Safety Retrospective Management System" since 2015 in order to impose strict control on raw materials, production process quality of our final products. We then integrate documents related to our products, OEMs, raw materials for ODM products, additives, and suppliers and archive them onto our intranet platform. With this, we can increase the traceability of various products to put our commitments for the "Compliance", "External risk reduction," Internal management enhancement" into practice, and to realize our promises to assure food safety.



**Compliance:** Perform QC of purchased raw materials and control the validity to avoid misuse of expired raw materials; verify food additives to ensure the use of legitimate food additives.

**External risk reduction:** Build suppliers and manufacturers portfolio and their qualification resume to use it as a reference when purchasing. When a food safety incident occurs, we can rapidly check refer to our database for verification and instant response.

**Internal management enhancement:** To ensure all quality attributes and product information for raw materials can be fully traceable and managed, information such as product manufacturing date, expiration date, the total amount of production and product test records should all be provided.

The production of final products will go through the entire purchasing, manufacturing, warehousing and distribution processes. The flow of the raw materials therein is complicated and may be difficult to fully trace from commercial product to the source. Therefore, when a food safety incident occurs, the health authority, the industry, and the consumers are desperate to find out the root cause of the incident.

The public needs to have a clear understanding of the causes of incidents, with information regarding material flows and transparency of the food industry supply chain. Therefore, the government has set up a compulsory registration system for food industry manufacturers to register their product-related information. In addition to strengthening the self-management of manufacturers, the health authority can provide the regulatory agency with a quick and effective way of tracking the flows of raw materials and final products as well as potential causes of any food safety incident.

Grape King Bio actively works with the Food and Drug Administration to complete our registration within the stipulated timeline. We think that health and safety issues are closely linked to the entire food supply chain. From a perspective of improving the entire food industry, Grape King Bio unequivocally to support the government with policy formulation and related programs development.

complaints and reporting procedures, and do not tarnish company interests and reputation. Acceptance or implication of rebates, gifts, or any unjust benefits during the transaction is strictly prohibited.

If the aforementioned accusation is valid, the supplier will be punished and removed from our supplier list permanently. If it is confirmed as a serious offense, both employee and supplier will be handed over to the judiciary for criminal prosecution. On the contrary, if the supplier proactively informs us and provides the relevant evidence, we shall keep confidentiality for the supplier and rank such supplier as our excellent supplier and exempted from aforesaid responsibilities; to give priority to sign relevant business transactions under the same terms and conditions.

Grape King Bio had no corruption and fraud reported in 2016. We have set up an anti-corruption mailbox and hotline for suppliers to report any violations and ensure that the rights and interests of suppliers are firmly protected.

- (1)Complaints and appeal mailbox:  
valuableopinion@grapeking.com.tw. The recipient will be the department head
- (2)Internal complaints and appeal hotline:
  - a.Complaint hotline: (03)4572121#1995
  - b.Appeal hotline: (03)4572121#1999

## Engineering Contractor Management

Grape King Bio selects our engineering contractors based on government procurement law and conducts the process in an open and fair manner, evaluation. We believe a corporate should not only just provide a safe working environment for our employees, but also work with our subcontractors with a higher standard regarding environmental impacts, safety, and hygiene for the entire industry. Therefore, in practice, we set a "Hazard Prevention Notice" for our engineering contractors prior to the construction process. We proactively promote our Notice through consultation, inspection, and announcement so as to remind our contractors on their safety management and to strengthen workers' safety awareness and ensure their safety in the workplace.

## Anti-Corruption Practices

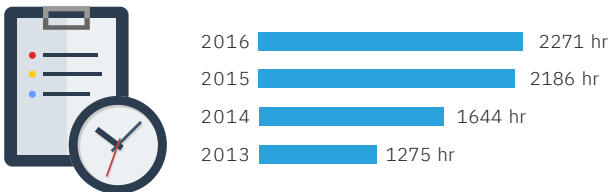
In order to implement our anti-corruption practices, our Chairman has given instructions and requirements that all matters related to suppliers shall be agreed or communicated on the principle of integrity. All employee shall strictly abide by the code of ethical conduct,

## 4.4 Sanitary and Hygiene Training

As food safety awareness is a common issue in recent years, education and training of personnel handling food safety and hygiene are important. In addition to implementing food hygiene and sanitary education/training programs, Grape King Bio will send our staff to various external training programs for acquiring the industry's latest knowledge to strengthen our internal food hygiene and safety practices. Additionally, we continue to implement relevant regulatory requirements to our personnel through internal training programs and promote hygiene consciousness by our quality control department. Moreover, we train our health and hygiene management personnel in the production units to conduct self-inspection and continuously improve our quality standards.

For specific training needs, we arrange external instructors to provide in-house training such as validation of food safety control system and internal audits, food hygiene (warehouse management) standards practice, process control and supplier management practices, NSF dietary supplement GMP standards. Our food safety training hour statistics in recent years as shown below:

### Food Safety Training



### Training Standards and Implementation Status

Grape King Bio follows the "Good Hygiene Practices" (GHP) requirements to educate our new recruits on food safety so as to ensure compliance with hygiene and quality management requirements during production operations. We conduct food safety and hygiene training programs annually for our staff to enhance their hygiene understanding and to instill hygiene practices.

In addition to basic GHP, Grape King Bio has introduced different food safety management systems in 2016 including NSF GMP, TQF and FSSC 22000. Our food processing units including manufacturing, storage and biotechnology, quality control, quality assurance, Bio-Center, procurement and related departments of entire food safety management system are involved in system operation. We expect all parties to work together to facilitate the implementation of the systems and to enhance our quality management system.

In addition to internal training for food production staffs, we also set up hygiene management specialist in accordance with "Measures for the Establishment of Sanitary Managers in Food Manufacturing Plants". Each year Grape King Bio participates more than 8 hours in hygiene and sanitary training course organized by food hygiene authority. We have allocated 3 hygiene and sanitary managers in our factories in Zhongli and Pingzhen, who has already completed the required training in 2016. They've gained knowledge and utilize their know-how to improve our internal health and sanitation quality.

We constantly seek to improve our hygiene standards through self-coaching. In addition, Grape King Bio has also set up a Food Safety & Control committee (HACCP) to plan and to maintain the operation of food safety. Committee members have attended at least 30 hours of certified food safety and control related training programs and have accumulated 12 hours of related training courses within 3 years. Our HACCP team members have completed the additional compulsory training in 2016 and have complied with the recurrent training of "Food Safety Control System Guidelines".

	Statutory requirement	Routine training	Implementation status
Food processing personnel	New recruits	Production, sanitation and quality management	Conducted by Head of the department in 2016
	Current employee	Food safety, sanitation, and quality management	Conducted by quality control department and be examined in 2016
Food Safety & Control committee	Food manufacturing factory health management specialist	Annual 8 hours recurrent training	8 hrs/year recurrent training of 2016 completed
	Food safety & control system working group member	Triennial 12 hours recurrent training	12 hrs/ 3 years recurrent training of 2016 completed

We provide a wide range of products, including products in capsule, granule and in a powder dosage form as well as canned food packed in a glass bottle and Combibloc. To comply with GHP Low Acid and Acidified Canned Food regulatory requirements, Grape King Bio has set up sterilization management personnel, sterilization operators, seal inspectors and seal operators respectively. The personnel has attended canned food professional training from institutions approved by health authority between 2015 and 2016 and awarded with qualification certificate. They are to ensure the process control of canned foods meets the requirements and quality standards.



Canned food related training			Plant status
Training	Low acid canner	Acidified cans (glass bottle + Bio Aid)	
Sterilization management personnel	Trained & Certified	Trained & Certified	Completed training and obtained training certificate in 2016
Sterilization operators	Trained & Certified	With proof of training	
Sealed inspectors	Trained & Certified	With proof of training	
Sealed operators	Trained & Certified	With proof of training	

## 4.5 Product Liability

### Food / Drug Management System Architecture and Status

Recently, frequent food safety incidents have raised the food industry and consumers' awareness on food safety. Consumer demand for higher quality, food supply chain shall be also taken warnings from these food safety incidents. From internal management perspective, stricter control on product quality, self-demanding are needed.

Our production quality system is ISO 22000 Food Safety Management System certified and in compliance with NSF GMP NSF Good Practice and pharmaceutical PIC/S GMP guideline; our laboratory is ISO/IEC 17025 TAF certified, which scopes covering continuous improvement of manufacturing processes, pursuit of excellence quality, and is in line with customer expectation and regulatory requirement to ensure customer satisfaction.

(1)ISO 22000: The implementation of ISO 22000 Food Safety Management System has incorporated HACCP (Food Safety Control System), the spirit of GMP (Good Food Practices) and GHP (Good Food Practices) into supply chain management. We have established Food Safety Team, Quality Health & Sanitation Management Committee to regulate raw materials supply chain management, process control, and operating environment control.

(2)NSF GMP: We introduce the NSF GMP to meet the requirement of international markets. NSF defines healthcare food as a dietary supplement and sets guidance based on USA cGMP. The entire production management system shall adhere to pharmaceutical requirements. Besides internal quality enhancement, adoption of international standards help the promotion of our products to global market and keep our product quality in accordance with international trends.

(3)ISO/IEC17025: Grape King Bio's laboratory received ISO/IEC17025 TAF certification in 2015, which is more stringent than ISO 9000/14001. The certification ensures the accuracy of laboratory test methods and system suitability for laboratory comparison, to assure our customers the credibility of the test reports. Besides passing a test on total plate count, Coliform bacteria, E. coli and caffeine measuring, in 2016, we received two new certificates on acid type preservatives test and yeast/mould test. We hope through receiving certificates, we can further enhance the quality of our raw material and product, sanitation and safety as well as the manufacturing quality, and have stringent checks in place for the health benefits of our consumers.

(4)Pharmaceuticals PIC/S GMP system: This system controls the manufacturing process from managing raw material, ensures that manufacturing process is strictly controlled with qualified facilities and equipment, and

demands environmental cleanliness and prevention of cross-contamination. Sales and distribution level are also controlled to safeguard the stability and safety of drug products.

The food safety team is composed of a member from manufacturing, quality control, and quality assurance departments. The team holds management review meeting by end of each year to discuss the quality goal of each product line, product mock recall, management system alteration, documents update, regulatory updates, internal and external audit review, sanitary monitoring results, and complaint analysis to provide continuous improvement for next year.



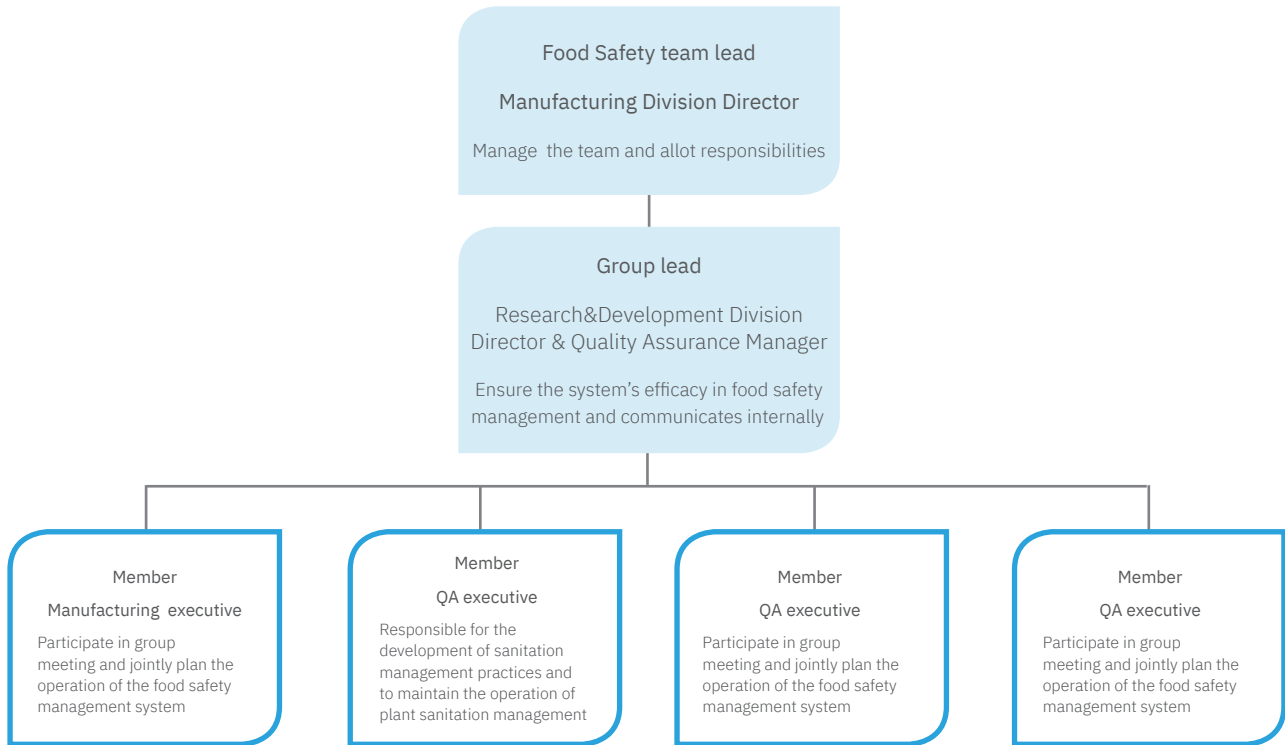
Testing Laboratory  
3129



GMP Registered



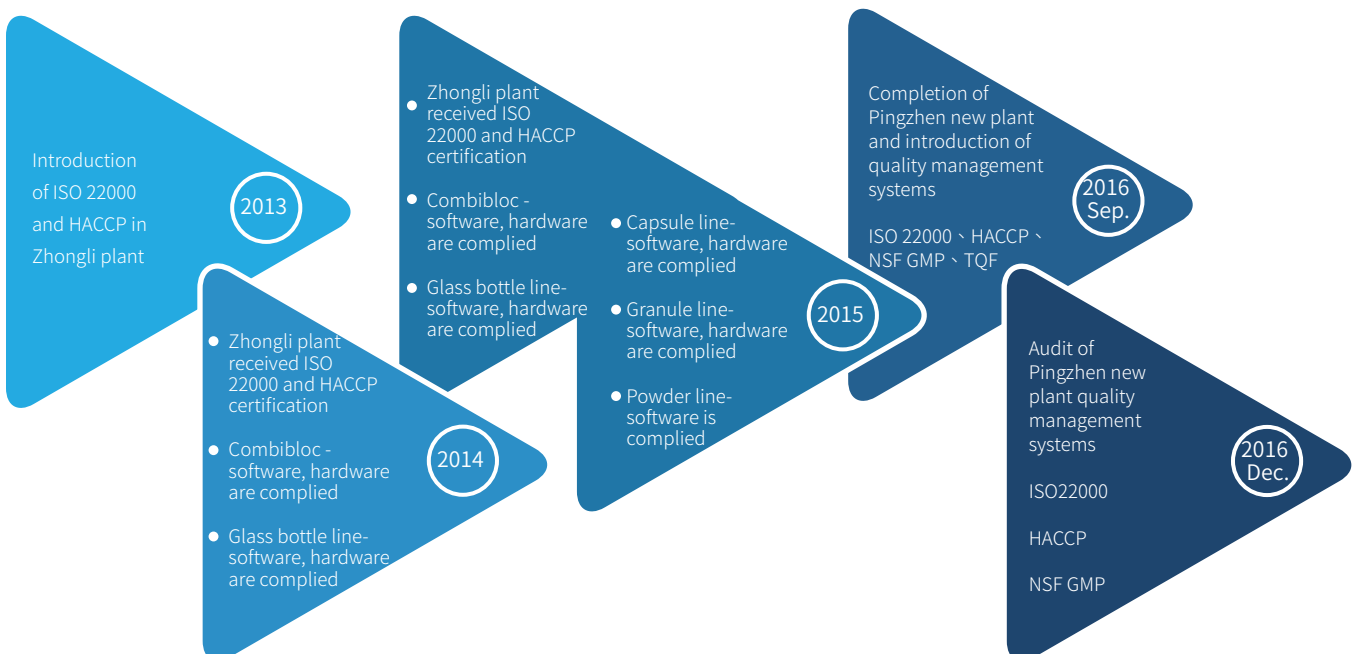
## Structure of Food Safety Team



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## Introduction of Food Safety Management System and Sanitary Requirements of Environment and Equipment

Grape King Bio's Zhongli plant has officially implemented ISO 22000 and HACCP management system in 2013. In 2014 and 2015, our glass bottle line, combibloc line, capsule line and granule line are certified through third-party audit and our powder line complies with system requirements. Grape King Bio's Pingzhen Jinling plant was completed in September 2016 in response to the expansion of production capacity; both capsule and granules lines were relocated to Jinling plant for capacity expansion, and the powder production line was also moved to Pingzhen Jinling plant to which ISO 22000, HACCP, NSF GMP were introduced. To demonstrate our strong commitment to enhancing food safety, our quality systems were certified through a third-party audit by the end of 2016 and certificate was issued in the first quarter of 2017. Grape King Bio in total has 5 production lines, which are all audited to guarantee the quality of our products.





Food safety requires overall maintenance of plant surrounding, production site conditions, personnel management, management of machinery and equipment sanitation, supporting utility systems (water, compressed air, and power supply) and quality assurance system, as well as continuous self-improvement. Our production site environment and sanitary condition are managed according to the provisions of GHP Codes, both Zhongli Plant and Pingzhen Jinling Plant also perform regular inspection activities on their own initiative.

Our production line sanitary personnel perform a daily inspection of our plant surroundings, production site, and sanitary status, while hygiene management specialist does monthly inspection to ensure that the factory sanitary condition complies. Production site is divided into clean room area, clean room preparation area and normal operation area according to the hygienic requirement of the working environment.

In addition to sanitary inspection, swab test is performed regularly for various working rooms, machinery, equipment and personnel hands. For the frequency of sanitary inspection, two plants take slightly different approach and monitoring mode, including environmental airborne microbes monitoring, machine, and equipment sanitary inspection, personnel hand hygiene inspection, Zhongli plant uses bi-weekly

sampling plan whereas Pingzhen plant uses monthly sampling plan for monitoring at a high frequency and multi-sampling point methods to control and reduce the possible contamination risks.



Plant	Item	Environmental airborne microbial monitoring	Machine and equipment sanitary test	Personnel hygiene test
Zhongli	Frequency	1 cycle/2-month	1 cycle/2-month	1 cycle/2-month
	5 production lines before 10/2016	114 test points	60 test points	54 test points
	4 production lines after 10/2016	70 test points	54 test points	45 test points
Pingzhen Jinling	Frequency	1 cycle/month	1 cycle/month	1 cycle/month
	3 production lines after 10/2016	172 test points	74 test points	36-42 test points

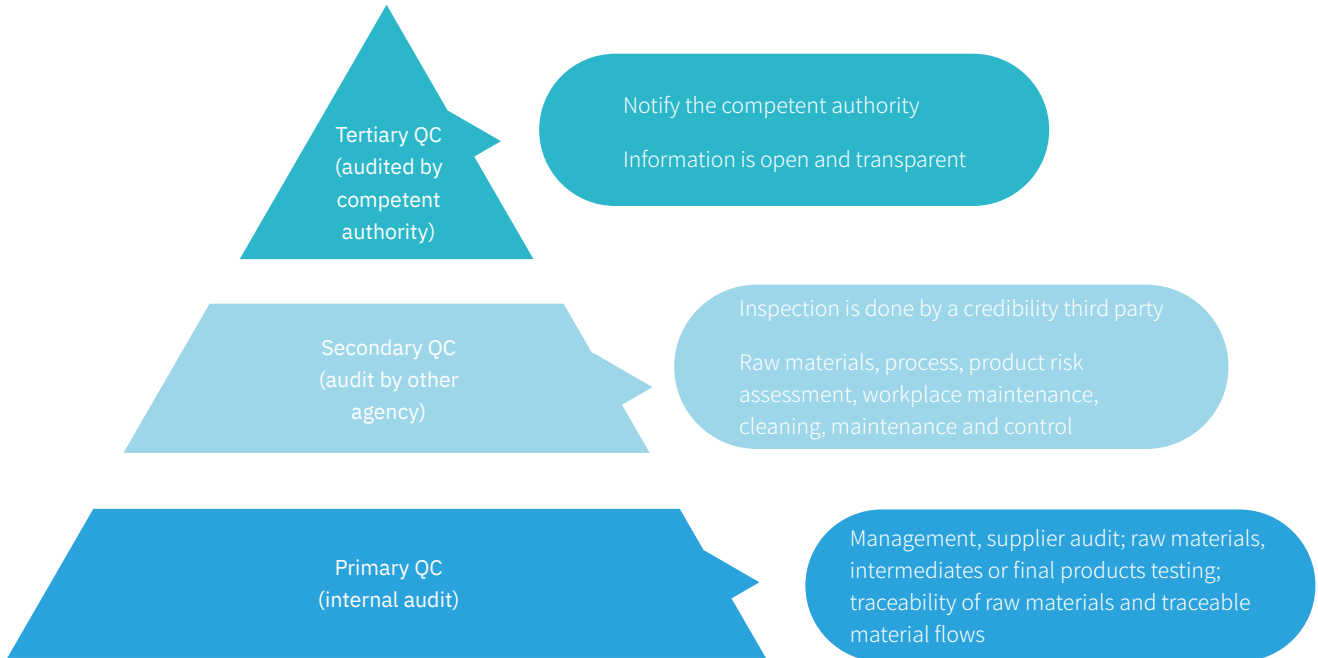
[Remark: Pingzhen site was officially launched for production in October 2016, hygiene and sanitary monitoring were started at the same time]

2016		Number of test point of each production line	Number of test point of each production line					
Items of food sanitation inspection		Date	Small pack size liquid form	Large pack size liquid form	Combibloc	Powder form	Capsule form	Granule form
Zhongli Plant	Environment airborne microbes	Before October	8 points	22 points	12 points	8 points	48 points	16 points
		After October				0 point	24 points	4 points
	Machine and equipment sanitation	Before October	6+6 points	6+6 points	6 points	6 points	9+9 points	6 points
		After October				0 point	9+9 point	6 points
	Personnel hands hygiene	Before October	9 points	9 points	9 points	9 points	9 points	9 points
		After October				0 points	9 points	9 points
Pingzhen Plant	Environment airborne microbes	After October				48 points	96 points	28 points
	Machine and equipment sanitation					14 points	18 points	42 points
	Personnel hands hygiene					12~15 points	6~9 points	18 points
Sanitary monitoring and compliance rate		Whole year	100%	100%	100%	100%	100%	100%

[Remark: Pingzhen plant was officially launched for production in October 2016, hygiene and sanitary monitoring process started after the above mentioned time]

## Quality Inspection and Project Expenditure

For quality inspection, Grape King Bio has independently established our own laboratory and scheduled to take a 3-tiers quality management approach.



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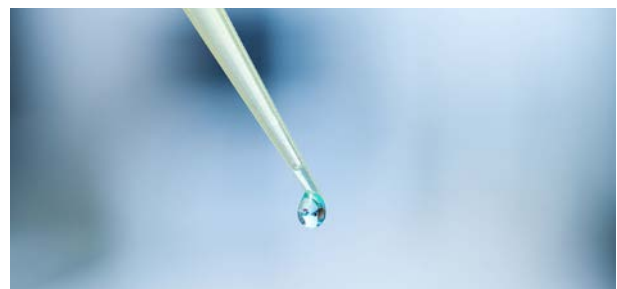
In addition to testing requirements stipulated in food regulations and pharmacopeias, if the product is likely to contain contaminant such as pesticide residues, heavy metals, microorganisms or other toxins, the test and specification of the contaminant should be added to raw material inspection standard for further testing or conduct commissioned testing (by the certified laboratory). We also verify CoA and related documents provided by suppliers to confirm the credibility of product safety.

Grape King Bio has set stringent acceptance criteria in raw materials testing than specification set forth in regulatory requirements. In 2016, among 2780 raw materials inspected and re-tested, 112 items were failed in incoming inspection and were then returned to suppliers, the overall rejection rate was 4.03% .

	Jan	Feb	Mar	Apr	May
Zhongli lab	249	181	349	367	289
Pingzhen lab	0	0	0	0	0

	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	297	156	182	97	108	97	90
	0	0	0	120	61	69	68

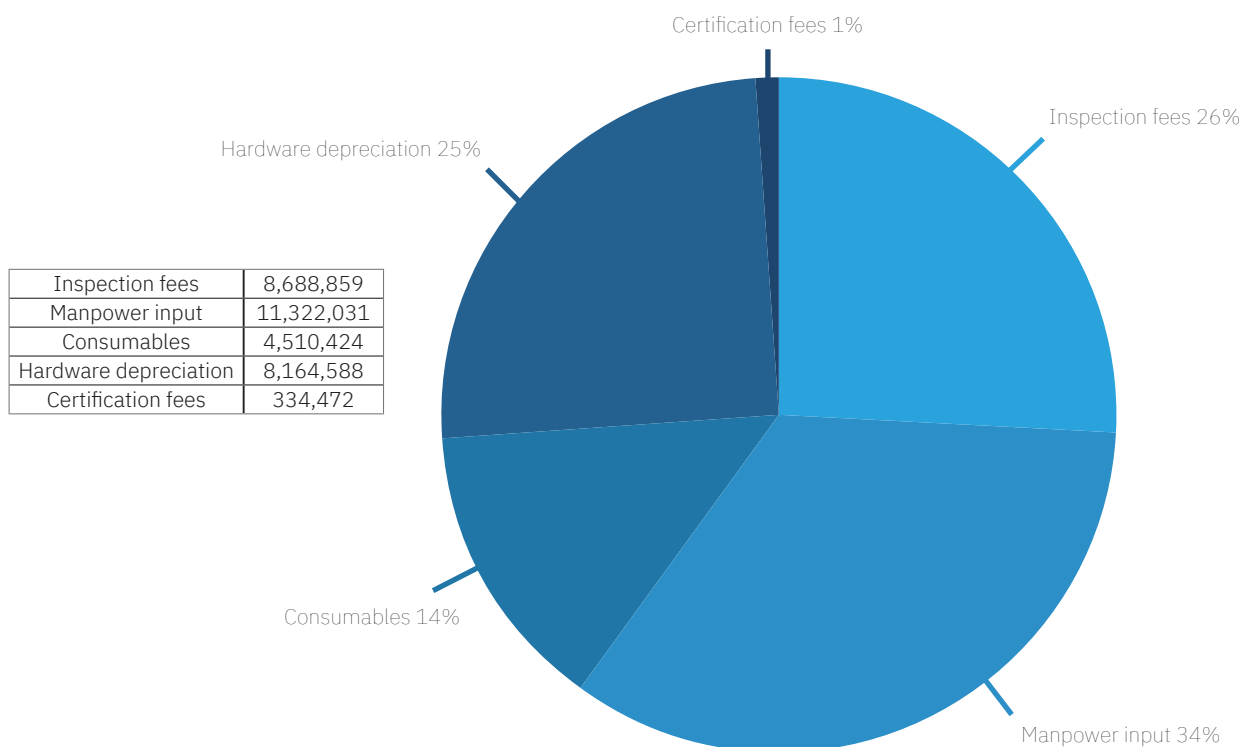
Unqualified raw materials are transferred to the rejected quarantine area while waiting for a return to supplier. In addition, finished product inspections are divided into physical properties inspection (such as appearance, color difference, dimension, weight, thickness), chemical properties inspection (such as specific gravity, pH, moisture, ash content, acid value, Brix), microbiological tests (such as bioburden, Coliform bacteria, *Escherichia coli*, mould and yeast, *Staphylococcus aureus*), heavy metal residue tests (Arsenic, Lead, Cadmium, Mercury, Copper, Antimony, Tin) and plasticizers (9 items) residue tests. In 2016 regulatory requirements have included Multiresidue Analysis of 310 pesticides to provide an additional check for public food safety. At least one batch of the production batches of each type of product produced shall be retained, and the stability tests will be conducted progressively until the expiration date of the products. With this, we can ensure that the safety and efficacy of the products can be maintained within the validity period.



	Test items	Reference
Physical properties	Appearance, color difference, dimension, weight, thickness	Internal specification
Chemical properties	Specific gravity, pH, moisture, ash content, acid value, Brix	Internal specification
Microbiological tests	Bioburden, Coliform bacteria, <i>Escherichia coli</i> , moulds and yeast, <i>Staphylococcus aureus</i>	Food borne microbiological tests (CNS)
Heavy metal tests	Arsenic, Lead, Cadmium, Mercury, Copper, Antimony, Tin	Circular letter Notice 1031901169: Heavy metal test method guideline, 25th August 2014
Plasticizer test	BBP, DBP, DEHP, DNOP, DINP, DIDP, DMP, DEP, DIBP(9 items)	Food phthalate plasticizer test method – Amendment 25th March 2014
Pesticides residue analysis (Remark)	Multiresidue Analysis of 310 pesticides	Circular letter Notice 1031900615 Amendment – Food pesticide residues test method - Pesticides multiresidue Analysis method, 3rd July 2014
Mycotoxin residue analysis	Ochratoxin A and Aflatoxin tests	Circular letter Notice 1031900979 Amendment – Food mycotoxins test method - Ochratoxin A test method, 22nd July 2014  Circular letter Notice 1021950329 Amendment – Food mycotoxins test method - Aflatoxin test method, 6th Sep 2013
Water quality test	pH, Turbidity, residual chlorine, Conductivity, total hardness, Chloride, bioburden, <i>Escherichia coli</i>	Water bioburden test method - filtration method (NIEA E205.57B)  Detection of <i>Escherichia coli</i> in drinking water - Multi-tube fermentation (NIEA E231.53B)

[Remark: Pesticide residue test was newly added in 2016]

In 2016, Grape King Bio invested NTD 33.0 million in food -safety-related controls, the expenses included inspection fees, manpower, consumables, hardware depreciation, certification fees and other expenses, which accounted for about 0.36% of our net revenue (NTD 9.185 billion).



## Food Industry Registration System, Product Tracking, and Management

In addition to the self-improvement of the quality system, Grape King Bio also focuses on corporate responsibility. In conjunction with government-led Food Industry Registration platform, Grape King Bio has successfully registered our Zhongli factory/manufacturing plant and retail registration in 2014, and completed the registration of Pingzhen Jinling factory/manufacturing plant, incorporation/business registration and retail registration in 2016, so that the Ministry of Health and Welfare could have better management of the food industry.

Grape King Bio builds our ERP system (T9 system) and conducts voluntary traceability management based on product identification and our traceability management procedures. Currently, the system is capable of tracking all 5 production lines in both Zhongli Plant and Pingzhen Plant. Internally, we conduct product traceability training twice a year to simulate and to verify the implementation of such management system. We also introduced FMIS food industry process management platform collaborating with the government to promote the Food Safety Cloud Project. This platform will gradually provide consumers with access to all related information (<http://gkvfmis.grapeking.com.tw/FMIS/>) and 3 products were registered during last year through FMIS registration.

In 2016, we had registered 79 products produced from 2014 to 2016 and the registration coverage rate was 100%. We continue to work on connecting the ERP system to the FMIS system in order to facilitate batch updates. The Food Cloud Platform contains raw material source/supplier information, raw material acceptance/storage information, manufacturing information, product test information, product release/storage information, shipping information and downstream/logistics provider information and allows companies to manage upstream raw material sources and to track the downstream product flows. Raw-material-related information such as raw material name, batch number, purchase date, effective date, country of origin, test method, test result are also incorporated. In addition, information on the manufacturing process, inspection of semi-finished product and finished product are provided clearly.

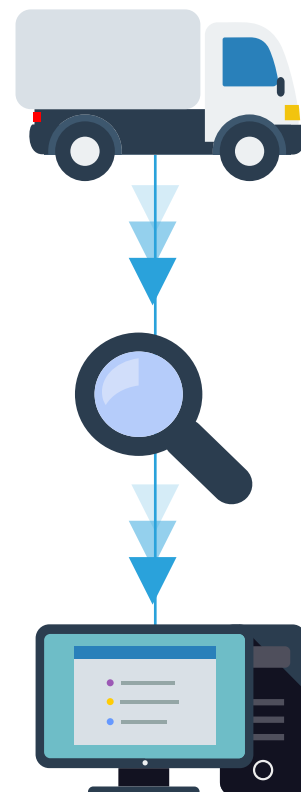
Information such as product name, batch number, shipping date, expiration date, customer name, logistic name and barcode, are available and regarded as final products/storage-related data. Therefore, the disclosure of information at all levels will enhance consumers' product awareness and ensure food safety.

In addition to the construction of private cloud database and the government-sponsored public cloud initiative, our system is also designed to meet requirements of sale channel by incorporating system-based automation technologies to avoid manual labor input.

For example, the Family Mart-owned convenience store's "Family online shopping Platform" Grape King Bio has successfully launched 7 products on Family Mart platform before 2016, additional 3 products more when compared to last year, and all these products are fully registered with the traceability program with 100% achievement rate.

In addition to self-disclosure, Grape King Bio is in compliant with government's policy on "manufacturing, processing, blending and importing soybeans" to establish a food traceability tracking system. There is only one product which needs to comply with this compulsory declaration. Grape King Bio has already registered this product in the system, and conducts monthly declaration of the previous month, and will be using electronic invoice from January 1, 2017.

The construction of the Food Cloud Platform and disclosure of product information helps enterprises to improve and sustain; with the external accreditation of the quality system, reveal of sustainable information shall publicize our social responsibility efforts, and further enhance the sustainable development of Grape King Bio.



## Food Safety Compliance Status and Product Labeling

In view of frequent food safety crisis, the rise of consumer health consciousness, product packaging, and labeling information becomes the basis for consumer decision making. Grape King Bio complies with regulatory requirements in packaging and labeling, continues to update labeling content, update food nutrition labeling, update food allergen labeling, update genetically modified food labeling, update Fungi food labeling, update warning statements, food additives, and general material Labeling. We also revised our product packaging and labeling information to adhere to regulatory requirements so as to provide complete and correct information for consumers and to provide consumers with indispensable information and reasonable understanding of products when during their purchase.

Fungal product labeling - clearly labeling the parts used



品名：葡萄王樟芝王菌絲體膠囊  
原料：樟芝菌絲體發酵液粉 (Antrodia cinnamomea) 硬脂酸鎂

膠囊成分：明膠、硫酸月桂酯鈉、純水、甘油、食用黃色四號、食用紅色六號

內容量：30粒

建議用量：每日食用三粒，可分三次食用。

食用方法：可搭配開水食用。

保存方法：請置於陰涼乾燥處，避免陽光照射。

注意事項：

1. 目前接受醫師治療者，請與醫師商量後再食用。
2. 本產品不能治療矯正任何疾病，有病者仍需就醫。
3. 避免孩童自行取用。
4. 食用過量可能有安全疑慮。
5. 均衡飲食及適當運動，為身體健康之基礎。

警語：

1. AST(GOT)、ALT(GPT)值持續異常升高可能是肝臟疾病所引起，應立即就醫。
2. 嬰幼兒、孕婦、哺乳母乳者，如欲食用本產品，請洽詢醫師或醫療專業人員。

營養標示

	每份	每日參考值百分比
熱量	2.4 大卡	0%
蛋白質	0.2 公克	0%
脂肪	0.04 公克	0%
飽和脂肪	0.02 公克	0%
反式脂肪	0 公克	-
碳水化合物	0.3 公克	0%
糖	0.01 公克	-
鈉	2 毫克	0%

\*參考值未訂定

每日參考值：熱量 2000 大卡、蛋白質 60 公克、脂肪 60 公克、飽和脂肪 18 公克、碳水化合物 300 公克、鈉 2000 毫克。

Complete labeling for food additives and ordinary raw materials

warning phrase

nutrition facts label

台灣森林中的紅寶石—樟芝

(Antrodia cinnamomea)

樟芝王菌絲體乃是「葡萄王生物工程中心」運用先進技術，精選珍貴牛樟芝菌種，進行液態發酵培養後，再濃縮精製而成，能滋補強身，增強體力，是具有優良活性的養生聖品。

榮獲中華民國六項專利字號：

發明第 20457 號 發明第 1236480 號

發明第 1255712 號 發明第 1296929 號

發明第 1317758 號 發明第 1365192 號

健康食品 衛署健食字第 A00182 號

保健功效相關成分含量，以腺甘、芝麻素、Antrosterol 及  $\gamma$ -胺基丁酸為品管指標成分，每份含：  
腺甘(Adenosine) 0.32-0.48mg；芝麻素(Sesamin) 0.48-0.72mg；Antrosterol 1.2-1.8mg； $\gamma$ -胺基丁酸(GABA) 1.68-2.52mg

建議售價：660 元

葡萄王生技股份有限公司

www.grapeking.com.tw

台灣桃園市平鎮區北興里 8 鄰金陵路二段 402 號

消費者服務專線：0800-028-686

保存期限：二年

有效日期 批號

Fungal product labeling - clearly specifying scientific names

Fungal product labeling - clearly specifying the cultivation methods of fungi



Violations in 2016	Degree of violation	Further amendments and improvements
Advertisement of "Grape King Bio Free Lutein anti-blue light set"	Exaggeration was contained in the advertisement	Grape King Bio sales department conducted product training and gave reminders to TV commercial personnel in order to avoid future product exaggeration
Advertisement of "Grape King Bio Ganoderma King No 1 health certified set"	Exaggeration was contained in the advertisement	
Food labeling of "LGG special probiotics" did not comply with regulatory requirements	Incorrect labeling	The version, which identified by the health authority, was discovered internally. A revised version of the packaging label was already produced and the correct version was already in used when receiving the notification letter.

In 2016, our claims on the television commercial were exaggerated in 2 separate occasions possibly due to lack of understanding of the product or under intense sales pressure, which had violated the Food Safety and Health Act and the Health Food Act, respectively, and was fined by the Health Bureau after receiving 2 notification letters. Our sale department later conducted product training and gave reminders to TV commercial personnel to rectify this issue. In 2016, Grape King Bio had another labeling non-compliance incident, which violated the Food Safety and Health Act and was penalized. Upon investigation, the root cause was due to the negligent of an older version of the packaging labeling. The version, which identified by the health authority, was a valid older version and had been discovered internally in 2015. A revised version of the packaging label was already produced in May 2015 and the correct version was already in used when receiving the notification letter. To prevent recurrence, Grape King Bio utilizes ERP system to notify various department including R&D department, business group/sales division, purchasing department, quality assurance department, quality control department, product planning team, Bioengineering Center, and others to jointly review all our packaging labels. First and second draft version shall be reviewed and proofread to reduce negligence and to maintain a positive image of the product.

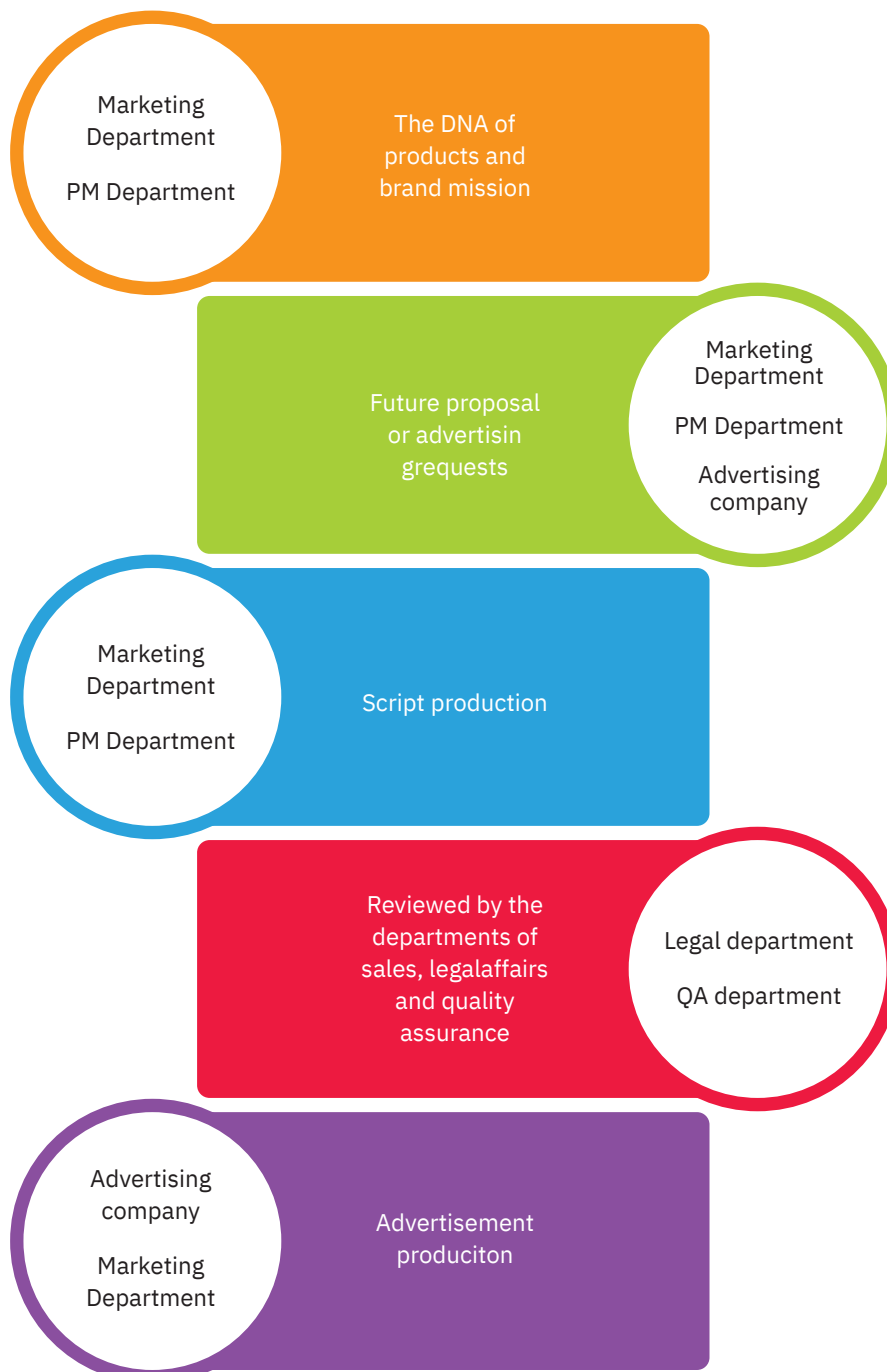
## Product Safety

In addition, the consideration of product safety is to prevent potential hazards from affecting consumer safety, health, and the environment. For the factors of consumption purposes, methods, manufacturing and processing methods, processes, forms of final products and food intake etc., we undertake verification, audit, and control of production processes to ensure the quality and safety of the products supplied meet customers' satisfaction, which is the direction of our ongoing efforts. We look forward to building Grape King Bio on this basis and contribute to the social welfare as a whole.



## Product Advertisement is in line with Health Regulations and Social Customs

Grape King Bio has rooted in Taiwan for 47 years. We uphold our mission of "Health experts take care of the whole family" and hope to gain trust from all levels of consumers. In order for consumers to fully comprehend our integrity and sincere attitude, we set up internal management procedures for advertisements and publicity in response to customers' needs and to avoid the possibility of a law violation. In addition to training relevant internal units, each commercial will go through the evaluation process shown below. In 2016, a total of eight commercial advertisements was produced.



## Innovation and R&D

# 5.0

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Grape King Bio CSR Report 2016

- 5.1 Bioengineering Center
- 5.2 Product Development
- 5.3 Formula Design Service
- 5.4 Material Development
- 5.5 Memberships of Associations
- 5.6 Patents
- 5.7 Important Events



## 5.1 Bioengineering Center

The Bioengineering Center was founded in 1991 for Research & Development and production of mushroom raw materials. R&D is responsible for the development and application of self-owned materials (key parts and components). Grape King Bio works with academic and research institutes in Taiwan on raw material and product development, performance verification and process improvement as an effort to establish the company's technical core. Grape King Bio has applied for and worked on 9 biotechnical projects entrusted by MOEA and Industrial Development Bureau and 20 industrial-academic cooperation projects from MOST, Council of Agriculture and Ministry of Education. We currently hold various patents relating to *Antrodia cinnamomea*, *Antrodia salmonea*, Lactic acid bacteria, Antibiotics, *Hericium erinaceus*, *Lepista nuda* and *Cordyceps cicadae*, including one in the US, 6 in China and 34 in Taiwan.

Grape King Bio's fermentation facility is the largest in the industry in Taiwan which includes six 1-ton tanks, one 2-ton tank, one 3-ton tank, three 5-ton tanks, one 10-ton tank, three 20-ton tanks, three 40-ton tanks and one 50-ton tank, as well as several smaller, 100-liter level tanks, with a total 50 tanks and adding up to 285 tons of fermentation production. From 2018, 105 tons of fermentation production will be added at Long-tan Facility of the Hsinchu Science Park as part of our expansion project. At the downstream production end we have a wide variety of equipment which includes membrane concentration, freeze dryer, centrifuge, fluid bed spray granulator and filter press. These help produce raw materials for health food products that will be branded as Grape King Bio, Pro-Partner, Grape King Shanghai and various OEM partners.

In 1997 Grape King Bio launched our signature product, Ganoderma King, which quickly took over the market ganoderma at NT\$10/tablet. In 1999, Grape King's *Antrodia King* was rolled out, which made it the first mass-produced *Antrodia cinnamomea* mycelium in the world. It was also the top brand of *Antrodia cinnamomea* in Taiwan as well as the largest manufacturer of Taiwan fungus *camphoratus* mycelium globally. In 2015, Grape King Bio became the first company to mass-produce Erinacine A in the world and launched it as a new product in the health food market for improvement of degenerated nerve system. Grape King Bio is planning to start selling eye care health food products made with *Cordyceps cicadae* in the US from 2017.

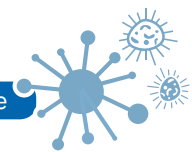
## 5.2 Product Development

With ever increasing health issues such as chronic health conditions, falling fertility rate and aging population, general consumers have begun to pay close attention to these health issues and becoming more aware to what they eat and how daily diet can influence their health. As a result, the nutritional value and functionality of products is becoming increasingly important.

Grape King Bio established our Innovation Research Centre (IRC) in 2016. Experts from multiple departments, such as product development, marketing, material development, quality control, and assurance are working together on product research based on the specialized fermentation techniques from our Bioengineering Centre. At the same time, these experts start to evaluate substances and materials that are different from those seen in the market and try to develop unique formulas, hoping that in the near future health food that features both palatability and functionality can be developed. Consumers can access the nutrients that they were previously deprived of and certain components of specific functions through consuming our health food. The product development team utilizes the fermentation techniques of the biotech center according to age groups or nutritional needs. They develop products featuring certain functions to embody the concept of "Health experts to take care your family." Our products categorize in 5 series:



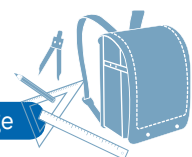
Chinese Herbal Range



Health Maintenance Range



Female Beauty Range



Children's Healthcare Range



Energy Drinks Range

Product series	Chinese Herbal Range	Health Maintenance Range	Female Beauty Range	Children's Healthcare Range	Energy Drinks Range
Description	Products are developed based on traditional herbal recipes combined with the fungus fermentation techniques of Grape King Bio to provide a comprehensive array of health improvement products.	These products are developed to keep the body functions up and running and satisfy different age and nutrition needs. For example, intestine, bone joints, eyesight and cardiovascular conditions are some of the most frequently discussed topics about health. The lactic acid products are suitable for people of all ages.	Female consumers are always looking for a simple and quick nutrition supplement.	This product line is developed by Grape King Bio specifically for the nutritional needs of pre-school children	"ComeBest, Drink and Go!" This has been a classic slogan of Grape King Bio for years. This range not only provides an instant energy boost but also comes in several flavors to choose from.
Product examples	Original Antrodia King Original Ganoderma King Coriolus Versicolor King Gold Cordyceps King Ginseng-Clam Plus B Tian Qi Ling Zhi Essential Drink	Probiotics King LGG Probiotics Marigold Lutein Complex Q10 Natto King Glucosamine King Sliim Turmeric Complex	Snow Brightening Essential Drink Cranberry Q10 Queen Imperial Collagen Essence Amino Beauty Capsule	Ganoderma for Kids IQ King Marigold Lutein QQ for Kids	Comebest Energy Drink Comebest 200p Energy Drink PowerBOMB Energy Drink
No. of new products in 2016	15	18	6	5	7

## 5.3 Formula Design Service

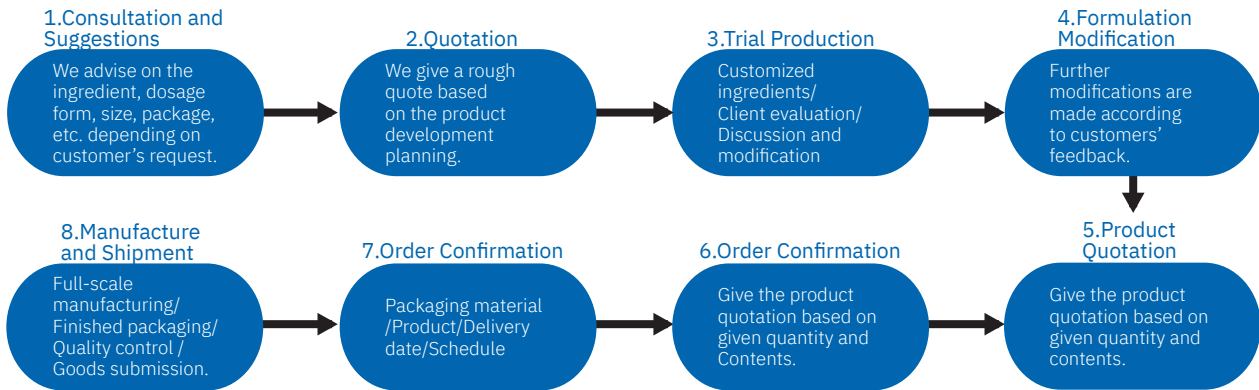
Apart from the development of self-owned products, Grape King Bio's product development team provides ODM/OEM service as well. We are capable of customizing products and recipes for our clients. Our current clients cover well-known direct sale or franchise corporations around the world. We are working very hard to develop exporting business recently and establish an OEM platform to facilitate one-stop service from patent design and material acquisition at the very beginning to production line and final product packaging.

Grape King Bio's R&D team provides professional marketing strategy consultation on raw materials and products based on clients' needs, including the development of innovative customized recipes. We come up with multiple dosage designs to highlight the product features so that they fit the market demand. We have quality specifications that help us keep tracks on materials used and product quality and make sure that the quality is consistent within each shipment. In addition, we provide consultation services after products are sold to clients, such as health and nutrition consultation for products launched and for documents related to clients' health improvement product.

Our OEM service covers health improvement products, cosmetic drinks, functional drinks and PKL-packaged drinks. The dosage forms and package types of



our ODM/OEM products include glass bottles, PKL Combibloc -packed drinks, aluminum foil pouch (for flakes, powder and pellets) and capsules (for powder and pellets). Our one-stop service flow is illustrated as follows:



## 5.4 Material Development

The development of new materials for health improvement and cosmetics is one of our R&D team's focuses (e.g. Cordyceps sobolifera mycelium which can help protect the kidneys, Hericum erinaceus mycelium to stimulate NGF (nerve growth factor), Lignosus rhinoceros to treat asthma, Lepista nuda mycelium to reduce the appearance of wrinkles and have effects on UV-induced damage in skin cells, and Ectoine-producing marine bacterium.).

The bioengineering center also provides OEM and ODM service, including:

1. Fungus materials (e.g. ganoderma, agaricus subrufescens, Taiwanofungus camphoratus, cordyceps and Trametes versicolor)
2. Probiotics (e.g. coccus, bacillus, Bifidobacterium, yeast and butyric acid bacteria)
3. Other edible bacteria as well as its enzymes and metabolite.

## 5.5 Memberships of Associations

Associations participated	Management role	Membership
International Life Science Institute Taiwan	Supervisor	●
TJABC		●
Taiwan-Japan Cooperation on Industrial Technology		●
Health Food Society Taiwan	Director	●
Taiwan Association for Food Science and Technology	Director	●
Taiwan Niu-Chang-Chih Industry Association		●
Taiwan Agricultural Chemistry Society	Director	●
Mycological Society of Taiwan		●
Biochemical Engineering Society of Taiwan		●
Taiwan Lactobacillus Society	Managing director	●
BDDC - VIP member		●
Chinese Association for Bio-resource Applications	Director	●
Taiwan Testing and Quality Assurance Society (TTQAS)	Director	●
Chinese Association for Industrial Technology Advancement		●
Taiwan Bio Industry Organization		●
Taiwan Association for Traditional and Complementary Medicine		●
Nutrition Society of Taiwan		●
GRAS/Food Grade Hetrologous Protein Production Platform, Chung Hsing University		●

## 5.6 Patents

The development of new materials for health improvement and cosmetics is one of our R&D team's focuses (e.g. Cordyceps sobolifera mycelium which can help protect the kidneys, Hericum erinaceus mycelium to stimulate NGF (nerve growth factor), Lignosus rhinoceros to treat asthma, Lepista nuda mycelium to reduce the appearance of wrinkles and have effects on UV-induced damage in skin cells, and Ectoine-producing marine bacterium.).

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3.Other edible bacteria as well as its enzymes and metabolite.



	Patent name	Country	Patent no.
1	A method for Producing GABA with <i>Antrodia Cinnamomea</i> mycelium and the composition thereof	ROC	204557
2	A method for producing biological active material with <i>Antordia Camphorata</i> and composition thereof	China	198278
3	A method for producing biological active material with <i>Antordia Camphorata</i> and composition thereof	ROC	I236480
4	A compound for inhibiting antigen of hepatitis B virus and pharmaceutical of food composition thereof	ROC	I255712
5	Method for producing novel beta-lactam antibiotic from protoplast fusion strain	USA	US 7241588B2
6	A method of producing bio-active substance of <i>Taiwanofungus salmoneus</i> and composition thereof	ROC	I 287991
7	A method of producing bio-active substance of <i>Taiwanofungus salmoneus</i> and composition thereof	China	397743
8	Preparation of <i>Antrodia Cinnamomea</i> for prevention and treatment of hepatitis B, alcoholic liver injury and carbon tetrachloride-induced liver damage	ROC	I 296929
9	A method for producing cyclic dipeptide with <i>Antrodia Cinnamomea</i> mycelium and the composition thereof	ROC	I 317758
10	A structure of multiple coating micro-capsulation for embedding lactic acid bacteria	ROC	M393167
11	Multi-coating macro-granule structure comprising probiotics and manufacturing method thereof	ROC	M396123
12	Multi-coating macro-granule structure comprising probiotics and manufacturing method thereof	China	1824941
13	Pharmaceutical composition for inhibiting angiogenesis and the application thereof	China	920175
14	A novel method to culture <i>Antrodia Cinnamomea</i> mycelium	China	915911
15	Product and method of making a seed coating to enhance plant growth and resist pathogen infection	ROC	I364254
16	A novel method to culture <i>Antrodia Cinnamomea</i> mycelium	ROC	I365192
17	Pharmaceutical composition for inhibiting angiogenesis and the application thereof	ROC	I369201
18	Encapsulation of <i>Hericum Erinaceus</i> mycelium for nerve protection	ROC	M491474
19	Compositions and methods for promoting primary hepatocyte proliferation by active ingredients from <i>Antrodia cinnamomea</i> and <i>Cordyceps militaris</i>	ROC	I465260
20	Cultivation method for preventing rapid degradation of Erinacine A during fermentation of <i>Hericum Erinaceus</i> mycelium	ROC	I516598
21	Lepista nuda mycelia compositions with anti-UVA performance and preparation method thereof	ROC	I521059
22	Encapsulation of lactic acid bacteria using <i>Antrodia cinnamomea</i> mycelium	ROC	M524710
23	Encapsulation of lactic acid bacteria using <i>Cordyceps Militaris</i> mycelium	ROC	M524709
24	Encapsulation of lactic acid bacteria using <i>Hericum erinaceus</i> polysaccharide	ROC	M524708
25	Encapsulation of lactic acid bacteria using <i>Hericum erinaceus</i> mycelium	ROC	M524707

26	Encapsulation of lactic acid bacteria using <i>Hericium erinaceus</i> mycelium <i>Agaricus blazei</i> mycelium	ROC	M524706
27	Encapsulation of lactic acid bacteria using red yeast rice mycelium	ROC	M524705
28	Encapsulation of lactic acid bacteria using <i>Cordyceps Sinensis</i> mycelium	ROC	M524704
29	Encapsulation of lactic acid bacteria using <i>Antrodia cinnamomea</i> polysaccharide	ROC	M526395
30	Encapsulation of lactic acid bacteria using <i>Antrodia cinnamomea</i> protein	ROC	M526396
31	Encapsulation of lactic acid bacteria using <i>Cordyceps cicadae</i> mycelium	ROC	M526397
32	Encapsulation of lactic acid bacteria using <i>Ganoderma lucidum</i> mycelium	ROC	M526398
33	Encapsulation of lactic acid bacteria using <i>Armillaria mellea</i> mycelium	ROC	M526399
34	<i>Cordyceps cicadae</i> mycelium active substances for protecting neuron cells, and food composition thereof	ROC	I549684
35	A pharmaceutical or food composition of <i>Antrodia cinnamomea</i> extract for reducing drug-resistance in cancer cells	ROC	I551291
36	Active substances of <i>Antrodia cinnamomea</i> mycelium, preparation method thereof, pharmaceutical composition containing the same, and application thereof	ROC	I552755
37	<i>Cordyceps cicadae</i> active substances, preparation method thereof, pharmaceutical composition containing the same and application thereof	ROC	I558405
38	The heripene, the active substance of the mycelium of <i>Hericium erinaceus</i> for decreasing the pain, the producing method and the pharmaceutical composition thereof	ROC	I560273
39	<i>Antrodia cinnamomea</i> mycelium active substances for protecting neuron cells, and food composition thereof	ROC	I562782
40	Probiotic embedding particles	ROC	I587863
41	Encapsulation of lactic acid bacteria using <i>Hericium erinaceus</i> mycelium for induction of nerve growth factor synthesis	China	Pending

## 5.7 Important Events

### Important Events in 2014

Candidate of the Second Excellent Company Award – Grape King Bio

11th National Innovation Award,

[Company / R&D technology– Development of fungus-based health food]

Symbol of National Quality (SNQ) – Nutrition and Health Improvement Product / Health Improvement Food Category –Premium Antrodia

Symbol of National Quality (SNQ) – Nutrition and Health Improvement Product / Health Improvement Food Category –Imperial Collagen Essence DNA

Symbol of National Quality (SNQ) – Nutrition and Health Improvement Product / Health Improvement Food Category –Imperial Turmeric Complex

Symbol of National Quality (SNQ) – Nutrition and Health Improvement Product / Health Improvement Food Category – ComeBest Energy Drink

Symbol of National Quality (SNQ) – Nutrition and Health Improvement Product / Health Improvement Food Category – Di Kang

Symbol of National Quality (SNQ) – Nutrition and Health Improvement Product / Health Improvement Food

Category – Neuro-trition

Symbol of National Quality (SNQ) – Nutrition and Health Improvement Product / Health Improvement Food Category – Pro-Partner Livoprobio

Golden Award for Innovative Product, Taiwan Association for Food Science and Technology – Pro-Partner Enterprise Livoprobio



國品字第 A01370 號



國品字第 A01386 號



國品字第 A01361 號



國品字第 A01385 號

## Important Events in 2015

Golden Award of the 30th INPEX in the Alternative Medicine/Therapeutic category, Pittsburgh, PA

Golden Award of the 26th ITEX in the Biotechnology, Health & Fitness Category, Malaysia

Golden Award of the INST, Taipei in the invention category

12th National Innovation Award, Company category – Pro-Partner Enterprise Huo Yi Kang, hedgehog fungus mycelium tablets



## Important Events in 2016

Bronze Award in Concours Lepine, Paris, France

Golden Award in Geneva International Exhibition of Inventions, Switzerland

Golden Award in Seoul International Invention Fair

Golden Award of the INST, Taipei in the invention category

IUFoST Award

Nutrition and Health Improvement Food Innovation Award, Taiwan Health Food Society – Pro-Partner Enterprise Leyu, lactic acid bacteria tablets

New Product Award, Taiwan Association for Food Science and Technology-Pro-Partner Enterprise Huo Yi Kang, hedgehog fungus mycelium tablets



# Employment

6.0

- 6.1 Employment Structure
- 6.2 Employer-Employee Relationships
- 6.3 Salary and Welfare
- 6.4 People-Oriented
- 6.5 Talent Recruitment
- 6.6 Diversified Communications
- 6.7 Occupational Safety

## 6.1 Employment Structure

### Policies and Goals

Since its founding, Grape King Bio has been consciously committed to human resource development and continued to adjust and improve our HR scope. Employees are the company's most important assets and the following policies and goals are established as guidelines for the company's employment:

#### HR policies:

**Recruitment policy:** Emphasize on active, positive, honesty and integrity, teamwork and the right person for the right position.

**Training policy:** Ensure quality training systems; progress in both business and personal careers.

**Employment policy:** Establish a complete, proper system which boosts the effectiveness and flexibility of management.

**Policy to maintaining talent:** Experience commitment and trust; Provide incentive in keeping talent.

**Assessment policy:** Objective-oriented management, payment by performance; a clear distinction between rewards and reprimands.

#### HR goals:

Improve HR structure and bring out the best of our teamwork.

Optimize recruitment quality and speed through multiple recruitment channels.

Introduce objective-oriented performance management and establish a friendly competition company culture.

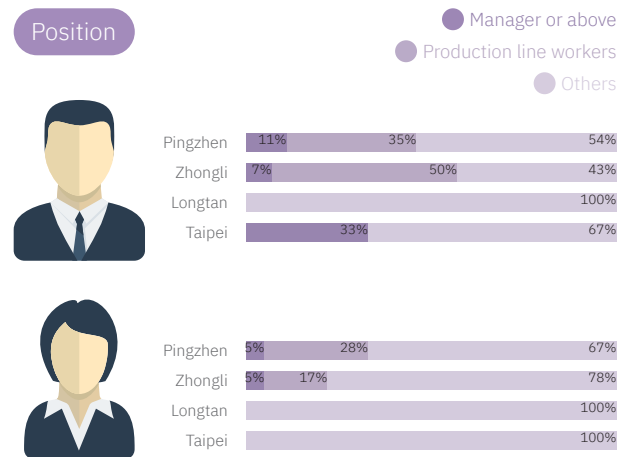
Separate employees of good performance from those who require improvement and encourage all employees to do their best.

Provide a healthy payroll system and create a sense of happiness for employees.

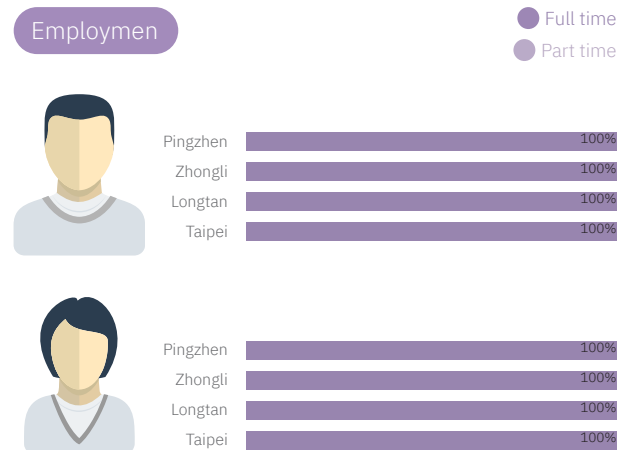
### Employment Structure

As the company's business steadily grows, so does the number of hired employees. However, in response to the government's actions of stimulating domestic employment market, our recruitment has always prioritized local talent and has yet to hire foreign blue collar workers. We have established a labor relations committee as legally required and meetings are held on a regular basis to ensure that 100% of employees are protected under a collective agreement. Currently, Grape King Bio has the following employment structure:

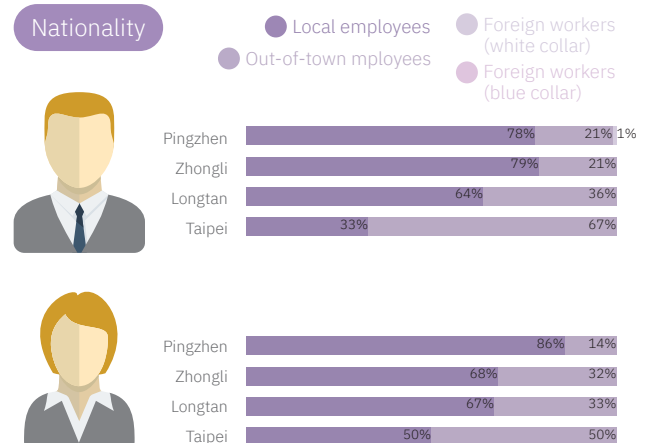
#### Position



#### Employment

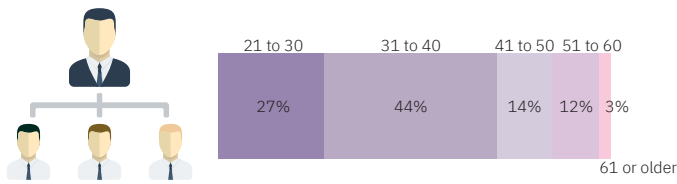


#### Nationality

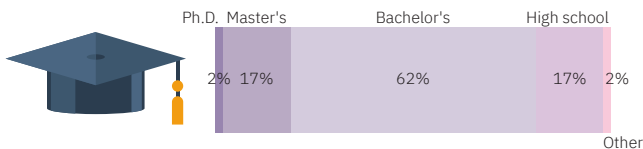




## Age



## Education

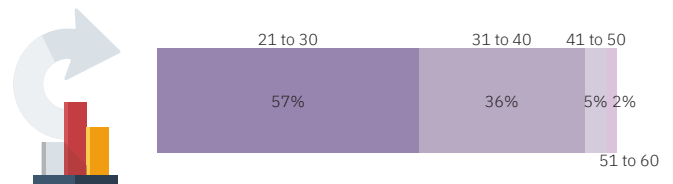


## 6.2 Employer-Employee Relationships

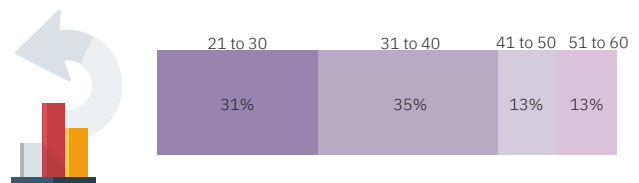
1. Grape King Bio has always focused on improving our HR development and was for the first time, ranked No.36 on the “2013 Top 100 Taiwan Best Companies to Work For” list and ranked No.2 in the Medical Biotechnology category by Cheers magazine. We have continuously received recognition and ranked No.32 on the “2016 Top 100 Taiwan Best Companies to Work For list” and No.1 in the Medical Biotechnology category by Cheers Magazine, Issue No.184. This is a true testament to not only the internal recognition of our approach to human resources but also signifies that external market recognizes our efforts as well.

2. Experience, performance, potential, and attitude are what define our employees, regardless whether one is an entry-level employee or a member of executive management. All staff are treated equally and subject to the same set of rules and payroll system. The employee status is shown in the following table:

## Distribution of new recruits by age



## Distribution of resigned workers by age



Distribution of new recruits / resigned workers by gender																			
Category	Age	Pingzhen				Zhongli				Longtan				Taipei				Grand total	
		Male		Female		Male		Female		Male		Female		Male		Female			
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%		
New recruits	16 to 20	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
	21 to 30	7	64%	12	67%	2	29%	3	75%	0	0%	0	0%	0	0%	9	47%	15	50%
	31 to 40	2	18%	6	33%	4	57%	1	25%	0	0%	0	0%	1	100%	1	100%	7	37%
	41 to 50	2	18%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	2	11%	0	0%
	51 to 60	0	0%	0	0%	1	14%	0	0%	0	0%	0	0%	0	0%	1	5%	0	5%
	61 or older	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total		11		18		7		4		0		0		1		1		19	23
Resigned workers	16 to 20	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
	21 to 30	1	20%	3	38%	4	68%	0	0%	0	0%	0	0%	0	0%	5	38%	3	30%
	31 to 40	3	60%	3	38%	1	16%	0	0%	0	0%	0	0%	1	50%	1	100%	5	40%
	41 to 50	0	0%	1	12%	0	0%	0	0%	0	0%	0	0%	1	50%	0	0%	1	20%
	51 to 60	1	20%	1	12%	1	16%	0	0%	0	0%	0	0%	0	0%	2	16%	1	10%
	61 or older	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total		5		8		6		0		0		0		2		1		13	10

Recorded employment ratio (M:F)				
Item	2013	2014	2015	2016
All workers, M:F	50% : 50%	50% : 50%	50% : 50%	49% : 51%
New recruits by year, M:F	58% : 42%	60% : 40%	68% : 32%	45% : 55%
Starting salary ratio for new male and female recruits (with the same job description)	1 : 1	1 : 1	1 : 1	1 : 1
Welfare input value ratio, M:F	1 : 1	1 : 1	1 : 1	1 : 1

3. All of the company's regulations have been composed in accordance with the law, including paternity leave, parental leave, maternity leave, menstrual leave etc. Our employees can evaluate their situation and apply for leaves according to their needs. We grant leaves according to regulatory laws. The following data are provided as evidence: those who requested parental leave are all female workers.

Item	2013	2014	2015	2016
No. of workers requesting paternity leave	1	8	8	5
No. of workers requesting maternity leave	7	5	6	7
No. of workers requesting parental leave	0	1	4	3
Return to Work Rate	100%	100%	100%	100%
Retention Rate	100%	100%	100%	100%



## Leaves without Pay for Child Care Requested in 2016



## 6.3 Salary and Welfare

### Salary and Welfare

Grape King Bio has a dual welfare system (welfare provided by the Company and Employee Welfare Committee). We have introduced several management mechanisms to ensure that we offer better salaries and benefits compared to that of the industry average. For example, the objective-oriented performance management system effectively separates good performance from bad and the performance assessment is fair and transparent. By implementing a performance bonus weighing mechanism, we encourage workers to drive themselves towards the established objectives and beyond. A reward and punishment system is established so that good performance is rewarded and poor performances must meet disciplinary actions. A role model system is established to allow excellent workers to transfer their positive ambitions to the workplace and stimulate a sense of honor that encourages employees to look up to outstanding employees and to learn from them. The following are descriptions of the aforementioned measures:

1. Objective-oriented performance management system is provided to separate good performance from bad with the fair and transparent performance assessment; a performance bonus weighing mechanism is implemented to encourage workers to drive themselves towards the established finishing line. The objective-oriented performance management system explained in the following:

(1) Objectives are set through a top-down process

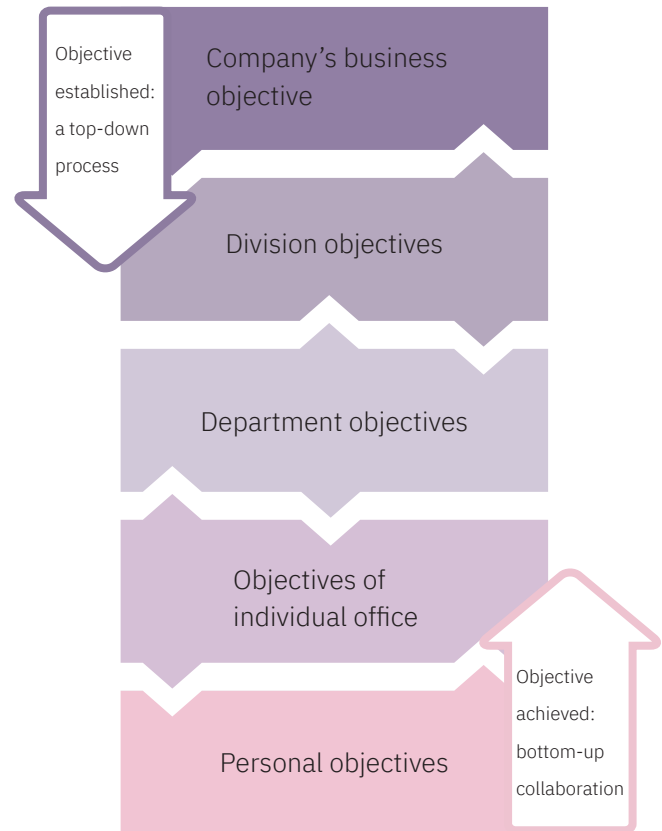
At the beginning of the year, the GM office comes with the annual business objectives based on the future development of the company. The department heads receive the objective related to their departments and supervise those working under him/her to get the job done according to the duties of individual positions.

(2) Objectives are achieved from a bottom-up approach

Every department achieves its departmental objective collectively with the achievement of personal objective and the achievement of departmental objective adds up to the achievement of company objective.

(3) Two-way communications established for the development of trust

At the beginning of the year, the personal objective of each individual worker is established through communications between the department head and the individual worker. Performance tracking and adjustments are conducted in the middle of the year and performance assessment at the end of the year. The assessment result is linked to not only the bonus, salary, job assignment, promotion and pay raise but also to future training needs. Workers and their supervisors



maintain good communications throughout the performance assessment to ensure that the assessment results are credible and complete.

(4) Providing incentives while retaining talents

In order to keep talent and provide incentive rewards, we have designed incentive rewards at four different periods of the year, i.e. the year-end bonus is distributed in January, job assignment and pay raise in April, a mid-year bonus in July and job assignment and pay raise in October. It is designed so as to separate good performance from poor performance and link excellence with incentive measures in order to improve our company's overall performance. It also connects future potential and salary changes, which encourages employees to improve themselves. The following items are taken into account when deciding on the rewards:

A. Bonus and pay: the annual performance and objective achievement of a worker are considered together with the annual profits of the company.

B. Changes and pay raise: the factors of consideration are whether the current pay of a worker is reasonable, his/her performance at work, future potential, annual pay raise budget, salary balance inside and outside of the company and price level.

2. Every year, the company composes a budget plan for the distribution of pay raise, mid-year bonus, year-end bonus and other rewards. These bonuses and rewards are distributed at specific time points. A well-defined system (including salary level based on job title, performance assessment and management system, and change management system) is established to provide a transparent pay raise policy, promotion changes, bonuses, and rewards. The company's payroll policy is to be better than the industry's average. The following statistics are provided:

Item	2013	2014	2015	2016
Salary level	Salary level > 1.5	Salary level > 1.5	Salary level > 1.5	Salary level > 1.5
Month and number of pay raise	Pay raise every Jan.	Pay raise in either April or October		
Year-end bonus	Distributed at the beginning of year			
Mid-year bonus	Distributed in the middle of year			
Average annual pay	20 months or more of monthly salary			
Holiday bonus and gift	Holiday bonus or gift on Chinese New Year / Labor Day / Dragon Festival / Zhongyuan Ghost Festival / Moon Festival / birthday			
Remark	Salary level = average pay of a worker ÷ average salary level of the industry			

### 3. Retirement system and its implementation

The company has a complete set of employee retirement rules established according to the Labor Standards Act and allocates the required amount every month to every designated bank account according to the Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds. A worker who is 55 years or older and has provided his/her service for 15 years or more, or who has provided his/her service for 25 years or more, or who is 60 years or older and provided his/her service for 10 years or more may request retirement. The company awards 2 base points for every year of service and 1 base point for every year of service from 15 years and beyond. No more than 45 base points can be accumulated. Less than half a year of service is considered half a year and less than a full year but more than half a year of service is considered a full year.



## 6.4 People-Oriented

In 47 years, Grape King Bio has had its fair share of ups and downs. To this date, we are still standing firm thanks to our highly professional and cohesive team. The employees are the company's irreplaceable assets, and they are what allow the company to turn our internal competitiveness into operation momentum regardless of the drastic changes of external factors. The Company prioritizes workers' career development and encourages them to seize every opportunity to learn, and in turn, employees are happy to return the favor by implementing newly acquired knowledge into their job role. We perceive training as an investment that is lowest in costs but highest in benefits instead of a form of cost. Relevant descriptions are as follows:

### Training Plans

The company's strategic configuration and development objectives are based on the company's missions (company's soul), visions (company's objectives for individual stages) and core values (shared behavioral value). The company's training needs are confirmed and training objectives and plans established through the gap analysis (status quo and gaps).

### Training Objectives

- (1) Work objectives (knowledge, skills, and ability)
- (2) Competency objectives (potential, attitude and behavior)
- (3) Performance objectives (performance ability gaps)

(4) Personal development (career development planning)

## Training Type

(1) There are internal and external training programs depending on where the training takes place.

(2) There are management, course, professional course and general knowledge course depending on the nature of training.

Learning roadmap					
Function	Production	Marketing	HR	R&D	Finance
Position					
High	<div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>Training</b>            O.J.T.    OFF-J.T.    S.D.         </div>				
Middle					
Basic	<div style="border: 1px solid black; padding: 5px; text-align: center;">           Management/professional/general            knowledge course         </div>				
General					

## Duo Systems

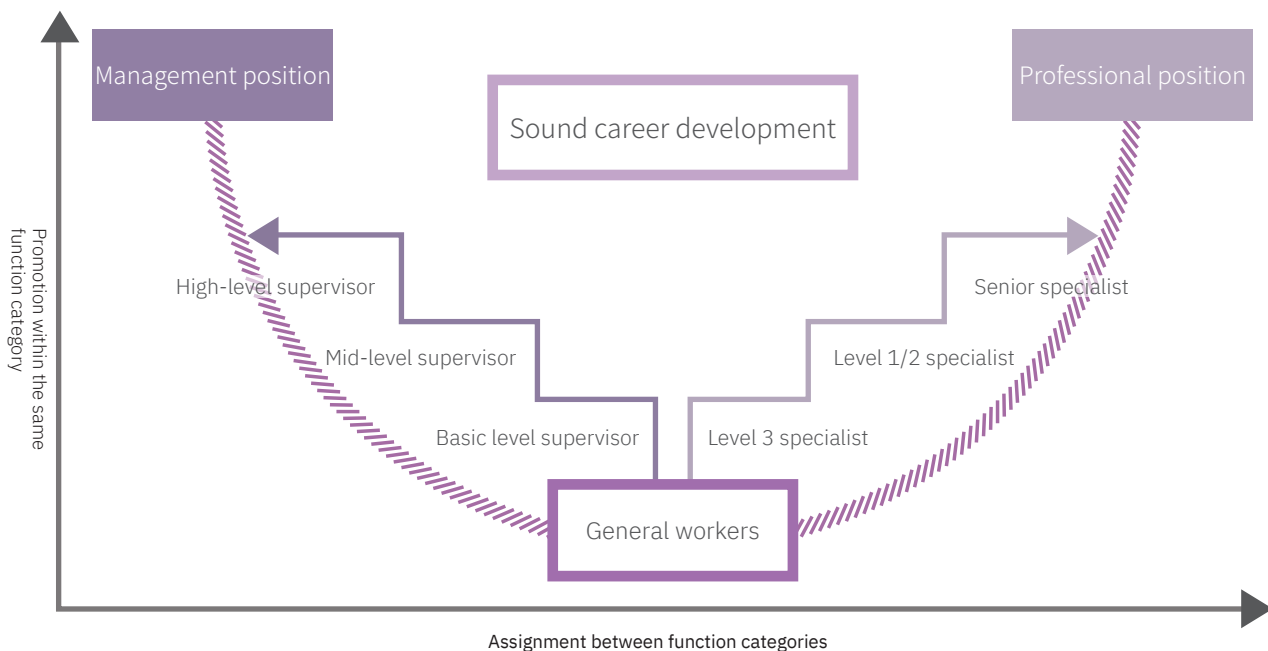
We organize talents into two categories, management talent, and professional talent. These talents are given the opportunity to choose their path of learning so that every individual is able to put what they have learned to good use.

(1) Development of the company's learning roadmap

The professional ability and competency required for every function category (production, marketing, HR, R&D, and finance) are clearly defined, and the current development of workers is compared to identify the skills and knowledge gap before providing the proper training.

(2) Develop personal learning roadmap

The direction in which the company is heading towards is combined with the career development of every worker to picture their learning roadmap according to each individual. This is to ensure that the path of individuals and that of the company's growth can transform from parallel lines that never intersect into intertwining paths that are developing in the same direction.



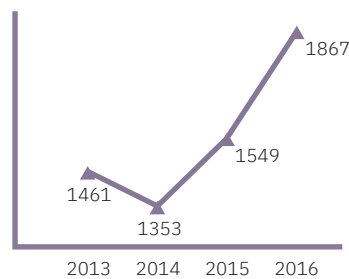
## Previous Training Achievements

Item	Employee category	Pingzhen		Zhongli		Longtan		Taipei		Regional total		Grand total	
		M	F	M	F	M	F	M	F	M	F	M	F
Annual total hours of training	Manager or above	52.5	56.5	125	101	0	0	39	0	216.5	157.5	3233.5	3255.5
	Production line workers	172.5	68	819.5	93	0	0	0	0	992	161		
	Others	965	1138.5	772.5	1627	91.5	44.5	196	127	2025	2937		
Annual total number of trainees	Manager or above	12	21	39	39	0	0	3	0	54	60	869	997
	Production line workers	65	23	226	36	0	0	0	0	291	59		
	Others	224	318	237	527	42	17	21	16	524	878		
Annual training coverage	Manager or above	100%	100%	100%	100%	0%	0%	100%	0%	100%	100%	94%	89%
	Production line workers	96%	72%	97%	90%	0%	0%	0%	0%	95%	80%		
	Others	100%	98%	100%	96%	83%	100%	100%	70%	96%	89%		
Annual average hours of training	Manager or above	5.83	14.13	31.25	33.67	0.0	0.0	23	0.0	15.43	22.93	20.04	20.37
	Production line workers	6.16	2.72	28.26	9.30	0.0	0.0	0.0	0.0	17.4	4.6		
	Others	22.44	19.30	30.9	35.37	8.32	14.83	12.5	12.4	21.63	19.18		

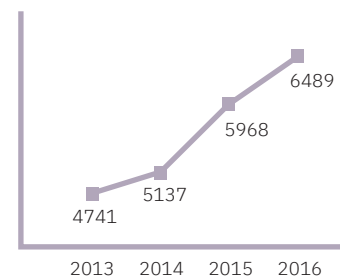
% of total hours of annual training by gender



Number of trainees



Annual total hours of training



## 6.5 Talent Recruitment

### Recruitment Channels

Generally speaking, our talents are recruited through job agencies, headhunters, career fairs and government employment services. In addition to effectively utilizing the channels mentioned above, Grape King Bio values the following channels even more:

(1) Cooperation between industrial and academic sectors

We have long-term partnerships with many universities and colleges on industrial-academic cooperation and help young students acquire professional knowledge through internships. During the process, we seek out candidates whom we work well with and whom we deem as suitable and promising. They are then invited to join us as valuable partners.

(2) Internal recruitment

When a position becomes available, we do not only seek external candidates. We search within our corporation and encourage employees to apply for reassignment.

It is a good way to combine career development and allows employees to advance in their desired career direction, in turn enhancing the depth of their personal portfolios. This not only encourages employees to grow but also keeps talent within the company. Most people leave a company because they are limited in terms of their future development but our internal recruitment mechanism allows a wider range of career growth and development.

(3) Referral by employees

Those who are referred by current employees usually guarantees a certain level of sophistication. That is the reason for us to encourage internal referrals and offer a fair and consistent selection procedure in order to make the most out of employees' referrals.

(4) Actively seeking new talent

While most companies wait for resumes from applicants, we also actively encourage our HR staff to

utilize external resources and search for candidates that meet the company's requirements. Regardless of what business they are in or what background they have, we are always interested in recruiting them as long as they are qualified and fit for the decision.

## Employee Retention System

### (1) Retention starting with recruitment

- Find out the motivation and purpose: (e.g. business future, company reputation...)  
Find out why the applicant applied for the job
- Find out the demand and how to encourage: (e.g. sense of achievement, challenges, welfare, pay, vacations...)  
Find out the needs and wants of the applicant and make sure it matches what the company can offer. Different needs require different packages.
- Provide detailed job description and job requirements (right person & right job)  
Provide clear information on the responsibilities in order to prevent misunderstanding.
- Understand their short-, medium- and long-term plans  
Figure out the applicant's short, medium and long-term plans and make sure they align with the company strategies.
- Company development and planning for the future business plan:  
Tell them how the company is developing and make sure it matches with their plans.
- Whether they have the key ability/skill:  
Find out whether they have what it takes to perform well in the job through interviews and pop quizzes, including positive thinking, positive attitude, sense of responsibility and contagious optimism.
- Matching culture and values:  
Find out whether they have the same culture and values as we do through interviews.

### (2) Talent retention starts from the on-board date

- Observe employee performance  
Through objective-oriented performance management, supervisors communicate with new recruits to establish their objectives and performance evaluation criteria. The supervisors then evaluate their performance based on the achievement of objectives in a fair and reasonable manner. Supervisors also help employees discover their strengths and weaknesses, followed by

assistance in improving their weaknesses (for example, training and guidance) and allow them to discover their potential.

- Implementing the counselor system:

Our HR has introduced the counselor system to help new recruits familiarize themselves with the company's environment and culture. Every new recruit is assigned a counselor to help him/her through the adaptation period. In addition, HR periodically arranges interviews with new recruits, which provides three advantages:

- Put in effort to understand how they are adapting to the new environment and provide assistance when necessary;
- Take into account the suggestions from new recruits in terms of improving the company;
- Provide an important reference basis for future resignation or retention.

### (3) Maintain appropriate recruitment and resignation rate

Grape King Bio provides an excellent environment to allow employees to plan their career development, and that's why the resignation percentage has been always kept within a reasonable range, as shown below:

Item	2013	2014	2015	2016
Rate of new employee hires	21.00%	16.00%	20.40%	13.46%
Employee turnover rate	8.24%	5.51%	7.75%	7.37%

Note: Rate of new employee hires =  $\frac{\text{no. of new recruits of a year}}{\text{total no. of employees of the year}}$

Employee turnover rate =  $\frac{\text{No. of employees resigning in a year}}{\text{total no. of employees of the year}}$

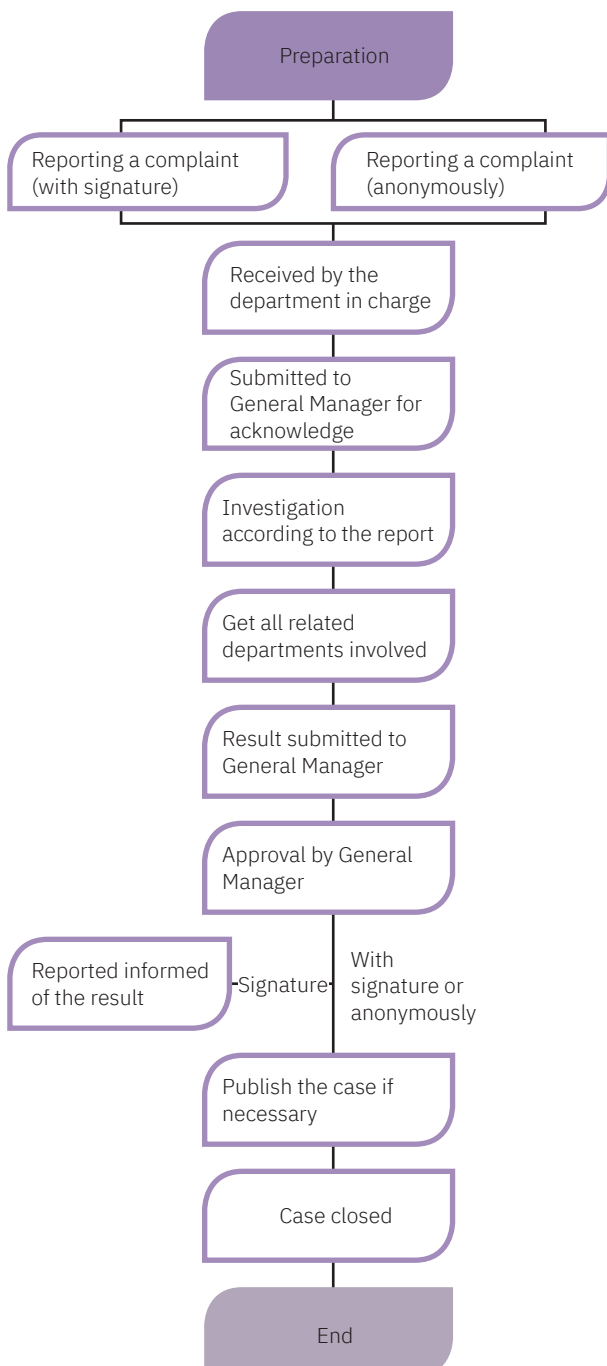
Grape King Bio does not tolerate any discrimination in the recruitment, selection, employment, assignment, allocation, performance assessment or promotion of job applicants. The abovementioned discrimination may be related to ethnics, hierarchy, language, belief, religion, political orientation, origin, birthplace, gender, sexual orientation, age, marriage status, appearance, facial features, mental/physical disability or the identity as an employee representative. We hire disabled individuals in accordance with the percentage required by the law. In addition, we provide job opportunities to the mentally disabled children from the Chensenmei Social Welfare Foundation and conduct this recruitment process on a long-term basis.

## 6.6 Diversified Communications

### Diversified Communications

Grape King Bio has provided several functioning channels for reporting complaints in order to prevent any illegal and unethical misconduct that violate the rules of the company or the government. Any individual is welcome to file a report or complaint one of the following channels:

- (1) Complaint telephone line
- (2) Suggestion boxes
- (3) Complaint emails (email)



2. Sexual harassment in the workplace is absolutely prohibited at Grape King Bio. The company has dedicated regulations implemented to prevent sexual harassment occurrences and it is publicly disclosed for the view. Any sexual harassment can and should be reported through the report systems. Fortunately, the company has not received any complaints about sexual harassment.

3. Grape King Bio calls for employer and employees meeting on a regular basis to allow both sides to express their thoughts about the company, ensuring that voices from different functional departments can be heard and responded.

4. As an effort to embody the company's main spirit indicators - "technology, health, and hope," Grape King Bio has made an official announcement hoping that all employees avoid staying at the office alone after 7:00 pm. On one hand, this reduces the probability of labor safety incidents due to fatigue, on the other; it allows the employees to spend more time with their families. For this reason, the company keeps a close eye on the working hours of every department, making sure that no law is violated and that no one is forced to work more than he/she should.

5. Grape King Bio runs the company on a legal compliance and reasonability basis and is proud to say that no major labor law violation has occurred in the recent years.





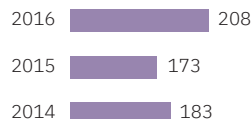
## 6.7 Occupational Safety

Occupational safety and health acts are the foundation for workers' survival and employment rights, as well as the assurance of steady demand and supply of manpower, social stability, and economic development. The ever-increasing number of occupational accidents has taken their tolls on not only the workers themselves but also the companies that hire them. This has an impact on employer-employee relationships, company's sustainable development and willingness of investors. That's why Grape King Bio is committed to implementing accident prevention measures in our facilities, improving the quality of work environment for our workers and generating an optimum environment for the general public.

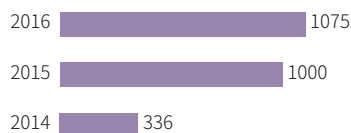
### 1. Occupational safety training

To prevent occupational accidents, Grape King Bio constantly tracks and provides on-job training regarding occupational health and safety. We ensure that workers and their supervisors have enough training hours in accordance with law and we actively participate in external training to stay updated with the latest knowledge regarding the industry's labor safety.

### No. of Workers Attending Occupational Safety and Health Training During the Past Three Years



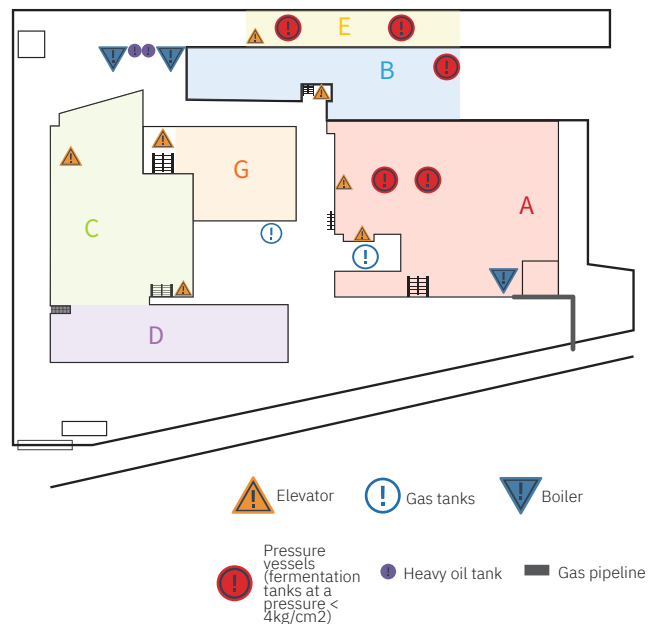
### Hours of Occupational Safety and Health Training During the Past Three Years



2. Provide workers with a safe and healthy work environment

(1) Risk assessment: each department evaluates potential risks that may occur in routine and non-routine activities based on their level of hazard, impact range and frequency of occurrence. We then devise risk stratification and a control mechanism for constant improvement.

(2) Work environment inspection: Sampling strategies, evaluation, and control methods are identified and established according to the current work environment in the production facilities. Inspection results are accessed by workers and others involved, to help them stay aware of the hazards and dangers of the working environment.



(3) Emergency response: As a food production company, Grape King Bio conducts firefighting drills every 6 months as well as annual building safety and fire inspection based on risk assessment results and as required by firefighting regulations. These measures are implemented to maintain a stable firefighting system and up-to-date evacuation facilities to protect the lives and properties of the company and our employees.



#### (4) Employees' safety and health management:

I. Confined space: the "Management rules for working in a confined space" is established for cleaning and maintaining confined spaces such as the inside of a fermentation tank. The rules require the use of gas detectors, anti-falling gears, and good ventilation to keep workers safe before any work starts.

II. Chemical and toxic substance: we have a set of rules established for the use of chemical and toxic substances in R&D and quality checks. We keep emergency supplies at hand, participate in nation-wide chemical disaster defense organizations and improve our ability regarding emergency response.



行政院環境保護署  
Environmental Protection Administration  
Executive Yuan, R.O.C (Taiwan)

### 全國毒災聯防系統

您在這裡: 首頁 > 聯防組織資料 H4302210\_葡萄王生技股份有限公司 您好

項次	組織類型	全國毒災聯防組織區域別	聯防組織代碼	縣市	聯防組織狀態	填寫狀態
1	地區運作屬性聯防組織	北區	H02012	桃園市	通過	已完成確認

資料更新確認 組員清單 檢視聯防組織資料 交流圈地

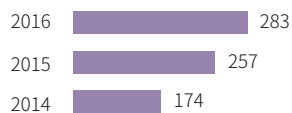
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Grape King Bio CSR Report 2016

#### III. Health management

we provide special operations, meals and physical exams for workers who are exposed to noise, chemicals, and products. We are moving towards the goal of providing annual physical exams for every Grape King Bio worker. We surpass the minimum requirements in hiring medical staff in our facilities. We have our health management center and emergency first aids such as AEDs installed in our plants.

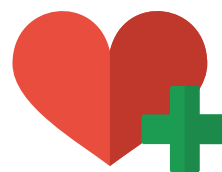
### No. of Workers Taking Physical Exams



#### IV. Health promotion activities

Grape King Bio views occupational safety as our priority, therefore we promote activities, agendas, and training so as to improve workers' health and physical condition. We held the following activities in 2016:

### Health Training



- (1) Training for first aid personnel
- (2) CPR+AED training (5 sessions)



## Health Workshops



- (1) Physical exam briefing (2 sessions)
- (2) Pressure point massage and stress release workshops
- (3) Flu vaccination (2 sessions)
- (4) Metabolic syndrome
- (5) Stress release programs



## Health Promotion Activities



- (1) Bone mineral density check
- (2) Body fat check
- (3) Green tunnel at Xinwu – a bicycle ride
- (4) Stress-releasing massage at the plants (8 sessions)
- (5) Fitness checks (2 sessions)
- (6) Doctor's interpretation of physical exam reports (2 sessions)
- (7) "2016 Grape King Bio GO Health" program and weight loss competitions
- (8) Flu vaccination (2 sessions)



## Social Prosperity

# 7.0

- 7.1 Industry-Academia Collaboration
- 7.2 Collaboration with Academia
- 7.3 Care for the Disadvantaged
- 7.4 Promote Public Welfare
- 7.5 Local Communities

Grape King Bio not only promises to provide financial assistance and expertise sharing for underprivileged social and academic groups, but also devote resources to constant R&D of biotechnology engineered products that can benefit society. We hope that by becoming a benchmark in social participation and linking our staff to the wider society, more people will be aware of the need for social contribution and eventually become a strong social influence on the industry.



2016 winter internship

## 7.1 Industry-Academia Collaboration

### Cultivate New Talent

Grape King Bio provides in-house courses for universities and colleges in addition to internship opportunities during summer/winter vacation and semesters. During the past three years, a total of 217 individuals have attended our internship programs at our factories. These programs not only enhance the intangible assets of the company but also pass relevant experience to young students and help them keep up with the industry trends. Up to now, ten interns have become our staff after graduation.



2016 summer internship

As an expert in fermentation technology in Taiwan, Grape King Bio upholds the concept of experience inheritance. We are open to extracurricular activities and visits from students of related departments in order for them to understand the connection between theoretical knowledge and practical application. Over the past three years, 124 visits were been paid to the factory, with a total of 4,249 visitors.

No. of students participated in our internship programs:

Year	Winter vacation	Summer vacation	Mid-semester
2016	19 persons	39 persons	4 persons
2015	30 persons	48 persons	8 persons
2014	24 persons	41 persons	4 persons

## Academic Exchanges in the Biotech Industry



Grape King Bio has been actively promoting the cooperation between academia and the industry. We hope to link our product development with the research expertise of nationwide faculty members, boost the company's R&D energy, verify the efficacy of products, and accelerate industrial upgrading and the industrialization and marketization of R&D achievements by colleges and universities. There were a total of 18 commissions in 2016. Over the past three years, the company has engaged in NT\$ 70 million worth of industry-academia collaboration agreements, all of which were paid at Grape King Bio's expense.

In addition, Grape King Bio forged an industry-academia technical alliance with National Chung Hsing University with respect to a safety-level/food-grade protein production platform and formed a minor industry-academia alliance with National Chiao Tung University regarding a Biotech and pharmaceutical service platform for biotech product development. With an aim of contributing to the thriving development of national Biotechnology industries, we also signed a memorandum of understanding on industry-academia collaboration with Hungkuang University of Science and Technology.

The Ministry of Economic Affairs of the Executive Yuan accepts a large number of project applications annually in order to assist the development of the industry. Over the past ten years, Grape King Bio has applied and completed a total of nine projects and has worked with several scientific and technological institutions in the academia to jointly carry out a number of development and experiments for new products. With a total funding of NT\$ 146 million injected, we have obtained fruitful achievements.

For many consecutive years, Grape King Bio has been invited to speak at various industrial, governmental, and academic institutions, among which we delivered lectures in over 100 departments at universities; handing down more than 20 years of experience of biotechnology and industry development to the students, sharing and exchanging industrial development experiences, and working out the blue ocean strategy for research and development, inspection, and regulation among the government, the industry and the academia. Over the past three years, Grape King Bio has been invited to deliver over 130 speeches at colleges and universities. Additionally, we have participated in over 100 students' oral examination for master's thesis or doctoral dissertation defense, in curriculum planning or department development of more than 10 departments, and in evaluations of over 10 university departments.

The R&D results of Grape King Bio have been fruitful and published in journals and presented at seminars. In 2016 we published 18 journal papers and 14 symposium papers.

Grape King Bio is renowned for our fermentation expertise. There are 50 tanks in the factory that are used on a regular basis to conduct mass production tests and quantitative fermentation test platform services for academia and industry purposes. Among which, there were over 20 departments in academia, which speeds up the connection between industry and academia, promotes the industrialization of research and development achievements in academia and the quantification in the industry, so as to boost international competitiveness.



## 7.2 Collaboration with Local and National Schools

### Emergency Relief

Since 2007, Grape King Bio has shown our concern for local school children by giving annual emergency allowances for elementary and junior high schools (e.g., Pingzhen Junior High School, Longxing Junior High School, and Longgang Elementary School). Furthermore, we have collaborated with schools in arranging visits to underprivileged families at the end of each year, assisted the children in fulfilling their dreams. The company is committed to helping disadvantaged children receive an education regardless of external factors. It is Grape King Bio's deepest wish that the effort put in can truly help them in achieving their life goals.

Welfare for children living in remote areas is also another Grape King Bio's goals. In 2016, for example, through the "Reindeers around the Island" project, Grape King Bio collected Christmas shoeboxes for children who face financial disadvantage (e.g., Yushan Elementary School, Waishe Elementary School, and Dakeng Elementary School). We aim to bolster the children's spiritual sophistication; promote moral education, and spread warmth and happiness. Moreover, we sponsored Guogou Junior High School, a remote school located in Chiayi, by providing mobile phone three-axis stabilizer kits as well as providing short-film screening to share stories and spread our values.



### Sponsoring Clubs and Associations

Grape King Bio not only cultivates talent in the academic field but also emphasizes the importance of club activities, motivating students to learn in fields beyond their studies and to achieve diversified development. As of 2013, we financed Pingzhen Junior High School's orchestra club, martial arts club, and table tennis club. Furthermore, we provided assistance in the operation of clubs and provided resources for students; sparing no effort in the development of diversified talents. In 2016, Grape King Bio continued our sponsorships and helped students with music instruments learning in the hope that cultural activities could be promoted in the greater Longgang area. Meanwhile, we financed Longxing Junior High School's orchestra camp targeting the students of five elementary schools—Puren, Futai, Longgang, Beishi, and Linsen elementary schools—in Longxing's school district, providing them with the opportunity to learn and play a musical instrument and develop their musical talents, thus enhancing community's music education.

### Grape King Bio Scholarships



Since 2014, Grape King Bio has offered junior and senior high school scholarships to encourage and motivate youths to pursue knowledge and learn. In 2016, we continued to sponsor diligent students living in poverty, in hopes that they commit to their studies. In the future, we plan to broaden the scope of talent cultivation and offer scholarships to college students.

## 7.3 Care for the Underprivileged

### Experience in Helping the Underprivileged

Visiting local schools and meeting students, we discovered that the majority of underprivileged families are unable to afford tuition fees and provide their children with the life they deserve. Thus, apart from offering emergency subsidiaries, Grape King Bio has organized a series of “Little Grape Day Trips”. Over the years we have continued to help children to experience diversified rural life, thereby enhancing their self-confidence, cultivating their appreciation for available resources and the ability to sympathize and care for others, as well as facilitating parent-child communication. Grape King Bio hopes to stimulate children in having visions for a better future through experiencing different ways of life.



### Assisting Children's Home

Ti-Hwei Children's Home is a private orphanage located in Tianmu, Taipei that acknowledges the importance of education through experience and advocates “learning through doing” practices and reflection. We host summer vacation outdoor adventure camps every year so that these children can learn to stand on their own feet. In 2016, Grape King Bio staff volunteered to assist the “Ti-Hwei Railway Backpacking” activity and outdoor adventure program, enabling them to develop the ability to solve problems in a self-help and independent manner. After objectives have been set, these children went on railway backpacking tours and completed the task by achieving breakthroughs. The company encourages staff to work as volunteers and stimulate their willingness to assist others, by hosting a variety of events.



### Classes for People with Mental Disabilities

Grape King Bio encourages our employees to participate in volunteer services by leading our staff to charity events during workdays and hopes that by helping people with intellectual disability from the Chensenmei Social Welfare Foundation, both parties can understand and learn from each other. For this reason, from 2013 to 2016, Grape King Bio has organized a series of “Classes for People with Mental Disability” activities, including baking multi-colored cakes and arranging wooden garden activities, nostalgic trips, and handmade products bazaars every Mother's Day. Grape King Bio is also hosting “Classes for People with Mental Disability” series, in helping people with mental disability.







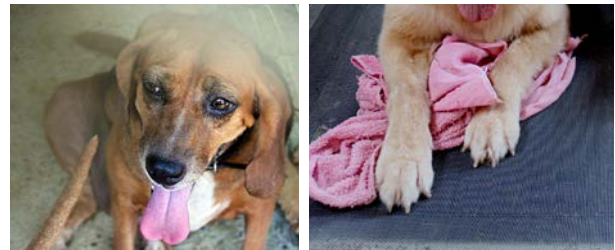
## Public Health Checks

Grape King Bio maintains good relationships with our neighborhoods. In 2016 we have offered home visits, manpower, material resources for resident health checks in Zhenxing Borough. In 2014, we organized the “Elder Gardening Experience” activity, which combines with activities with health check-ups. This not only enables residents to have a better understanding of health issues but also lets seniors experience horticulture treatment through gardening activities. This can provide senior citizens with a sense of accomplishment, a sense of duty and enhances their physical and mental health. The ultimate objective of the events is to safeguard Grape King Bio’s relationships with citizens, create harmony, and establish good interaction with the local communities.



## Dog’s Adoption Home

Grape King Bio takes a diverse approach so that we can take care of various charities. Since 2013, we began addressing stray dog issues by assisting the Bali Dog’s Home construction plan, which acts as a temporary shelter for stray dogs. In addition, Grape King Bio has helped promote the concept of “adoption over purchase”. We collected clothing from our staff so that the dogs can live through cold winter. Until now, Grape King Bio is still committed to the active development of sustainable environment and social public welfare contribution to fulfilling our genuine social responsibility.



## 7.4 Promotion of Public Welfare

### Friendly Services for Seniors

Grape King Bio aims to devote ourselves to diversify public welfare promotion, we hosted a special exhibition “My dear, I am old” in 2016, focusing the situation of the elderly in Taiwan and changing their fear and prejudice towards aging. Additionally, Grape King Bio has promoted the concept of helping elderly returning back to the workplace through “Santa Claus Training School”, motivating seniors to stay energetic and embrace new challenges. We support elderly in disguising as Santa Claus and engage with communities to realize their dreams.



## Lunar New Year's Dishes

Grape King Bio cares for elderly with incapacitation, dementia, and deprivation syndrome as well as local underprivileged elderly who live in solitude. In the cold winter of 2016, we expect the local underprivileged elderly living alone to not feel excluded and alone on family reunion night, so our volunteers were set out to remote areas to visit senior citizens and serve New Year's dishes, making sure that they could feel our love and care and have a warm Chinese Festival on Lunar New Year Eve.



## Road Running for Public Welfare

In order to help more children, Grape King Bio 2016 funded "McDonald Red Sox Road Running" in 2016, hoping to drive the public to participate the charity running event and to help the Ronald McDonald House in providing children from remote areas to gain access to free accommodation and medical care.

## Volunteer Group

In an effort to further participate in social contribution, Grape King Bio established a volunteer group in 2013, calling on staff to take part in volunteering activities. In addition, in order to encourage more employees to participate in social welfare, we not only hold volunteering activities during workdays but also provide the employees who have joined such activities during holidays with compensatory day-offs.

	CSR funding	Attendee	Service hours(hr)
2013	NT\$1,040,461	336	142
2014	NT\$2,413,356	864	231
2015	NT\$ 2,757,834	826	300
2016	NT\$2,673,084	358	335
Total	NT\$8,884,735	2384	1008

Since the volunteer group was established, the number of participants have continuously increased, from 336 people in 2013 to 826 people in 2015, and the service hours rose from 142 hours in 2013 to 300 hours in 2015.

In 2016, we continued to devote our time to volunteer services. In addition to staff's enthusiastic participation, the involvement also reflects our efforts to provide manpower in social participation. We hope more employees can join us to build a better society in the upcoming future.

## 7.5 Local Communities

Grape King Bio has based its headquarters in Zhongli for 47 years. Apart from creating local employment opportunities, we also commit to serving neighborhood and collaborating with communities in holding numerous activities, such as providing venues and gifts for community health checks, sponsoring festival activities in boroughs, offering gifts for the neighborhood around the plants to boost interaction with local communities. In addition, in face of the lack of community facilities, Grape King Bio has spared no effort in providing regular community funding with regard to setting up and maintaining safety monitoring systems, sponsoring community cleaning volunteering activities, adopting public facilities and donating public equipment (e.g. ambulances), etc. Moreover, since Pingzhen plant was officially launched in September 2016, Grape King Bio has made the positive influence on the company and the factory on the community and utmost priority. Besides continuous communication with local residents, we also invite borough chiefs to visit the factory and thus give them a better understanding of the company's production and environmental protection-related equipment. The citizens gradually exhibited positive responses and this is achieved through effective communication in regards to the doubts of local residents and frequent interaction between us and the communities.

## Green Environment

# 8.0

- 8.1 Environmental Policy
- 8.2 Energy Conservation and Carbon Reduction
- 8.3 Water Resource Management
- 8.4 Waste Management
- 8.5 Green Products

## 8.1 Environmental Policy

### Green Management, Environmental Sustainability

Green management is an international trend focusing on sustainable development. Nowadays, the impacts of climate change on the global economy, society and environment are becoming increasingly serious, which led to a raising awareness in the need for environmental protection. We have proactively set up sustainable development mechanisms in fulfilling our corporate social responsibility and jointly embarked on environmental protection work; so as to improve environmental quality, pursue green management and to pursue sustainable development. There was no environmental punishment imposed on the company as we did not violate any of environmental laws in 2016.

The company adheres to the concept of sustainable development and actively undertakes environmental protection, such as saving resources, conducting secondary energy recovery, reducing waste in the process, enhancing efficiency, and other measures listed as follows:

- (1) Development of information management system: reduce the total amount of paper used by the company.
- (2) Waste sorting and recycling: sort it into paper, glass, metal, PET bottles and other classification, improving resource recycling and utilization rates.
- (3) Reclaimed water reuse: water used in the plant is reused for non-manufacturing and non-personnel contact purposes.
- (4) Waste heat recovery: the residual heat source recovered can be used for water boiler preheating.
- (5) ISO14000 system construction: we introduce and build the environmental management system, carry out the long-term operation with continuous improvement methods.
- (6) Introduction of clean energy: natural gas is adopted as the boiler fuel in the factory in order to cut environmental pollution.

### The Expenditure on Environmental Protection in 2016 is as Follows:

Items	Cost
Air pollution management	NT\$807,372
Wastewater management	NT\$10,236,722
Waste management	NT\$2,767,092
Total	NT\$13,811,186

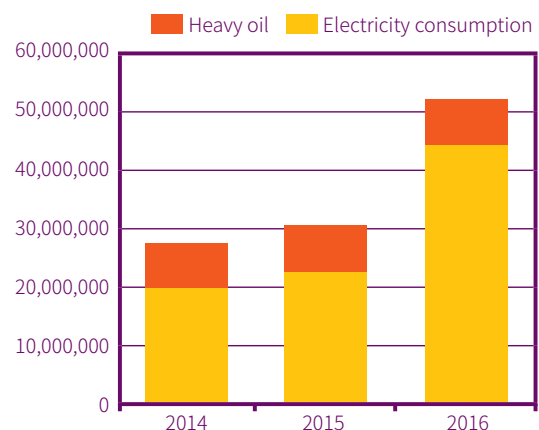
## 8.2 Energy Conservation and Carbon Reduction

### Zhongli Plant

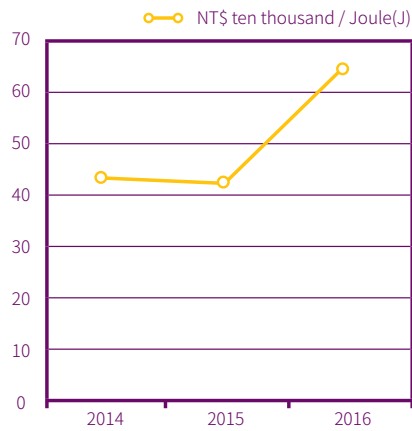
The main forms of energy used by Grape King Bio are electric power for production machines and heavy oil for boiler fuel in the factory. Electricity usage was 11,873 kWh in 2016, an increase of 25% compared to 2015 can be observed. Fuel oil usage was 991 liters in 2016, increased 22% comparing with which in 2015. The increase in energy use is due to an increase of 42% in output value in 2016.

### Energy consuming ratio during past three years

#### Energy Consumption (J)



## Energy Consuming Ratio of Output Value

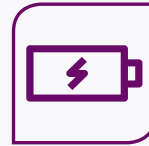


In order to improve the energy efficiency of our equipment, eliminate energy-consuming equipment and to reduce the use of ineffective energy, cut CO<sub>2</sub> emissions and enhance the staff's environmental awareness and skills, Grape King Bio not only gradually introduced energy management systems and established 4 system control measures, but also expects that through effective energy-saving mechanisms, the energy-related issues in the factory can be dealt with and tackled. In addition, with everyone's efforts to conserve energy and reduce carbon emissions, the ultimate goal of sustainable development of enterprises can be achieved.



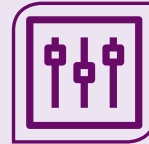
## Energy Saving System Classification

### System control measures



#### Electrical system

Set reasonable contractual content, boost power factors, implement power monitoring systems and demand control systems, install power frequency conversion equipment.



#### Air-conditioning system

Control the temperature of the cold room, air conditioning time control, review the efficiency of air conditioning for replacement, improvement of air-conditioning design, regular maintenance and cleaning of equipment.



#### Lighting system

The use of energy-efficient lamps, installation of automatic sensors and timing control devices, reduction of the lamp height.



#### Others

Advocacy of energy conservation, load control, discontinuation of the secondary load.

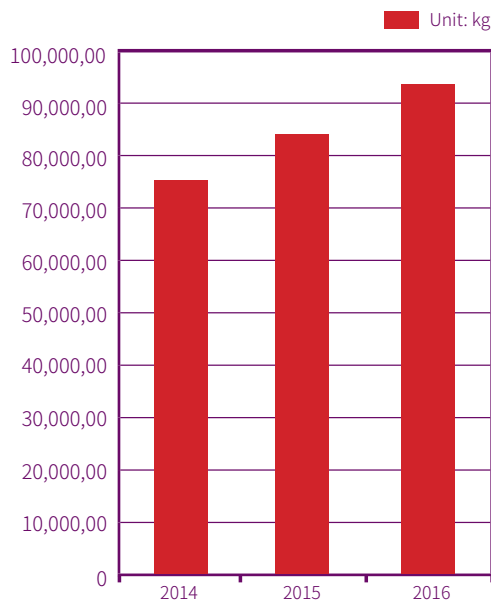
## Performance on Energy Conservation and Carbon Reduction

- (1) Public area and operating area lighting replaced by LED energy-efficient lamps.
- (2) Replace chiller machine room's pipelines, valves, and lagging, improve chiller efficiency, reduce the chiller load, and enhance efficiency by about 10%.
- (3) Replace the low-voltage-side-phase capacitor at Power Intake Room and improve the low-voltage-side power factor by over 96%.
- (4) Shunt switchboard electricity at Power Intake Room, reducing circuit overload and reactive power and improving power safety.
- (5) Equip new power equipment with frequency converter to improve operation and save electricity.
- (6) Establish the boiler steam heat recovery system, which reduces fuel consumption and recovers and reuses cooling water.
- (7) Upgrade air conditioners with an excess service life to a model with a higher EER.
- (8) Replace chiller equipment.
- (9) Replace heat exchangers to boost chiller efficiency.
- (10) Lower the operation pressure and a load of air compressors.

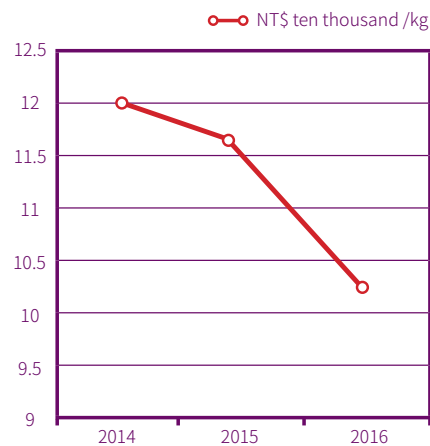
	2014	2015	2016
Annual electricity savings (kWh)	151591	152830	192906
Annual electricity consumption (kWh)	9510400	10568000	11008000
Average annual power saving rate (%)	1.57	1.44	1.72

## Carbon emissions ratio over the past three years

### Carbon Emissions



### Carbon Emissions Ratio



## New Pingzhen Plant

In the official launching process of the new Pingzhen plant in September 2016, high-efficiency and low-emissions power systems were implemented in accordance with the government's policy on energy conservation and emissions reduction. As there is no relevant data on annual amounts of electricity saving and carbon emissions, the energy-saving measures for machinery equipment in the new plant's public system are listed as follows:

- (1) The equipment motors are equipped with frequency converters in the power panel, and the motor speed is adjusted by frequency converters, depending on the load variation.
- (2) The lights in the whole office building, the passages along the process areas, and packing zones are equipped with two-wire lamp control switches that can monitor the automatic lighting switch time set by PLC software.
- (3) The lights for underground parking spaces are equipped with energy saving switches, which can be turned off automatically at the set time after the staff turns on the lights manually.
- (4) The air conditioning in the office area is equipped with a total heat exchanger, together with the use of indoor air-conditioners. Exhaust and precooling/preheating of outside air is adopted in order to improve air-conditioning efficiency and lower the energy consumption of whole loads of air-conditioning systems.
- (5) Install power monitoring equipment, the electricity meter fitted on the panel at the electrical control room indicates the current power consumption status and cumulative electricity consumption of the equipment.
- (6) Set up the central monitoring system to supervise the running status of the public system equipment, set the start and stop time of the equipment and the prompt alarm and elimination of equipment anomalies to decrease equipment's ineffective energy consumption.

Based on the focus on energy-related issues and in the face of potential challenges posed by energy management, Grape King Bio intends to procure the ISO 50001 third-party verification certificate within three years according to ISO 50001 Standard. In addition, through the counseling unit, we plan to build the energy management system and finish its external verification with an attempt to effectively manage energy use and enhance energy efficiency, as well as to achieve a triple win by reducing energy costs, conserving energy and cutting carbon emissions and enhancing the corporate image.

## 8.3 Water Resource Management

Water resource management is a vital for sustainable management of enterprises. Effective allocation not only enables corporations to reduce the waste of water resources but also improve the efficiency of water resources utilization. Therefore, the pure water used in the manufacturing process must undergo complex treatment procedures to remove the impurities and harmful substances in water before being inspected for its quality by the Quality Control (QC) Department on a regular basis. We want to ensure the water quality meets the standard before it can be used as raw materials for healthy food. On the other hand, the wastewater produced in the production process is being monitored by the Department of Environmental Protection in order to implement the wastewater treatment mechanism and ensure that the wastewater discharge meets the requirements of the laws and regulations.

### Water Saving Improvement of Process Water

The old sterilization equipment was replaced in 2016, with the water saving design adaptations in the equipment planning process to reduce the energy resources utilization and lessen the wastewater discharge.

### Pure Water Production

After the impurities are removed from raw water by using a quartz sand filter, the calcium and magnesium ions in water are filtered by a water softener, and the peculiar smell and color of the water are filtered out by activated carbon. After which, heavy metals, bacteria, harmful substances, and dead bacteria in water are removed to meet the requirements for pure water, through RO reverse osmosis, de-TOC purification machines, and UV germicidal lamps.



## Water Quality Inspection

In 2016, Grape King Bio invested NT\$260,000 in outsourcing the water quality inspection, which accounted for about 7.5% of our grand inspection fees in 2016. In addition to commissioning the external organization to inspect the water quality regularly, Grape King Bio also performed internal inspections independently and divided the water quality inspection into three categories: raw water, points of water quality systems, and drinking/mixing water, with a total of 295 internal water quality inspections completed. The inspectors from the QC Department take samples from each sampling point at regular intervals, and the samples were then sent back to the laboratory for tests by operating specialized equipment. We select the inspected items based on the sampling points so that the desired results for water quality can be achieved. However, Grape King Bio is always exerting stringent controls on the inspection of water quality regardless of external or internal inspections. With such prudent and cautious approaches to the drinking water quality, our healthy and high-quality products be produced and the source of all kinds of health foods be monitored.

## External Inspection Item Descriptions

External inspection	Detector section
Raw water	Inspected once a year

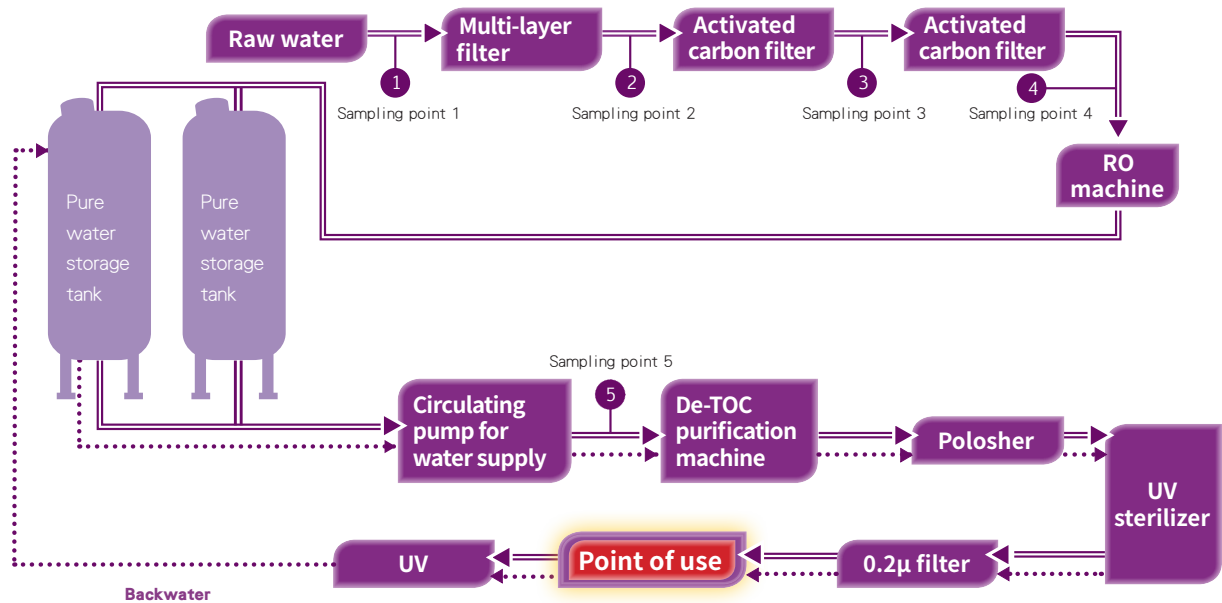
Inspection item
The external inspections are conducted as per the Drinking Water Quality Standards announced by the Environmental Protection Administration, with a total of 68 items inspected.

## Internal Inspection Item Descriptions

Internal inspection	Detector section	Inspection item
Raw water (sampling point 1)	Inspected once every two weeks	pH, turbidity, residual chlorine, total hardness, total solids, conductivity, chlorine salt, total viable count, Escherichia coli
Points of water quality systems (sampling points 2-5)	Inspected once every two weeks	Sampling point 2 : Turbidity Sampling point 3 : Residual chlorine Sampling point 4 : Residual chlorine Sampling point 5 : pH, turbidity, total hardness, total solids, conductivity, total viable count, Escherichia coli
Drinking and mixing water	Inspected once every two weeks	Appearance, pH, residual chlorine, turbidity, total dissolved solids, total hardness, chlorine salt, nitrate nitrogen, nitrite nitrogen, ammonia nitrogen, total viable count, Escherichia coli, coliform group



## Pure water manufacturing and inspection process



## Treatment of wastewater

### (1) Observe Regulations and Increase Further Utilization

In terms of preventing water pollution, in addition to abiding by regulatory compliance, the research evaluation has been carried out in terms of additional value.

- (1) Compliance: clean water, product centrifugal liquid, and product fermentation liquid, the sewage area manages the wastewater source and can be divided into high and low concentration wastewater, with the disposal method as follows:

The high concentration wastewater is first mixed and adjusted by PH with electrochemical methods, solidifying and separating the high COD substance before being mixed with low concentration wastewater. After that, following precipitation, oxidation and biological decomposition, the wastewater can be discharged after reaching the statutory discharge standard.

Testing item	Standard value	Detection value			
		2013	2014	2015	2016
pH (pH value)	6-9	7.7	8.4	8.7	6.5
Chemical oxygen demand (COD)	100	34.9	55.1	39.3	59.9
Biochemical oxygen demand (BOD)	30	5.7	10.5	7.4	10.3
ADMI (American Dye Manufacturers Institute) true color	550	34	51	68	26
Suspended solids (SS)	30	17.8	16.1	8.2	3.4
Water temperature	35°C	26.7	30.9	33	20.4



Grape King Bio strengthens the regulation of the water quality detection by the sewage treatment plant daily, so that it is superior to the water quality test frequency prescribed by law, and ensures that the discharge quality of the company is in compliance with environmental regulations.

- (2) Increase added value: research on the added value of centrifugal liquid evaluation is being applied to livestock feed and composting tests.

## (2) Replace Wastewater Treatment Equipment to Make Ongoing Improvements

Grape King Bio adheres to the principle of continuous improvement in wastewater treatment. In order to improve the capacity of the treatment equipment, Grape King Bio has invested in the wastewater system for hardware improvement and has actively replaced the old equipment. In accordance with the provisions of the ordinance, the approved amount of wastewater discharged is 550CMD, with the yearly discharge presented as follows:

Year	Discharge (ton)
2013	112048
2014	101011
2015	101544
2016	116487

There was no environmental punishment imposed on the company as we did not violate any of relevant laws and regulations on water resources management in 2016. And we continue to work on wastewater:

- (1) Environmental protection personnel augmentation: in an effort to boost the efficiency of environmental protection business management, the company recruited one new environmental protection staff member in 2016. We plan to add environmental protection special personnel in a timely and continuous manner.

- (2) Wastewater separation management: we repaired old rainwater pipelines, and with the process change management, this can enhance the efficiency of wastewater treatment.

Reclaimed water recycling management: the wastewater produced during the production process (hard water produced by pure water, hot water for sterilization, defrosting water in freezers, etc.) can be used as toilet flushing water, irrigation water, etc.

## Waste Management

On the basis of environmental protection and waste reduction, Grape King Bio carries out sorting work for the daily waste, which is divided into three categories: general waste, recyclable waste, and hazardous waste. Legitimate companies are commissioned to collect and process these three categories of waste on a regular or quota basis. In addition, valuable waste, such as waste computers, metals, etc., is handled by recyclers to improve the availability of resources.

### General Waste

Most of the general waste is domestic refuse which is not recyclable and is regularly collected by a waste services company every week and transported to an incineration plant in the district for disposal. These garbage collection operators are required to hold legal business licenses. In line with relevant laws, waste removal is reported to the environmental protection bureau by issuing manifests. Waste collection vehicles should also be fitted with GPS to help incineration plants and audit units for verification.

## Recyclable Waste

The recyclable waste generated from production and daily life is classified into four categories: paper, plastic, glass, and metal, which can be put in a specific place. Some of the cartons used for packaging are reused after recycled by suppliers. Glass bottles are also recycled by suppliers as renewable resources. As for paper, plastic etc., are handled by recycling centers.



## Related Waste Management includes:

- (1) Implement sorting thoroughly, clearly, mark sorting items on containers, and set up a recycle zone to recycle reusable resources. This can effectively reduce the total amount of general waste.
- (2) Built a wastewater treatment plant for biological decomposition and chemical treatment of waste liquid from production. Discharge is only allowed after the treatment meets regulatory standards. Hazardous waste that is forbidden to be discharged is stored together after being recovered and then disposed of periodically through outsourcing.
- (3) Provide kitchen waste bins for centralized treatment and reuse in order to alleviate sanitation problems caused by a mix of kitchen waste and garbage.
- (4) Electronic products-related waste is collected by the Information Management Section to confirm its availability and extract the available resources before recycled by a special recycling company.
- (5) The supplier is commissioned to recycle and reuse the recyclable resources such as cartons, glass bottles, and so on.
- (6) Review recyclable items and try to reclaim waste as much as possible. The recyclable refuse in small quantities was centralized for recycling.
- (7) Set up a suitable storage place for waste preservation to avoid filthy environment and secondary pollution.

	2013	2014	2015	2016
General waste	166.3T	173.15T	144.7T	227.65T
Hazardous waste	1.14T	1.31T	1.13T	2.07T
Recycled objects	N/A	60.743T	73.086T	55.64T
Recycling rate		26%	34%	20%

The total amount of general waste, hazardous waste, and recyclable waste (ton) and recycling rates from 2013 to 2016

## 8.4 Waste Management

The development of a sustainable supply chain is an important part of our focus. Since the use of food packaging is heavy, procurement of lightweight, small-size, recyclable and reusable packaging materials can not only reduce the consumption of packing materials but also cushion the environmental impacts of the final abandoned products. In an attempt to alleviate the harm to the environment, Grape King Bio has long been committed to lightweight packing materials and eco-friendly material design.

**Lightweight glass bottles:** since November 2012, Grape King's Comebest Energy Drink are kept in a lightweight container with uniform thickness and attractive packaging. The lightweight glass bottle is about half as thick as the traditional glass bottle and the packaging safety is maintained with the uniformity of the bottles. The use of packing materials for lightweight bottles can not only significantly reduce the usage of glass but also significantly lower the energy required for shipment. As of June 2011 and November 2012, our Comebest 200P Energy Drink and Comebest Energy Drink (160ml) were respectively transformed into eco-friendly lightweight glass bottles. Moreover, Grape King Bio persists in promoting sustainable packaging strategies, such as shared cartons and unified product specifications, taking practical actions to show our determination to protect the environment.

**Recycling aluminum cans:** Aluminum is a fairly rare and also fully recyclable natural raw material, which can be recycled and reproduced. In the US, it only takes just 60 days to turn a used aluminum can into a new one through the general recycling approach and then hit the store shelves. The aluminum smelting power saved from a recycled aluminum can supply 3 hours of electricity for watching television or 4 hours of power for lightening a 100-watt incandescent bulb and reduce greenhouse gas emissions by 95%. Besides, the effect of recycling 40 aluminum cans is equivalent to saving energy generated from a gallon of oil. In addition, aluminum cans become ice-cold more easily and rapidly compared to PET bottles or paper packaging and they are light in weight and solid in appearance with easy storage and portability. Therefore, Grape King's PowerBOMB Energy Drink with aluminum cans as a packaging material can adapt to modern society's fast-paced life, taking into account the fun and low-carbon design.

**Eco-friendly products:** The company products' aluminum foil packages are made of green pulp raw materials from the forest area certified by FSCTM. In 2016, the total amount of sales of this range of products accounted for 25.59% of the total revenue of the year, indicating our efforts to produce eco-friendly products (in 2016, this line of products with aluminum foil packages fully used green pulp raw materials from the forest area certified by FSCTM).



# Appendix

- CSR Assurance Statement from CPA
- GRI (Global Reporting Initiative) G4 Correspondence
- Guidance of the Specific Standard Disclosures For the Food Processing Sector  
GRI (Global Reporting Initiative) G4 Correspondence

# CSR Assurance Statement from CPA



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English Translation of a Report Originally Issued in Chinese

## Assurance Report of Independent Auditors

To GRAPE KING BIO LTD.

### 1. Scope

We have been engaged by GRAPE KING BIO LTD. (“GRAPE KING”) to perform a limited assurance engagement in relation to and report on selected sustainability performance indicators included in GRAPE KING’s 2016 Corporate Social Responsibility Report (“the Report”).

Regarding the sustainability performance indicators selected by GRAPE KING and their applicable criteria, please refer to appendix A.

### Management responsibility

GRAPE KING is responsible for the preparation of 2016 corporate social responsibility report in accordance with adequate criteria, including referencing to Global Reporting Initiatives (“GRI”) G4 Guidelines and Sector Disclosures, and for the design, execution and maintenance of internal controls in regard with report preparation to support the collection and presentation of the Report.

### Independent Auditor’s Responsibility

Our responsibility is to plan and perform limited assurance engagement in accordance with the SAES NO. 1 Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by Taiwan Accounting Research and Development Foundation.

### 2. Assurance

The procedures performed in limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement so that the level of assurance is substantially lower than reasonable assurance engagement. While we considered the effectiveness of GRAPE KING’s internal controls when determining the nature and extent of procedures, our review was not designed to provide assurance on internal controls.

To conclude for limited assurance, our procedures performed included:

- Interviewing with GRAPE KING’s management and personnel to understand the GRAPE KING’s implementation of overall corporate social responsibility and reporting process;



- Understanding the main stakeholders of GRAPE KING and their expectations and needs as well as interaction protocols by interview or examination of documentation and how GRAPE KING responded to those expectations and needs;
- Performing analytical procedures on selected sustainability performance indicators; gathering and checking other supporting documentation and management information obtained; testing on sample basis if necessary.
- Reading GRAPE KING's corporate social responsibility report to ensure the implementation of overall corporate social responsibility and reporting process is consistent with our understanding.

### 3. Limitations

Non-financial information contained within corporate responsibility reports are subject to measurement uncertainties. The selection of different measurement techniques can result in materially different measurement. Also assurance engagements are based on selective testing of information being examined, and it is not possible to detect all of the existing material misstatements whether resulting from fraud or error.

### 4. Quality and Independence

We are in conformity with Taiwan SAS No. 46 "Quality Control for Public Accounting Firms" to establish and maintain a sound system of quality control, including code of professional ethics, professional standards and those written policies and procedures in applicable regulations. We are also in conformity with related independence and other ethics requirements in Taiwan's Norm of Professional Ethics, which basic principles are integrity, objectivity, professional competence and due care and professional behavior.

### 5. Conclusion

Based on our procedures and obtained evidence, nothing has come to our attention that causes us to believe that any material modifications or adjustments should be made to the selected sustainability indicators in accordance with applicable criteria.

Ernst & Young  
December 8, 2017  
Taipei, Taiwan, Republic of China

Notice to Readers

The reader is advised that the assurance report has been prepared originally in Chinese. In the event of a conflict between the assurance report and the original Chinese version or difference in interpretation between the two versions, the Chinese language assurance report shall prevail.



English Translation of a Report Originally Issued in Chinese

Appendix A:

Number	Page No.	Article title	Remarks	Applicable benchmarking	Other Information
1	52	Sanitary and Hygiene Training	The exclusive personnel for the production lines of canned food have been trained and obtained the certificates of training with the pass-through rate of 100%.	Company information	“Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies” Article4.1.1.A.
2	60	Product Liability	In 2016, violations against Act Governing Food Safety and Sanitation and Health Food Control Act included two exaggeration cases and one mislabel incident.	Company information	“Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies” Article4.1.1. B.
3	47	Raw Material Management	Grape King Bio aluminum foil package series adopt 100% green paper pulp produced by FSC certified woodlands.	Company statistics	“Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies” Article4.1.1. C.
4	54	Product Liability	Grape King Bio’s Zhongli plant completed ISO 22000 and HACCP management system by third verification bodies in 2014 and 2015, and Grape	Company statistics	“Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed





			King Bio's Pingzhen Jinling plant completed the certification for ISO 22000, HACCP, NSF GMP by third verification bodies by the end of 2016 and will acquire the verification certificate in the first quarter of 2017. Grape King Bio owns 5 production lines certified with 100% accomplishment rate. The production output produced by certified production lines is 100%		Companies"Article4.1.1.D
5	48	Supply Chain Management	<ol style="list-style-type: none"> <li>In the example of 2016, the number of raw material supplier audited was 202 suppliers and the audit percentage reached 100%.</li> <li>There are four major assessment criteria, Q (Quality), C (Cost), D (Delivery) and S (Service/cooperation) where the final grading will be given based on risk management procedures.</li> </ol>	Company statistics	"Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies"Article4.1.1.E
6	58	Product Liability	Grape King Bio builds ERP system and conduct voluntary traceability management based on	Company statistics	"Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility



			product identification and the traceability management procedures. Currently, the system is capable of tracking all 5 production lines in both Zhongli Plant and Pingzhen Plant.		Reports by TWSE Listed Companies" Article4.1.1.F
7	57	Product Liability	<ol style="list-style-type: none"> <li>1. For quality inspection, Grape King Bio has independently established our own laboratory.</li> <li>2. In addition to testing requirements stipulated in food regulations and pharmacopeias, if the product is likely to contain contaminant such as pesticide residues, heavy metals, microorganisms or other toxins, the test and specification of the contaminant should be added to raw material inspection.</li> <li>3. In 2016, among 2780 raw materials inspected and re-tested, 112 items were failed in incoming</li> </ol>	Company statistics	"Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" Article4.1.1. G



			<p>inspection and were then returned to suppliers, the overall rejection rate was 4.03%.</p> <p>4. In 2016, Grape King Bio invested NT3.3 million in food safety control fees, including inspection fees, consumables for human resource commitment, instrument depreciation, certification fees, and other expenditures, accounting for 0.36% of 2016 net operating revenue of Grape King Bio.</p>		
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## Appendix - GRI (Global Reporting Initiative) G4 Content Index

Category / Aspect	No.	GRI Disclosures	Corresponding Chapters	Page No.	Remark
1. Strategy and Analysis					
Core	G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	Chairman's Message	3	
2. Organization Profile					
Core	G4-3	Report the name of the organization	About the report	1	
Core	G4-4	Report the primary brands, products, and services	1.3 Primary Services	16	
Core	G4-5	Report the location of the organization's headquarters	About the report	2	
Core	G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	1.4 Current Business Locations	18	
Core	G 4-7	Report the nature of ownership and legal form	About the report	2	
Core	G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	1.1 Background	14	
Core	G4-9	Report the scale of the organization	1.4 Current Business Locations	18	
Core	G4-10	Report the total number of employees by various categories	6.1 Employment Structure	70	
Core	G4-11	Report the percentage of total employees covered by collective bargaining agreements	6.1 Employment Structure	70	

Core	G4-12	Describe the organization's supply chain	Grape King Bio value chain	10	
Core	G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	About the Report	2	
Core	G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	4.2Raw Material Management	45	
Core	G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	We did not participate in any externally developed economic, environmental and social charters, principles or other advocacies signed or recognized by the organization		
Core	G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations	Members of Associations	65	
3. Identified Material Aspects and Boundaries					
Core	G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents	About the report	2	
Core	G4-18	Explain the process for defining the report content and the Aspect Boundaries. Explain how the organization has implemented the Reporting Principles for Defining Report Content	2.Communication with Stakeholders	25	
Core	G4-19	List all the material Aspects identified in the process for defining report content	2.Communication with Stakeholders	26	
Core	G4-20	For each material Aspect, report the Aspect Boundary within the organization, report any specific limitation regarding the Aspect Boundary within the organization	2.Communication with Stakeholders	33	
Core	G4-21	For each material Aspect, report the Aspect Boundary outside the organization, report any specific limitation regarding the Aspect Boundary outside the organization	2.Communication with Stakeholders	33	

Core	G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	There is no financial restatement.		
Core	G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	The boundary remains unchanged.		
4. Stakeholder Engagement					
Core	G4-24	Provide a list of stakeholder groups engaged by the organization	2.Communication with Stakeholders	25	
Core	G4-25	Report the basis for identification and selection of stakeholders with whom to engage	2.Communication with Stakeholders	25	
Core	G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	2.Communication with Stakeholders	30	
Core	G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	2.Communication with Stakeholders	27	
5. Report Profile					
Core	G4-28	Reporting period (such as fiscal or calendar year) for information provided	About the report	2	
Core	G4-29	Date of most recent previous report (if any)	About the report	2	
Core	G4-30	Reporting cycle (such as annual, biennial)	About the report	2	
Core	G4-31	Provide the contact point for questions regarding the report or its contents	About the report	2	
Core	G4-32	Report the 'in accordance' option the organization has chosen, the GRI Content Index for the chosen option, the reference to the External Assurance Report, if the report has been externally assured	About the report	2	

Core	G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report	About the report	2	
6. Governance					
Core	G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	3.1Corporate Governance	35	
7. Ethics and Integrity					
Core	G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	3.3Internal control	38	
Economic Performance Indicators					
Economic Performance	G4-EC1	Direct economic value generated and distributed	3.2Financial Performance	37	
Market Presence	G4-EC6	Report the percentage of senior management at significant locations of operation that are hired from the local community.	6.1Employment Structure	70	
Indirect Economic Impact	G4-EC7	Development and impact of infrastructure investments and services supported	7.5Local Communities	88	
Environmental Performance Indicators					
Energy	G4-EN3	Energy consumption within the organization	8.2Energy Conservation and Carbon Reduction	90	
	G4-EN5	Energy intensity	8.2Energy Conservation and Carbon Reduction	91	
	G4-EN6	Reduction of energy consumption	8.2Energy Conservation and Carbon Reduction	91	

Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	8.2Energy Conservation and Carbon Reduction	92	
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	8.2Energy Conservation and Carbon Reduction	92	
	G4-EN18	Greenhouse gas (GHG) emissions intensity	8.2Energy Conservation and Carbon Reduction	92	
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	8.2Energy Conservation and Carbon Reduction	91	
Effluents and Waste	G4-EN22	Total water discharge by quality and destination	8.3Water Resources Management	95	
	G4-EN23	Total weight of wastes by type and disposal method	8.4Waste Management	97	
Labor Practices and Decent Work Performance Indicators					
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	6.5Employment based on ability	76	
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	6.3Salary and Welfare 6.4People-oriented	73	
	G4-LA3	Return to work and retention rates after parental leave, by gender	6.2Employer-Employee Relationship	72	
Training and Education	G4-LA9	Average hours of training per year per employee by gender, and by employee category	6.4People-oriented	74	
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	6.4People-oriented	74	
Employee Diversity and Equal Opportunity	G4-LA12	Report the percentage of individuals within the organization's governance bodies	6.1Employment Structure	70	



Social Performance Indicators					
Local communities	G4-SO1	Report the percentage of operations with implemented local community engagement, impact assessments, and development programs	7.5Local Communities	88	
Product Responsibility Performance Indicators					
Customer Health and Safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	4.5Product Liability	53	
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	4.5Product Liability	60	
Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	4.5Product Liability	59	
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	4.5Product Liability	60	
	G4-PR5	Results of surveys measuring customer satisfaction	3.6Customer Services	40	
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	4.5Product Liability	60	

## Appendix - Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies

Requirement	Corresponding Chapters	Page No.	Remarks
The main categories and the percentage of products being evaluated and improved regarding the company's personnel, work environment, hygiene management of facilities and quality control system to safeguard food sanitation, safety and quality.	4.4 Sanitary and Hygiene Training	52	The exclusive personnel for the production lines of canned food (production lines of preserved foods in glass jars, combibloc packages) have been trained and obtained the certificates of training with the pass-through rate of 100%.
The applicable laws related to the management of food safety and sanitation which the listed company shall comply, and the types and number of incidents of violation by the listed company against the aforesaid laws.	4.5 Product Liability	60	In 2016, violations against Act Governing Food Safety and Sanitation and Health Food Control Act included two exaggeration cases and one mislabel incident.
The percentage of the listed company's purchased volume in accordance with internationally recognized responsible production standards.	4.2 Raw Material Management	47	Grape King Bio aluminum foil package series adopt 100% green paper pulp produced by FSC certified woodlands.
The percentage of the production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	4.5 Product Liability	54	Grape King Bio completed the certification for ISO 22000, HACCP and NSF GMP by third verification bodies by the end of 2016 and will acquire the verification certificate at Q1, 2007. Grape King Bio owns five production lines certified with 100% accomplishment rate. The production output produced by certified production lines is 100%.
The number and percentage of suppliers audited by the listed company, and the audit items and results	4.3 Supply Chain Management	48	In the example of 2016, the number of raw material supplier audited was 202 suppliers and the audit percentage reached 100%.

<p>The product trace and track management conducted by the listed company voluntarily or according to the applicable laws, and the percentage of such products to the whole products</p>	<p>4.5Product Liability</p>	<p>58</p>	<p>In 2016, a total of 79 products could be traced through the internal tracking process, up to 100% in tracking and traceability rate.</p>
<p>The food safety laboratories established by the listed company voluntarily or according to the applicable laws, testing items, testing results, relevant expenses and the percentage of such expenses to the net revenue.</p>	<p>4.5Product Liability</p>	<p>57</p>	<p>In 2016, Grape King Bio invested NT3.3 million in food safety control fees, including inspection fees, consumables for human resource commitment, instrument depreciation, certification fees, and other expenditures, accounting for 0.36% of the 2016 annual net operating revenue of Grape King Bio.</p>

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