

**CHAROEN POKPHAND ENTERPRISE  
(TAIWAN) CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2019 AND 2018**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. and subsidiaries (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2019 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. and subsidiaries did not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. and subsidiaries

By

Cheng, Wu Yeh, Chairman

March 24, 2020

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Charoen Pokphand Enterprise (Taiwan) Co., Ltd.

### *Opinion*

We have audited the accompanying consolidated balance sheets of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### *Basis for opinion*

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the Independent Accountant’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.



Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

**Evaluation of net realisable value of inventories**

Description

Refer to Note 4(12) for accounting policies adopted for the valuation of inventories, Note 5(2) for uncertainty of accounting estimates and assumptions of valuation of inventories, and Note 6(4) for details of inventories. As at December 31, 2019, the carrying amount of inventories and allowance for inventory valuation losses amounted to NT\$1,598,639 thousand and NT\$61,009 thousand, respectively.

The main activities of the Group are the manufacturing and sales of animal feeds, fresh and processed meat products. As the market prices are affected by changes in macro-economic environment, there is a higher risk of inventory valuation losses. In addition, the evaluation of net realisable value of inventories is subject to management's judgement, and considering that feeds, fresh and processed meat products comprise most of the Group's inventories which is significant to the financial statements, the evaluation of net realisable value of inventories was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Based on our understanding of the Group's operations and related industry, assessed the reasonableness of related policies and procedures applied to the net realisable value of inventories, and ascertained the consistent application.
2. Obtained statements of net realisable value of inventories as at balance sheet date, validated source data of merchandise prices and recalculated the provision for inventory valuation losses in order to confirm consistent application of respective procedures and policies.



## Measurement of biological assets

### Description

Refer to Note 4(14) for accounting policies adopted for biological assets, Note 5(2) for uncertainty of accounting estimates and assumptions in measuring fair value of biological assets, and Note 6(5) for details of biological assets. As at December 31, 2019, the carrying amount of biological assets amounted to NT\$1,682,015 thousand.

The Group's biological assets is mainly comprised of broiler chicken, breeder chicken, fattening swine and breeder swine, etc. Except when the fair value cannot be reliably measured, biological assets should be measured at fair value less costs to sell on initial recognition and at the end of each reporting period. As the market prices of fresh, processed meat, livestock and poultry are affected by animal epidemic and market demand in Taiwan, biological assets with active market prices have a higher risk of fluctuations in fair value. Since the amount of biological assets is significant to the financial statements and the methods adopted in measuring each category of biological assets, market prices applied and items accounted for as costs to sell are all subject to management's judgement and with high uncertainty, the measurement of biological assets was identified as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Based on our understanding of the Group's operations and related industry, assessed the reasonableness of related policies and procedures applied in measuring biological assets, and ascertained the consistent application.
2. As at the balance sheet date, ascertained that all the active market prices information are available and reliable for biological assets measured at fair value less costs to sell. Also, validated source data of active market prices and the reasonableness of the major components of costs to sell.

### ***Other matter – Parent company only financial reports***

We have audited and expressed an unmodified opinion on the parent company only financial statements of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. as at and for the years ended December 31, 2019 and 2018.



### *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group’s financial reporting process.

### *Independent accountant’s responsibilities for the audit of the consolidated financial statements*

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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



資誠

2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

  
Weng, Shih-Jung

  
Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan  
March 24, 2020

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.



CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD AND SUBSIDIARIES.  
CONSOLIDATED BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

ASSETS	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 873,651	5	\$ 134,880	1
1150	Notes receivable, net	6(3)	315,760	2	359,097	2
1170	Accounts receivable, net	6(3)	1,822,619	10	1,778,373	11
1180	Accounts receivable - related parties	7	-	-	370,720	3
1200	Other receivables		9,978	-	21,072	-
1210	Other receivables - related parties	7	-	-	14,155	-
130X	Inventories, net	6(4)	1,537,630	8	1,294,023	8
1400	Biological assets - current	6(5)	1,295,872	7	1,253,446	8
1410	Prepayments		312,616	2	603,932	4
1460	Non-current assets or disposal groups classified as held for sale, net	6(6) and 7	670,458	3	-	-
1470	Other current assets	6(1) and 8	7,700	-	7,450	-
11XX	<b>Total current assets</b>		<u>6,846,284</u>	<u>37</u>	<u>5,837,148</u>	<u>37</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	2,119,249	11	1,782,950	11
1600	Property, plant and equipment, net	6(7) and 8	8,767,246	47	7,617,265	48
1755	Right-of-use assets	6(8)	346,074	2	-	-
1780	Intangible assets	6(9)	13,833	-	15,059	-
1830	Biological assets - non-current	6(5)	386,143	2	347,198	2
1840	Deferred income tax assets		74,908	-	64,611	1
1900	Other non-current assets		96,624	1	125,933	1
15XX	<b>Total non-current assets</b>		<u>11,804,077</u>	<u>63</u>	<u>9,953,016</u>	<u>63</u>
1XXX	<b>Total assets</b>		<u>\$ 18,650,361</u>	<u>100</u>	<u>\$ 15,790,164</u>	<u>100</u>

(Continued)

**CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD AND SUBSIDIARIES.**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ 2,343,488	13	\$ 2,768,011	17
2110	Short-term notes and bills payable	6(11)	978,659	5	619,270	4
2150	Notes payable		473,913	3	394,109	2
2170	Accounts payable		676,744	4	739,122	5
2180	Accounts payable - related parties	7	5,621	-	270,562	2
2200	Other payables	6(12)	706,865	4	764,203	5
2220	Other payables - related parties	7	22,750	-	21,430	-
2230	Current income tax liabilities		170,531	1	207,954	1
2260	Liabilities related to non-current assets or disposal groups classified as held for sale	6(6)	457,523	2	-	-
2280	Current lease liabilities		20,817	-	-	-
2300	Other current liabilities	6(13)(14)	593,250	3	599,764	4
21XX	<b>Total current liabilities</b>		<u>6,450,161</u>	<u>35</u>	<u>6,384,425</u>	<u>40</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(13)	3,096,500	16	1,959,750	13
2570	Deferred income tax liabilities		21,499	-	18,314	-
2580	Non-current lease liabilities		310,490	2	-	-
2600	Other non-current liabilities	6(14)(15)	144,717	1	170,990	1
25XX	<b>Total non-current liabilities</b>		<u>3,573,206</u>	<u>19</u>	<u>2,149,054</u>	<u>14</u>
2XXX	<b>Total liabilities</b>		<u>10,023,367</u>	<u>54</u>	<u>8,533,479</u>	<u>54</u>
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Share capital - common stock	6(16)	2,679,910	14	2,679,910	17
<b>Capital surplus</b>						
3200	Capital surplus	6(17)	2,137	-	1,652	-
<b>Retained earnings</b>						
3310	Legal reserve	6(18)	733,781	4	638,708	4
3350	Unappropriated retained earnings		2,907,219	15	2,341,559	15
<b>Other equity interest</b>						
3400	Other equity interest		1,599,285	9	1,270,147	8
31XX	<b>Equity attributable to owners of the parent</b>		<u>7,922,332</u>	<u>42</u>	<u>6,931,976</u>	<u>44</u>
36XX	<b>Non-controlling interest</b>		<u>704,662</u>	<u>4</u>	<u>324,709</u>	<u>2</u>
3XXX	<b>Total equity</b>		<u>8,626,994</u>	<u>46</u>	<u>7,256,685</u>	<u>46</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
<b>Significant events after reporting period</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 18,650,361</u>	<u>100</u>	<u>\$ 15,790,164</u>	<u>100</u>

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

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD AND SUBSIDIARIES.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	<b>Operating revenue</b>	6(19) and 7	\$ 21,173,634	100	\$ 18,947,659	100
5000	<b>Operating costs</b>	6(4)(24)(25) and 7	( 18,151,257)	( 86)	( 16,261,511)	( 86)
5950	<b>Net operating margin</b>		<u>3,022,377</u>	<u>14</u>	<u>2,686,148</u>	<u>14</u>
	<b>Operating expenses</b>	6(24)(25) and 7				
6100	Selling and marketing expenses		( 1,002,686)	( 5)	( 900,818)	( 4)
6200	General and administrative expenses		( 547,961)	( 2)	( 531,840)	( 3)
6450	Expected credit impairment loss	12(2)	( 22)	-	( 94)	-
6000	<b>Total operating expenses</b>		( 1,550,669)	( 7)	( 1,432,752)	( 7)
6500	<b>Other income and expenses, net</b>	6(5)(20)	( 12,411)	-	7,253	-
6900	<b>Operating profit</b>		<u>1,459,297</u>	<u>7</u>	<u>1,260,649</u>	<u>7</u>
	<b>Non-operating income and expenses</b>					
7010	Other income	6(21) and 7	55,225	-	45,719	-
7020	Other gains and losses	6(22)	768,455	4	22,872	-
7050	Finance costs	6(23)	( 79,947)	-	( 63,025)	-
7000	<b>Total non-operating income and expenses</b>		<u>743,733</u>	<u>4</u>	<u>5,566</u>	<u>-</u>
7900	<b>Profit before income tax</b>		2,203,030	11	1,266,215	7
7950	Income tax expense	6(26)	( 380,423)	( 2)	( 301,570)	( 2)
8000	<b>Profit for the year from continuing operations</b>		<u>1,822,607</u>	<u>9</u>	<u>964,645</u>	<u>5</u>
8100	Profit from discontinued operations	6(6)	<u>776</u>	-	<u>30,415</u>	-
8200	<b>Profit for the year</b>		<u>\$ 1,823,383</u>	<u>9</u>	<u>\$ 995,060</u>	<u>5</u>

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CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD AND SUBSIDIARIES.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311					
8316					
8349					
8310					
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361					
8360					
8300					
8500					
<b>Profit attributable to:</b>					
8610					
8620					
<b>Comprehensive income attributable to:</b>					
8710					
8720					
<b>Earnings per share (in dollars)</b>					
9710					
9720					
9750					
9810					
9820					
9850					

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



**CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD AND SUBSIDIARIES.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent									Total equity
		Retained Earnings					Other Equity Interest			Non-controlling interest	
		Share capital - common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Total		
<b>2018</b>											
Balance at January 1, 2018		\$ 2,679,910	\$ 1,145	\$ 495,401	\$ 2,335,867	(\$ 22,617)	\$ -	\$ 1,187,792	\$ 6,677,498	\$ 280,016	\$ 6,957,514
Effect of retrospective application and restatement		-	-	-	-	-	1,187,792	( 1,187,792 )	-	-	-
Balance at January 1 after adjustments		<u>2,679,910</u>	<u>1,145</u>	<u>495,401</u>	<u>2,335,867</u>	<u>( 22,617 )</u>	<u>1,187,792</u>	<u>-</u>	<u>6,677,498</u>	<u>280,016</u>	<u>6,957,514</u>
Profit for the year		-	-	-	950,727	-	-	950,727	-	44,333	995,060
Other comprehensive income (loss)		-	-	-	2,245	49,857	55,115	-	107,217	( 1,659 )	105,558
Total comprehensive income		-	-	-	<u>952,972</u>	<u>49,857</u>	<u>55,115</u>	<u>-</u>	<u>1,057,944</u>	<u>42,674</u>	<u>1,100,618</u>
Appropriations of 2017 earnings	6(18)										
Legal reserve		-	-	143,307	( 143,307 )	-	-	-	-	-	-
Cash dividends to shareholders		-	-	-	( 803,973 )	-	-	-	( 803,973 )	-	( 803,973 )
Capital surplus - dividends not received by shareholders		-	507	-	-	-	-	-	507	-	507
Cash dividends to non-controlling interest		-	-	-	-	-	-	-	-	( 46,981 )	( 46,981 )
Cash receipt from non-controlling interest of a subsidiary through capital increase in cash		-	-	-	-	-	-	-	-	49,000	49,000
Balance at December 31, 2018		<u>\$ 2,679,910</u>	<u>\$ 1,652</u>	<u>\$ 638,708</u>	<u>\$ 2,341,559</u>	<u>\$ 27,240</u>	<u>\$ 1,242,907</u>	<u>\$ -</u>	<u>\$ 6,931,976</u>	<u>\$ 324,709</u>	<u>\$ 7,256,685</u>
<b>2019</b>											
Balance at January 1, 2019		\$ 2,679,910	\$ 1,652	\$ 638,708	\$ 2,341,559	\$ 27,240	\$ 1,242,907	\$ -	\$ 6,931,976	\$ 324,709	\$ 7,256,685
Profit for the year		-	-	-	1,463,926	-	-	-	1,463,926	359,457	1,823,383
Other comprehensive income (loss)		-	-	-	780	( 44,672 )	373,810	-	329,918	( 1,434 )	328,484
Total comprehensive income (loss)		-	-	-	<u>1,464,706</u>	<u>( 44,672 )</u>	<u>373,810</u>	<u>-</u>	<u>1,793,844</u>	<u>358,023</u>	<u>2,151,867</u>
Appropriations of 2018 earnings	6(18)										
Legal reserve		-	-	95,073	( 95,073 )	-	-	-	-	-	-
Cash dividends to shareholders		-	-	-	( 803,973 )	-	-	-	( 803,973 )	-	( 803,973 )
Capital surplus - dividends not received by shareholders		-	485	-	-	-	-	-	485	-	485
Cash dividends to non-controlling interest		-	-	-	-	-	-	-	-	( 41,710 )	( 41,710 )
Cash receipt from non-controlling interest of a subsidiary through capital increase in cash		-	-	-	-	-	-	-	-	63,640	63,640
Balance at December 31, 2019		<u>\$ 2,679,910</u>	<u>\$ 2,137</u>	<u>\$ 733,781</u>	<u>\$ 2,907,219</u>	<u>(\$ 17,432)</u>	<u>\$ 1,616,717</u>	<u>\$ -</u>	<u>\$ 7,922,332</u>	<u>\$ 704,662</u>	<u>\$ 8,626,994</u>

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

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD AND SUBSIDIARIES.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit from continuing operations before tax		\$ 2,203,030	\$ 1,266,215
Profit from discontinued operations before tax		<u>2,216</u>	<u>41,635</u>
Profit before tax		2,205,246	1,307,850
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	22	94
Depreciation	6(7)(24)	630,539	553,688
Depreciation of right-of-use	6(8)(24)	38,109	-
Amortization	6(24)	4,509	4,063
Interest income	6(21)	( 17,543 )	( 15,087 )
Interest expense	6(23)	80,567	63,304
Dividend income	6(2)(21)	( 45,737 )	( 42,513 )
Provision for loss on inventory market price decline	6(4)	45,910	7,438
Change in fair value less cost to sell of biological assets	6(5)(20)	12,411	( 7,253 )
(Gain) loss on disposal of property, plant and equipment	6(22)	( 787,311 )	2,411
Gain arising from lease modifications		( 15 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		40,760	19,001
Accounts receivable		( 44,268 )	( 165,323 )
Accounts receivable - related parties		309,568	( 176,125 )
Other receivables		10,365	( 9,539 )
Other receivables - related parties		( 3,681 )	( 7,472 )
Inventories		( 429,969 )	( 82,804 )
Biological assets		( 94,854 )	( 200,357 )
Prepayments		277,518	( 171,508 )
Changes in operating liabilities			
Notes payable		79,803	( 75,533 )
Accounts payable		( 30,536 )	103,043
Accounts payable - related parties		( 86,912 )	172,134
Other payables		215,921	84,375
Other payables - related parties		1,320	( 6,780 )
Accrued pension liabilities		( 18,557 )	( 15,889 )
Cash inflow generated from operations		2,393,185	1,341,218
Cash paid for income tax		( 432,868 )	( 345,836 )
Net cash flows from operating activities		<u>1,960,317</u>	<u>995,382</u>

(Continued)

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD AND SUBSIDIARIES.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Increase in other current assets		(\$ 250 )	(\$ 5,450 )
Acquisition of property, plant and equipment	6(29)	( 1,950,446 )	( 1,717,391 )
Proceeds from disposal of property, plant and equipment		792,995	26,079
Acquisition of intangible assets	6(9)	-	( 754 )
Decrease (increase) in other non-current assets		22,459	( 10,767 )
Cash receipt of interest		17,407	15,087
Cash receipt of dividends	6(2)(21)	45,737	42,513
Net cash flows used in investing activities		( 1,072,098 )	( 1,650,683 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Decrease (increase) in short-term borrowings		( 424,523 )	506,628
Increase in short-term notes and bills payable		359,389	119,781
Proceeds from long-term borrowings		5,070,000	2,940,000
Payment of long-term borrowings		( 3,933,250 )	( 2,160,000 )
Payment of lease liability	6(8)	( 52,970 )	-
Cash payment for interest		( 82,971 )	( 62,754 )
Cash dividends paid	6(18)	( 803,973 )	( 803,973 )
Cash receipt from non-controlling interest of a subsidiary through capital increase establishment		63,640	49,000
Cash dividends paid to non-controlling interest		( 41,710 )	( 46,981 )
Capital surplus - dividends not received by shareholders		485	507
Net cash flows from financing activities		154,117	542,208
Effects of changes in foreign exchange rate		( 4,467 )	986
Non-current assets held for sale - cash	6(6)	( 299,098 )	-
Net increase (decrease) in cash and cash equivalents		738,771	( 112,107 )
Cash and cash equivalents at beginning of year	6(1)	134,880	246,987
Cash and cash equivalents at end of year	6(1)	\$ 873,651	\$ 134,880

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

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars,  
except as otherwise indicated)

1. HISTORY AND ORGANISATION

Charoen Pokphand Enterprise (Taiwan) Co., Ltd. (the “Company”) was incorporated on August 22, 1977 as a company limited by shares under the Statute for Investment by Overseas Chinese and the provisions of the Company Act of the Republic of China. The main activities of the Company and its subsidiaries (collectively referred herein as the “Group”) are the manufacture and sale of animal feeds, livestock, chicken and processed meat products. The Company’s common stock has been traded on the Taiwan Stock Exchange since July 27, 1987. Charoen Pokphand Foods Public Company Limited (“CPF”), which is incorporated in Thailand, indirectly holds 39% equity interest in the Company.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 24, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.



IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by \$359,985, increased 'lease liability' by \$345,919 and decreased prepayments by \$14,174, property, plant and equipment by \$12,533 and lease payable by \$12,641 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - (b) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
  - (c) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate of 1.44%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	406,811
Add: Lease payable recognised under finance lease by applying IAS 17 as at December 31, 2018		12,641
Less: Short-term leases exemption	(	29,765)
Add: Lease contracts previously identified as service agreements		<u>4,029</u>
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$	<u>393,716</u>
Incremental borrowing interest rate at the date of initial application		1.44%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	<u>345,919</u>

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets at fair value through other comprehensive income.
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- (c) Biological assets measured at fair value less costs to sell.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Note
			December 31, 2019	December 31, 2018	
The Company	Plenty Type Limited (Cayman Islands)	Management of producing and non-producing business investments	100.00	100.00	
The Company	Charoen Pokphand (Taiwan) Co., Ltd.	Management of importing and exporting business	90.00	90.00	
The Company	Arbor Acres (Taiwan) Co., Ltd.	Husbandry, management of chickens to produce breeder chicken and daily chicken	50.00	50.00	Note 1
The Company	Rui Mu Foods Co., Ltd.	Management of layers and related business	52.00	52.00	
The Company	Rui Fu Foods Co., Ltd.	Management of layers and related business	51.00	51.00	
Plenty Type Limited (Cayman Islands)	Chia Tai Lianyungang Co., Ltd.	Management of producing and non-producing business investments	99.99	99.99	
Chia Tai Lianyungang Co., Ltd.	Lianyungang Chia Tai Agro-industry Development Co., Ltd.	Feeds producing, poultry raising, processing and sales	70.00	70.00	
Rui Fu Foods Co., Ltd.	Sheng Da Foods Co., Ltd.	Management of layers and related business	100.00	0.00	Note 2

Note 1: The Company's direct or indirect shareholding ratio does not exceed 50%. However, the Company controls more than half of the directors. Thus, the subsidiary is included in the consolidation.



Note 2: In December 2019, the Board of Directors of Rui Fu Foods Co., Ltd. resolved to invest in the establishment of Sheng Da Foods Co., Ltd. which was wholly owned by Rui Fu Foods Co., Ltd.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in NTD, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
- (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value.

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads allocated based on normal operating capacity. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(14) Biological assets

Biological assets are measured at their fair value less costs to sell. Except for the case where the fair value cannot be measured reliably, they are measured at its cost less accumulated depreciation and impairment losses. Gains or losses on changes in fair value less costs to sell are recognised in profit or loss.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Land improvements	3~30 years
Buildings and structures	3~60 years
Machinery and equipment	3~20 years
Transportation equipment	6 years
Leasehold improvements	3~20 years
Other equipment	3~20 years

(16) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability; and
  - (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Leased assets / leases (lessee)

Prior to 2019

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.
- (a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.
- (b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
- (c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.
- B. Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(18) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

B. Goodwill

Goodwill arises from business combination accounted for by applying the acquisition method.

(19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

- B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired from a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(20) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is measured over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes and accounts payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expired.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior period. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.



- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

## (27) Revenue recognition

### A. Sales of goods

- (a) The Group manufactures and sells animal feeds, cooked food, agricultural livestock products and related consumable food products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from sales of goods is recognised based on the price specified in the contract, net of the estimated volume discounts, sales discounts and allowances. Accumulated experience is used to estimate and provide for the volume discounts, sales discounts and allowances using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A deduction of accounts receivable is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 3 to 120 days, which is consistent with market practice.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### B. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

## (28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

## 5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

### (1) Critical judgements in applying the Group's accounting policies

None.

### (2) Critical accounting estimates and assumptions

#### A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2019, the carrying amount of inventories was \$1,537,630.

#### B. Measurement of fair value of biological assets

Except when fair value cannot be reliably measured, biological assets should be measured at fair value less costs to sell on initial recognition and at the end of each reporting period. The Group has to identify whether the active market prices are available for each category of biological assets, to determine the relevance between the nature of biological assets and the chosen market, and to decide which major items should be accounted for as costs to sell. The Group then estimates the fair value less costs to sell based on the information mentioned above. Any fluctuations in market price and costs to sell could materially affect the carrying amount of biological assets.

As of December 31, 2019, the carrying amount of biological assets was \$1,682,015.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 7,955	\$ 9,478
Checking accounts	3,125	3,031
Demand deposits	606,669	122,371
Time deposits	<u>555,000</u>	<u>-</u>
Total	1,172,749	134,880
Less: Non-current assets held for sale	<u>( 299,098)</u>	<u>-</u>
	<u>\$ 873,651</u>	<u>\$ 134,880</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. On December 31, 2019, the Group has restricted cash and cash equivalents pledged as collateral totalling \$7,700, and classified as other financial assets and shown as ‘other current assets’. Please refer to Note 8 for details.

### (2) Financial assets at fair value through other comprehensive income

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 499,320	\$ 507,724
Valuation adjustment	<u>1,619,929</u>	<u>1,275,226</u>
	<u>\$ 2,119,249</u>	<u>\$ 1,782,950</u>

- A. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 373,810</u>	<u>\$ 55,115</u>
Dividend income recognised in profit or loss held at end of year	<u>\$ 45,737</u>	<u>\$ 42,513</u>

- B. The subsidiary, Plenty Type Limited (Cayman Islands), holds CPF’s shares, which is ultimate parent company of the Company, traded on the Thailand Stock Exchange, and is classified as non-current financial assets at fair value through other comprehensive income.

(3) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ 318,337	\$ 359,097
Less: Non-current assets held for sale	( 2,577)	-
	<u>\$ 315,760</u>	<u>\$ 359,097</u>
Accounts receivable	\$ 1,824,319	\$ 1,780,742
Less: Allowance for uncollectible accounts	( 1,700)	( 2,369)
	<u>\$ 1,822,619</u>	<u>\$ 1,778,373</u>

A. The ageing analysis of accounts receivable is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current	\$ 1,768,228	\$ 1,711,849
Up to 180 days	53,669	66,149
181 to 365 days	2,113	2,181
Over one year	309	563
	<u>\$ 1,824,319</u>	<u>\$ 1,780,742</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of accounts receivable and notes receivable from contracts with customers amounted to \$1,991,242.

C. As of December 31, 2019 and 2018, all the Group's notes receivable were not past due.

D. The credit quality of accounts receivable was in the following category based on the Group's Credit Quality Control Policy:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
With guarantee	\$ 126,159	\$ 135,655
Without guarantee	1,698,160	1,645,087
	<u>\$ 1,824,319</u>	<u>\$ 1,780,742</u>

The Group holds commercial papers, real estate and deposits as collateral for accounts receivable.

E. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was \$318,337 and \$359,097, respectively, while the amount that best represents the Group's accounts receivable was \$1,822,619 and \$1,778,373, respectively.

F. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).

(4) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,018,808	\$ -	\$ 1,018,808
Packing supplies	33,750	( 810)	32,940
Work in progress	28,697	-	28,697
Finished goods	595,650	( 60,180)	535,470
General merchandise	45,921	( 19)	45,902
Inventory in transit	16,265	-	16,265
	<u>1,739,091</u>	<u>( 61,009)</u>	<u>1,678,082</u>
Less: Non-current assets held for sale	( 140,452)	-	( 140,452)
	<u>\$ 1,598,639</u>	<u>(\$ 61,009)</u>	<u>\$ 1,537,630</u>

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 698,931	\$ -	\$ 698,931
Packing supplies	24,779	( 250)	24,529
Work in progress	26,648	-	26,648
Finished goods	511,324	( 14,800)	496,524
General merchandise	33,176	( 49)	33,127
Inventory in transit	14,264	-	14,264
	<u>\$ 1,309,122</u>	<u>(\$ 15,099)</u>	<u>\$ 1,294,023</u>

The cost of inventories recognised as expense for the year:

	2019	2018
Cost of goods sold	\$ 19,360,999	\$ 18,374,786
Loss on decline in market value	45,910	7,438
Others	1,537	( 4,488)
Less: Operating costs from discontinued operations	( 1,257,189)	( 2,116,225)
	<u>\$ 18,151,257</u>	<u>\$ 16,261,511</u>

Others pertain mainly to gain and loss on physical inventory count and income from disposal of leftover and scraps.

(5) Biological assets

A. Biological assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Biological assets - current:		
Consumable biological assets	\$ 1,044,691	\$ 992,020
Consumable biological assets - changes in fair value less costs to sell	24,124	36,535
Bearer biological assets	540,583	391,483
Bearer biological assets - accumulated depreciation	<u>(312,454)</u>	<u>(166,592)</u>
	1,296,944	1,253,446
Less: Non-current assets held for sale	<u>(1,072)</u>	<u>-</u>
	<u>\$ 1,295,872</u>	<u>\$ 1,253,446</u>
Biological assets - non-current:		
Bearer biological assets	\$ 470,609	\$ 418,758
Bearer biological assets - accumulated depreciation	<u>(84,466)</u>	<u>(71,560)</u>
	<u>\$ 386,143</u>	<u>\$ 347,198</u>

Consumable biological assets are those that are to be harvested as agricultural products or sold as biological assets. Bearer biological assets are those other than consumable biological assets.

B. Movements of biological assets were as follows:

	<u>2019</u>	<u>2018</u>
At January 1	\$ 1,600,644	\$ 1,393,034
Purchases	992,150	1,185,739
Costs and expenses input	6,923,411	5,974,118
Sales	<u>(3,039,630)</u>	<u>(2,830,198)</u>
Gains on changes in fair value less cost to sell	(12,411)	7,253
Transfer to inventories	<u>(4,774,263)</u>	<u>(4,113,731)</u>
Others	<u>(6,814)</u>	<u>(15,571)</u>
At December 31	1,683,087	1,600,644
Less: Non-current assets held for sale	<u>(1,072)</u>	<u>-</u>
	<u>\$ 1,682,015</u>	<u>\$ 1,600,644</u>

C. Biological assets are comprised of broiler chicken, breeder chicken, fattening swine, and breeder swine, etc. Biological assets, other than fattening swine which are measured at fair value less costs to sell at each reporting date, are measured at cost less accumulated depreciation and impairment losses. The fair value of fattening swine is measured using quoted market prices as references.

The market prices or fair values at the present condition of breeders are unavailable due to short production cycle; the market prices or fair values at present condition of broiler chickens are difficult to obtain. The valuation based on a discounted cash flow method is considered unreliable given the uncertainty with respect to external factors such as climate, weather, diseases etc. Therefore, breeders and broiler chicken are measured using the cost approach. Cost of biological assets includes all costs incurred during the growth cycle such as cost of new-born animals, feed costs, and other farm costs. Bearer biological assets are depreciated using the straight-line method through the productive period of each biological asset. The productive period of breeder swine is approximately 24 ~ 36 months; the productive period of breeder chickens is approximately 30 weeks ~ 1 year. For the years ended December 31, 2019 and 2018, depreciation expense of biological assets amounted to \$378,635 and \$279,560, respectively.

D. Estimates of physical quantities of biological assets were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Livestock production:		
Estimates of physical quantities (Units: heads)	<u>5,667,851</u>	<u>5,516,040</u>
Aquatic production:		
Estimates of physical quantities (Units: KG)	<u>-</u>	<u>318,313</u>
Estimates of physical quantities (Units: heads)	<u>4,000,000</u>	<u>-</u>

E. Financial risk management policies

The Group is exposed to commodity risks arising from changes in market prices of the chickens and swine. The Group does not anticipate that the prices of the agricultural products will decline significantly in the foreseeable future and there is no available derivative or other contracts. The Group reviews the risk of a decline in the price of the agriculture products regularly, and considers to take the financial risk.

(6) Non-current assets held for sale and discontinued operations

A. The assets and liabilities related to Lianyungang Chia Tai Agro-industry Development Co., Ltd. have been reclassified as held for sale and presented as discontinued operations as they meet the definition of discontinued operations following the approval of Chia Tai Lianyungang Co., Ltd.'s Board of Directors on February 18, 2019 to sell all shares held in Lianyungang Chia Tai Agro-industry Development Co., Ltd. to the related party, Chia Tai (China) Investment Co., Ltd. The proceeds from disposal are CNY 61,768 thousand. The transaction procedures were completed in January 2020.



B. The cash flow information of the discontinued operations is as follows:

	<u>2019</u>	<u>2018</u>
Operating cash flows	\$ 346,546	\$ 43,771
Investing cash flows	( 7,444)	( 15,026)
Financing cash flows	( 53,710)	( 21,757)
Total cash flows	<u>\$ 285,392</u>	<u>\$ 6,988</u>

C. Assets of disposal group classified as held for sale:

	<u>December 31, 2019</u>
Cash and cash equivalents	\$ 299,098
Notes receivable	2,577
Accounts receivable - related parties	61,152
Other receivables	865
Other receivables - related parties	17,836
Inventories	140,452
Biological assets - current	1,072
Prepayments	15,921
Property, plant and equipment	121,060
Deferred income tax assets	7,193
Other non-current assets	3,232
	<u>\$ 670,458</u>

D. Liabilities of disposal group classified as held for sale:

	<u>December 31, 2019</u>
Accounts payable	\$ 31,841
Accounts payable to related parties	178,029
Other payables	246,534
Current income tax liabilities	1,119
	<u>\$ 457,523</u>

E. Analysis of the result of discontinued operations, and the result recognised on the remeasurement of disposal group, is as follows:

	<u>2019</u>	<u>2018</u>
Operating revenue	\$ 1,366,272	\$ 2,287,427
Operating costs	( 1,257,189)	( 2,116,225)
Operating expenses	( 121,593)	( 146,553)
Total non-operating income and expenses	<u>14,726</u>	<u>16,986</u>
Profit before tax of discontinued operations	2,216	41,635
Income tax expense	( 1,440)	( 11,220)
Profit after tax of discontinued operations	<u>\$ 776</u>	<u>\$ 30,415</u>
Attributable to:		
Discontinued operations of parent company	\$ 543	\$ 21,291
Non-controlling interest	<u>233</u>	<u>9,124</u>
Profit after tax of discontinued operations	<u>\$ 776</u>	<u>\$ 30,415</u>

No impairment loss occurred based on the remeasurement of the disposal group held for sale at the lower of its carrying amount or fair value less costs to sell.

F. For the profit from continuing and discontinued operations attributable to owners of the parent, please refer to Note 6(27) Earnings per share for the details.

(7) Property, plant and equipment

	Land	Land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2019</u>									
Cost	\$ 2,131,816	\$ 96,928	\$ 3,276,514	\$ 3,806,059	\$ 273,253	\$ 965,801	\$ 792,432	\$ 593,269	\$ 11,936,072
Accumulated depreciation and impairment	-	( 34,726)	( 1,242,450)	( 2,137,433)	( 166,031)	( 444,698)	( 306,002)	-	( 4,331,340)
	<u>\$ 2,131,816</u>	<u>\$ 62,202</u>	<u>\$ 2,034,064</u>	<u>\$ 1,668,626</u>	<u>\$ 107,222</u>	<u>\$ 521,103</u>	<u>\$ 486,430</u>	<u>\$ 593,269</u>	<u>\$ 7,604,732</u>
<u>2019</u>									
Opening net book amount as at January 1	\$ 2,131,816	\$ 62,202	\$ 2,034,064	\$ 1,668,626	\$ 107,222	\$ 521,103	\$ 486,430	\$ 593,269	\$ 7,604,732
Additions	52,500	34,854	299,170	129,947	46,353	10,943	94,353	1,255,882	1,924,002
Disposals	( 977)	-	-	( 39)	( 4,665)	-	( 3)	-	( 5,684)
Reclassifications	194,618	28,302	282,197	174,593	8,811	15,225	78,751	( 782,497)	-
Depreciation	-	( 10,955)	( 179,527)	( 240,034)	( 36,598)	( 89,968)	( 73,457)	-	( 630,539)
Net exchange differences	-	-	( 1,204)	( 2,612)	( 98)	-	( 283)	( 8)	( 4,205)
Closing net book amount as at December 31	<u>\$ 2,377,957</u>	<u>\$ 114,403</u>	<u>\$ 2,434,700</u>	<u>\$ 1,730,481</u>	<u>\$ 121,025</u>	<u>\$ 457,303</u>	<u>\$ 585,791</u>	<u>\$ 1,066,646</u>	<u>\$ 8,888,306</u>
<u>At December 31, 2019</u>									
Cost	\$ 2,377,957	\$ 160,084	\$ 3,782,534	\$ 4,035,713	\$ 299,461	\$ 987,956	\$ 947,640	\$ 1,066,646	\$ 13,657,991
Accumulated depreciation and impairment	-	( 45,681)	( 1,347,834)	( 2,305,232)	( 178,436)	( 530,653)	( 361,849)	-	( 4,769,685)
	<u>\$ 2,377,957</u>	<u>\$ 114,403</u>	<u>\$ 2,434,700</u>	<u>\$ 1,730,481</u>	<u>\$ 121,025</u>	<u>\$ 457,303</u>	<u>\$ 585,791</u>	<u>\$ 1,066,646</u>	<u>\$ 8,888,306</u>
Less: Transferred non-current assets held for sales	-	-	( 34,474)	( 76,664)	( 2,934)	-	( 6,988)	-	( 121,060)
	<u>\$ 2,377,957</u>	<u>\$ 114,403</u>	<u>\$ 2,400,226</u>	<u>\$ 1,653,817</u>	<u>\$ 118,091</u>	<u>\$ 457,303</u>	<u>\$ 578,803</u>	<u>\$ 1,066,646</u>	<u>\$ 8,767,246</u>

	Land	Land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2018</u>									
Cost	\$ 1,718,826	\$ 70,105	\$ 2,567,038	\$ 3,541,712	\$ 252,921	\$ 947,342	\$ 656,167	\$ 732,387	\$ 10,486,498
Accumulated depreciation and impairment	-	( 30,580)	( 1,155,135)	( 2,027,022)	( 145,645)	( 357,779)	( 255,175)	-	( 3,971,336)
	<u>\$ 1,718,826</u>	<u>\$ 39,525</u>	<u>\$ 1,411,903</u>	<u>\$ 1,514,690</u>	<u>\$ 107,276</u>	<u>\$ 589,563</u>	<u>\$ 400,992</u>	<u>\$ 732,387</u>	<u>\$ 6,515,162</u>
<u>2018</u>									
Opening net book amount as at January 1	\$ 1,718,826	\$ 39,525	\$ 1,411,903	\$ 1,514,690	\$ 107,276	\$ 589,563	\$ 400,992	\$ 732,387	\$ 6,515,162
Additions	16,935	19,918	133,562	119,338	34,830	15,082	105,673	1,242,198	1,687,536
Disposals	-	-	( 7,370)	( 14,912)	( 3,412)	( 118)	( 2,678)	-	( 28,490)
Reclassifications	396,055	8,627	637,903	263,298	13,952	8,693	52,788	( 1,381,316)	-
Depreciation	-	( 5,868)	( 141,098)	( 211,527)	( 40,192)	( 92,117)	( 62,886)	-	( 553,688)
Net exchange differences	-	-	( 836)	( 2,261)	( 75)	-	( 83)	-	( 3,255)
Closing net book amount as at December 31	<u>\$ 2,131,816</u>	<u>\$ 62,202</u>	<u>\$ 2,034,064</u>	<u>\$ 1,668,626</u>	<u>\$ 112,379</u>	<u>\$ 521,103</u>	<u>\$ 493,806</u>	<u>\$ 593,269</u>	<u>\$ 7,617,265</u>
<u>At December 31, 2018</u>									
Cost	\$ 2,131,816	\$ 96,928	\$ 3,276,514	\$ 3,806,059	\$ 282,316	\$ 965,801	\$ 804,003	\$ 593,269	\$ 11,956,706
Accumulated depreciation and impairment	-	( 34,726)	( 1,242,450)	( 2,137,433)	( 169,937)	( 444,698)	( 310,197)	-	( 4,339,441)
	<u>\$ 2,131,816</u>	<u>\$ 62,202</u>	<u>\$ 2,034,064</u>	<u>\$ 1,668,626</u>	<u>\$ 112,379</u>	<u>\$ 521,103</u>	<u>\$ 493,806</u>	<u>\$ 593,269</u>	<u>\$ 7,617,265</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	<u>2019</u>	<u>2018</u>
Amount capitalised	\$ 4,662	\$ 3,879
Interest rate range	1.12%~1.63%	1.10%~1.63%

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

C. As of December 31, 2019 and 2018, the Group held 182 parcels and 179 parcels of agricultural land, respectively. The carrying amounts of land registered under the title of others amounted to \$877,771 and \$876,746, respectively. These parcels of land are registered under the title of individuals, however, the Company has agreements with those individuals to pledge these agricultural land to the Company.

(8) Leasing arrangements - lessee

Effective 2019

A. The Group leases various assets including land, buildings, business vehicles, and other equipment. Rental contracts are typically made for periods of 1 to 22 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>At December 31, 2019</u>	<u>2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land	\$ 322,018	\$ 25,839
Buildings	10,619	4,051
Transportation equipment (Cargo truck)	2,697	2,808
Other equipment	10,740	5,411
	<u>\$ 346,074</u>	<u>\$ 38,109</u>

C. For the year ended December 31, 2019, the additions to right-of-use assets was \$24,984.

D. The Group has no significant profit or loss in relation to lease contracts for the year ended December 31, 2019.

E. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$52,970.

(9) Intangible assets

	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2019</u>			
Cost	\$ 10,568	\$ 13,430	\$ 23,998
Accumulated amortisation and impairment	( 8,939)	-	( 8,939)
	<u>\$ 1,629</u>	<u>\$ 13,430</u>	<u>\$ 15,059</u>
<u>2019</u>			
At January 1	\$ 1,629	\$ 13,430	\$ 15,059
Amortisation	( 1,004)	-	( 1,004)
Net exchange differences	-	( 222)	( 222)
At December 31	<u>\$ 625</u>	<u>\$ 13,208</u>	<u>\$ 13,833</u>
<u>At December 31, 2019</u>			
Cost	\$ 10,568	\$ 13,208	\$ 23,776
Accumulated amortisation and impairment	( 9,943)	-	( 9,943)
	<u>\$ 625</u>	<u>\$ 13,208</u>	<u>\$ 13,833</u>
	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2018</u>			
Cost	\$ 9,814	\$ 13,061	\$ 22,875
Accumulated amortisation and impairment	( 7,767)	-	( 7,767)
	<u>\$ 2,047</u>	<u>\$ 13,061</u>	<u>\$ 15,108</u>
<u>2018</u>			
At January 1	\$ 2,047	\$ 13,061	\$ 15,108
Additions	754	-	754
Amortisation	( 1,172)	-	( 1,172)
Net exchange differences	-	369	369
At December 31	<u>\$ 1,629</u>	<u>\$ 13,430</u>	<u>\$ 15,059</u>
<u>At December 31, 2018</u>			
Cost	\$ 10,568	\$ 13,430	\$ 23,998
Accumulated amortisation and impairment	( 8,939)	-	( 8,939)
	<u>\$ 1,629</u>	<u>\$ 13,430</u>	<u>\$ 15,059</u>

(10) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Unsecured borrowings	\$ 2,294,000	1.04%~1.75%	None
Letters of credit	49,488	0.74%	None
	<u>\$ 2,343,488</u>		

  

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Unsecured borrowings	\$ 2,604,350	1.04%~1.75%	None
Letters of credit	141,433	3.28%~4.12%	None
Secured borrowings	22,228	4.79%	Land use right and building
	<u>\$ 2,768,011</u>		

(11) Short-term notes and bills payable

	December 31, 2019	December 31, 2018
Commercial paper payable	\$ 980,000	\$ 620,000
Less: Unamortised discounts	( 1,341)	( 730)
	<u>\$ 978,659</u>	<u>\$ 619,270</u>
Interest rate range	0.34%~0.93%	0.64%~0.94%

The short-term notes and bills payable were guaranteed by certain financial institutions.

(12) Other payables

	December 31, 2019	December 31, 2018
Accrued salary	\$ 397,088	\$ 344,043
Payables for machinery and equipment	35,719	62,163
Contract liabilities	182,161	100,652
Others	338,431	257,345
	<u>953,399</u>	<u>764,203</u>
Less: Liabilities directly related to non-current assets held for sale	( 246,534)	-
	<u>\$ 706,865</u>	<u>\$ 764,203</u>

(13) Long-term borrowings

Type of borrowings	Borrowing period	Interest rate range	December 31, 2019
Secured loans	2019.1.5~2026.4.3	1.42%-1.63%	\$ 614,750
Unsecured credit loans	2017.9.6~2022.10.25	1.03%-1.50%	3,075,000
			<u>3,689,750</u>
Less: Current portion (shown as 'Other current liabilities')			( 593,250)
			<u>\$ 3,096,500</u>

Type of borrowings	Borrowing period	Interest rate range	December 31, 2018
Secured loans	2016.8.2~2022.12.15	1.42%~1.63%	\$ 853,000
Unsecured credit loans	2017.9.6~2022.10.27	1.03%~1.50%	1,700,000
			<u>2,553,000</u>
Less: Current portion (shown as 'Other current liabilities')			( 593,250)
			<u>\$ 1,959,750</u>

Information about collateral that were pledged for long-term borrowings is provided in Note 8.

(14) Finance lease liabilities

Prior to 2019

- A. The Group signed finance lease contracts to lease transportation equipment from Pro Leasing & Rental Co., Ltd., Avis Car Rental Co., Ltd., Ho-Hsin Truck Leasing Co., Ltd. Shung-Ye Leasing & Rental Co., Ltd. and Carplus Auto Leasing Co., Ltd. The lease terms cover the majority of the total estimated economic lives of the leased assets.
- B. The Group signed finance lease contracts to lease other equipment from Taiwan Warehouse Solution Corp., Tay Warehouse Equipment Co., Ltd., Yiyi Warehouse Equipment Co., Ltd., Power Handling Co., Ltd., Taiwan Shih Ban Industrial Co., Ltd., and Tedson Machine Co., Ltd.. The lease terms cover the majority of the total estimated economic lives of the leased assets.
- C. Future minimum lease payments and their present values as at December 31, 2018 are as follows:

	December 31, 2018		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
<u>Current</u> (shown as 'Other current liabilities')			
Not later than one year	\$ 6,653	(\$ 139)	\$ 6,514
<u>Non-current</u> (shown as 'Other non-current liabilities')			
Later than one year but not later than five years	6,209	( 82)	6,127
	<u>\$ 12,862</u>	<u>(\$ 221)</u>	<u>\$ 12,641</u>



(15) Pensions

A. Defined benefit plans

- (a) The Company and its domestic subsidiaries have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit plans, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to specific percentage of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balances are insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.
- (b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	(\$ 463,700)	(\$ 471,408)
Fair value of plan assets	<u>318,983</u>	<u>306,545</u>
Net defined benefit liability	<u>(\$ 144,717)</u>	<u>(\$ 164,863)</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2019</u>			
Balance at January 1	(\$ 471,408)	\$ 306,545	(\$ 164,863)
Current service cost	( 3,394)	-	( 3,394)
Interest (expense) income	( 3,467)	2,297	( 1,170)
	<u>( 478,269)</u>	<u>308,842</u>	<u>( 169,427)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	11,915	11,915
Change in demographic assumptions	( 148)	-	( 148)
Change in financial assumptions	( 3,713)	-	( 3,713)
Experience adjustments	( 6,466)	-	( 6,466)
	<u>( 10,327)</u>	<u>11,915</u>	<u>1,588</u>
Pension fund contribution	-	23,122	23,122
Paid pension	24,896	( 24,896)	-
Balance at December 31	<u><u>(\$ 463,700)</u></u>	<u><u>\$ 318,983</u></u>	<u><u>(\$ 144,717)</u></u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2018</u>			
Balance at January 1	(\$ 498,015)	\$ 307,247	(\$ 190,768)
Current service cost	( 3,909)	-	( 3,909)
Interest (expense) income	( 4,874)	3,060	( 1,814)
	<u>( 506,798)</u>	<u>310,307</u>	<u>( 196,491)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	9,545	9,545
Change in demographic assumptions	( 4)	-	( 4)
Change in financial assumptions	( 9,788)	-	( 9,788)
Experience adjustments	8,370	-	8,370
	<u>( 1,422)</u>	<u>9,545</u>	<u>8,123</u>
Pension fund contribution	-	23,505	23,505
Paid pension	36,812	( 36,812)	-
Balance at December 31	<u><u>(\$ 471,408)</u></u>	<u><u>\$ 306,545</u></u>	<u><u>(\$ 164,863)</u></u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labour Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	0.65%	0.75%
Future salary increases	2.00%	2.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
<u>2019</u>				
Effect on present value of defined benefit obligation	(\$ 35,097)	\$ 39,947	\$ 38,975	(\$ 34,982)
<u>2018</u>				
Effect on present value of defined benefit obligation	(\$ 37,270)	\$ 42,534	\$ 41,542	(\$ 37,183)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Company and domestic subsidiaries for the year ending December 31, 2020 amount to \$17,360.
- (h) As of December 31, 2019, the weighted average duration of the retirement plan is 5~8 years.

#### B. Defined contribution plans

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of retirement employment. The pension costs for the aforementioned defined contribution pension plans of the Group for years ended December 31, 2019 and 2018 were \$45,188 and \$41,425, respectively.
- (b) The Company’s Mainland China subsidiary, Lianyungang Chia Tai Agro-industry Development Co., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage has been adjusted to 16% since May 1, 2019 and was both 20% for the four-month period ended April 30, 2019 and for the year ended December 31, 2018. Other than the monthly contributions, the Group has no further obligations. The pension costs for the aforementioned defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were \$6,562 and \$7,274, respectively.

#### (16) Share capital - common stocks

As of December 31, 2019, the Company’s authorised capital was \$3,579,000, consisting of 357,900 thousand shares of common stock, and the paid-in capital was \$2,679,910, consisting of 267,991 thousand shares of common stock with a par value of \$10 (in dollars) per share. All proceeds from shares issuance have been collected.

For the years ended December 31, 2019 and 2018, there were no changes in the number of the Company’s ordinary shares outstanding.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. A special reserve is set aside or reversed in accordance with related laws or Competent Authority. The remainder, if any, along with the accumulated unappropriated earnings in prior years, shall be distributed as shareholders' bonus as resolved by the shareholders. Cash dividends to shareholders shall account for at least 10% of the total dividends to shareholders. If cash dividend is lower than \$0.1 (in dollars) per share, dividends are distributed using share dividends.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations of earnings for 2018 and 2017 have been resolved at the shareholders' meetings on June 26, 2019 and June 13, 2018, respectively, as follows:

	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 95,073		\$ 143,307	
Cash dividends	803,973	\$ 3	803,973	\$ 3

The effective dates for the above distribution of cash dividends were July 21, 2019 and July 18, 2018, respectively.

E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(25).

(19) Operating revenue

	<u>2019</u>	<u>2018</u>
Revenue from contracts with customers	\$ 22,539,906	\$ 21,235,086
Less: Operating revenue from discontinued operations	( 1,366,272)	( 2,287,427)
	<u>\$ 21,173,634</u>	<u>\$ 18,947,659</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following geographical regions:

	<u>Domestic</u>	<u>Asia</u>	<u>Total</u>
<u>2019</u>			
Total segment revenue	\$ 21,583,665	\$ 1,366,272	\$ 22,949,937
Inter-segment revenue	( 410,031)	-	( 410,031)
Revenue from external customer contracts	<u>\$ 21,173,634</u>	<u>\$ 1,366,272</u>	<u>\$ 22,539,906</u>
Timing of revenue recognition			
At a point in time	\$ 21,173,634	\$ 1,366,272	\$ 22,539,906
Less: Operating revenue from discontinued operations	-	( 1,366,272)	( 1,366,272)
	<u>\$ 21,173,634</u>	<u>\$ -</u>	<u>\$ 21,173,634</u>
<u>2018</u>			
Total segment revenue	\$ 19,243,925	\$ 2,287,427	\$ 21,531,352
Inter-segment revenue	( 296,266)	-	( 296,266)
Revenue from external customer contracts	<u>\$ 18,947,659</u>	<u>\$ 2,287,427</u>	<u>\$ 21,235,086</u>
Timing of revenue recognition			
At a point in time	\$ 18,947,659	\$ 2,287,427	\$ 21,235,086
Less: Operating revenue from discontinued operations	-	( 2,287,427)	( 2,287,427)
	<u>\$ 18,947,659</u>	<u>\$ -</u>	<u>\$ 18,947,659</u>

## B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract liabilities:			
Contract liabilities -			
advance receipts	\$ 182,161	\$ 100,652	\$ 82,423
Less: Transferred			
liabilities directly			
related to non-current			
assets held for sale	( 182,065)	-	-
	<u>\$ 96</u>	<u>\$ 100,652</u>	<u>\$ 82,423</u>

C. Information on revenue categorised by nature is provided in Note 14(3).

### (20) Other income and expenses, net

Other income and expenses, net are (losses) gains on change in fair value less costs to sell of biological assets.

	<u>2019</u>	<u>2018</u>
Other income and expenses, net	(\$ 12,411)	\$ 7,253

### (21) Other income

	<u>2019</u>	<u>2018</u>
Interest income:		
Interest income from bank deposits	\$ 17,543	\$ 15,087
Rental income	6,471	2,857
Dividend income	45,737	42,513
Less: Other income from discontinued		
operations	( 14,526)	( 14,738)
	<u>\$ 55,225</u>	<u>\$ 45,719</u>

### (22) Other gains and losses

	<u>2019</u>	<u>2018</u>
Gains (losses) on disposal of property, plant and		
equipment	\$ 787,311	(\$ 2,411)
Foreign exchange gains (losses)	8,978	( 4,061)
Other gains and losses	( 27,014)	31,871
Less: Other gains and losses from discontinued		
operations	( 820)	( 2,527)
	<u>\$ 768,455</u>	<u>\$ 22,872</u>

(23) Finance costs

	<u>2019</u>	<u>2018</u>
Interest expense	\$ 80,567	\$ 63,304
Less: Finance costs from discontinued operations	( 620)	( 279)
	<u>\$ 79,947</u>	<u>\$ 63,025</u>

(24) Expenses by nature (Including discontinued operations)

	<u>2019</u>		
	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense	\$ 1,267,875	\$ 694,067	\$ 1,961,942
Depreciation on property, plant and equipment	590,018	40,521	630,539
Depreciation on right-of-use assets	31,230	6,879	38,109
Amortisation	3,152	1,357	4,509
	<u>\$ 1,892,275</u>	<u>\$ 742,824</u>	<u>\$ 2,635,099</u>

  

	<u>2018</u>		
	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense	\$ 1,077,780	\$ 665,654	\$ 1,743,434
Depreciation on property, plant and equipment	510,913	42,775	553,688
Amortisation	2,570	1,493	4,063
	<u>\$ 1,591,263</u>	<u>\$ 709,922</u>	<u>\$ 2,301,185</u>



(25) Employee benefit expense (Including discontinued operations)

	2019		
	Operating cost	Operating expenses	Total
Wages and salaries	\$ 1,074,080	\$ 617,591	\$ 1,691,671
Labor and health insurance	100,461	36,731	137,192
Pension costs	33,431	22,883	56,314
Other personnel expenses	59,903	16,862	76,765
	<u>\$ 1,267,875</u>	<u>\$ 694,067</u>	<u>\$ 1,961,942</u>

  

	2018		
	Operating cost	Operating expenses	Total
Wages and salaries	\$ 907,874	\$ 587,770	\$ 1,495,644
Labor and health insurance	87,503	34,688	122,191
Pension costs	31,798	22,624	54,422
Other personnel expenses	50,605	20,572	71,177
	<u>\$ 1,077,780</u>	<u>\$ 665,654</u>	<u>\$ 1,743,434</u>

Other personnel expenses include meal allowance, training expenses and employee benefits.

- A. According to the Articles of Incorporation of the Company, an amount equal to at least 1% of the Company's distributable profit of the current year should be appropriated as employees' compensation expense. If the Company has an accumulated deficit, earnings should be reserved to cover the accumulated losses in advance.
- B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$17,365 and \$12,152, respectively. The aforementioned amounts were recognised in wages and salaries expense.

For the year ended December 31, 2019, the employees' compensation was estimated and accrued based on 1% (as prescribed by the Company's Articles of Incorporation) of distributable profit of current year as of the end of reporting period.

For 2018, the difference of \$258 between employees' compensation of \$12,410 resolved by the Board of Directors and the amount of \$12,152 recognised in the 2018 financial statements, mainly resulting from a variance in estimation, will be adjusted in profit or loss for 2019. The employees' compensation in 2018 has not yet been distributed, so the adjustment of the variance was not yet reflected in the consolidated financial statements of the Group.

- C. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the year	\$ 394,229	\$ 284,266
Tax on undistributed surplus earnings	2,696	46,499
Prior year income tax (over) underestimation	( 109)	112
Total current tax	<u>396,816</u>	<u>330,877</u>
Deferred tax:		
Origination and reversal of temporary differences	( 14,953)	( 9,289)
Impact of change in tax rate	-	( 8,798)
Total deferred tax	( 14,953)	( 18,087)
Less: Income tax expenses from discontinued operations	( 1,440)	( 11,220)
Income tax expense	<u>\$ 380,423</u>	<u>\$ 301,570</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	<u>2019</u>	<u>2018</u>
Remeasurement of defined benefit obligations	<u>\$ 318</u>	<u>\$ 5,801</u>

B. Reconciliation between income tax expense and accounting profit

	<u>2019</u>	<u>2018</u>
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 437,146	\$ 260,431
Tax exempt income by tax regulation/Expenses disallowed by tax regulation	( 145,745)	14,546
Tax on undistributed surplus earnings	2,696	46,499
Prior year income tax (over) under estimation	( 109)	112
Effect from changes in tax regulation	-	( 8,798)
Land value increment tax from sales of land	87,875	-
Less: Income tax expense of discontinued operations	( 1,440)	( 11,220)
Income tax expenses	<u>\$ 380,423</u>	<u>\$ 301,570</u>

Note: The basis of applicable tax rate was calculated by using the tax rate of Taiwan (20%) and Mainland China (25%).

C. (a) Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses

are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Temporary differences:		
Accrued sales discounts	\$ 22,033	\$ 21,309
Provision for loss on spare parts	3,318	2,803
Pension expense in excess of the limit for tax purpose	28,943	32,973
Provision for inventory valuation loss and change in fair value of biological assets	7,377 (	4,287)
Unrealised foreign investment income	( 17,015) (	10,224)
Unrealised exchange gain	( 172) (	72)
Loss carryforward	5,737	762
Others	10,381	3,033
Less: Temporary differences of discontinued operations	( 7,193)	-
	<u>\$ 53,409</u>	<u>\$ 46,297</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Deferred tax assets	\$ 82,101	\$ 64,611
Deferred tax liabilities	( 21,499) (	18,314)
Less: Deferred tax assets of discontinued operations	( 7,193)	-
	<u>\$ 53,409</u>	<u>\$ 46,297</u>

(b) Amounts recognised in profit or loss and in other comprehensive income as a result of temporary differences and tax losses are as follows:

	<u>2019</u>	<u>2018</u>
Recognised in profit or loss	<u>\$ 7,430</u>	<u>\$ 17,821</u>
Recognised in other comprehensive income	<u>(\$ 318)</u>	<u>(\$ 5,801)</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets of the Company and its subsidiaries - Rui Fu Foods Co., Ltd. and Sheng Da Foods Co., Ltd. are as follows:

December 31, 2019

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017	\$ 14,351	\$ 3,808	-	2027
2019	24,878	24,878	-	2029
	<u>\$ 39,229</u>	<u>\$ 28,686</u>	<u>\$ -</u>	

December 31, 2018

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017	\$ 14,351	\$ 3,808	-	2027

- E. The income tax returns through 2017 of the Company and its subsidiaries - Charoen Pokphand (Taiwan) Co., Ltd., Arbor Acres (Taiwan) Co., Ltd., Rui Mu Foods Co., Ltd. and Rui Fu Foods Co., Ltd. have been assessed and approved by the Tax Authority.
- F. Under the amendments to the Income Tax Act, which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.
- G. Under the amendments to the Income Tax Act, which was promulgated by the President of the Republic of China on February 7, 2018, the Company's undistributed retained earnings applicable income tax rate was reduced from 10% to 5% effective from January 1, 2018.

(27) Earnings per share

	2019		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders	\$ 1,463,383	<u>267,991</u>	\$ 5.45
Profit from discontinued operations	<u>543</u>		<u>0.01</u>
Profit attributable to ordinary shareholders	<u>\$ 1,463,926</u>		<u>\$ 5.46</u>
<u>Diluted earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders	\$ 1,463,383	267,991	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	<u>-</u>	<u>332</u>	
Profit from continuing operations attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	1,463,383	<u>268,323</u>	\$ 5.45
Profit from discontinued operations	<u>543</u>		<u>0.01</u>
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,463,926</u>	<u>268,323</u>	<u>\$ 5.46</u>

	2018		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders	\$ 929,436	<u>267,991</u>	\$ 3.47
Profit from discontinued operations	<u>21,291</u>		<u>0.08</u>
Profit attributable to ordinary shareholders	<u>\$ 950,727</u>		<u>\$ 3.55</u>
<u>Diluted earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders	\$ 929,436	267,991	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	<u>-</u>	<u>228</u>	
Profit from continuing operations attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	929,436	<u>268,219</u>	\$ 3.46
Profit from discontinued operations	<u>21,291</u>		<u>0.08</u>
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 950,727</u>	<u>268,219</u>	<u>\$ 3.54</u>

(28) Operating leases

The Group leases certain main operating locations and farms from years 2009 to 2041. The Group recognised rental expense of \$39,619 in profit or loss for the year ended December 31, 2018.

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

	<u>December 31, 2018</u>
Not later than one year	\$ 38,557
Later than one year but not later than five years	131,034
Over five years	<u>237,220</u>
	<u>\$ 406,811</u>
Issued post-dated checks	<u>\$ 13,521</u>

(29) Supplemental cash flow information

Investing activities with partial cash payment are as follows:

	2019	2018
Acquisition of property, plant and equipment	\$ 1,924,002	\$ 1,687,536
Add: Opening balance of payable on equipment	62,163	97,662
Opening balance of financial lease liabilities	-	6,997
Less: Ending balance of payable on equipment	( 35,719)	( 62,163)
Ending balance of financial lease liabilities	-	( 12,641)
Cash paid during the year	<u>\$ 1,950,446</u>	<u>\$ 1,717,391</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

CPF (incorporated in Thailand) indirectly held 39% of the Company's equity shares. The remaining shares were held by the general public. CPG is the major shareholder of CPF.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Charoen Pokphand Foods Public Co., Ltd. (CPF)	Ultimate parent company
Charoen Pokphand Group Co., Ltd. (CPG)	Other related parties
C.P. Merchandising Company Limited	"
Chia Tai Feedmill Pte. Ltd.	"
CPF Training Center Company Limited	"
C.P. Land Public Company Limited	"
Charoen Pokphand Produce Company Limited	"
Leadership Development Charoen Pokphand Group Co., Ltd.	"
Ta Chung Investment Co., Ltd.	"
Chung Ta Investment Co., Ltd.	"
Perfect Companion (Taiwan) Co., Ltd.	"
C.P. Aquaculture (Dongfang) Co., Ltd.	"
Chia Tai (China) Investment Co., Ltd.	"
Chia Tai (China) Agro-industrial Ltd.	"
Chia Tai Aquaculture (Nantong) Co., Ltd.	"
Chia Tai Food (Suqian) Co., Ltd.	"
Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd.	"
C.P. Trading (China) Co., Ltd.	"
Chia Tai Electronic Commerce (Zhejiang) Co., Ltd.	"
C.P. Premix (Tianjin) Co., Ltd.	"
C.P. Premix (Nantong) Co., Ltd.	"
C.P. Premix (Guanghan) Co., Ltd.	"
Jiangsu C.T. & Suken Swine Co., Ltd.	"

Names of related parties	Relationship with the Group
Jiansu Huai Yin Chia Tai Co., Ltd.	Other related parties
Wuhan Chia Tai Aquaculture Co., Ltd.	"
Henan C.T. Poultry Co., Ltd.	"
Pizhou Chia Tai Food Co., Ltd.	"
Qingdao Chia Tai Agricultural Development Co., Ltd.	"
Nantong Chia Tai Co., Ltd.	"
Nantong Chia Tai Livestock & Poultry Co., Ltd.	"
Nantong Chia Tai Agriculture Development Co., Ltd.	"
Nantong Chia Tai Feedmill Co., Ltd.	"
Xuzhou Chia Tai Feed Co., Ltd.	"
Taizhou Chia Tai Feed Co., Ltd.	"
Huaian C.P. Livestock Co., Ltd.	"
Nanyang Chia Tai Co., Ltd.	"
Shanghai Zhengcheng Mechanical Manufacturing Co., Ltd.	"
Xiamen Chia Tai Agriculture Co., Ltd.	"
Chuzhou Chia Tai Co., Ltd.	"
Zhangzhou C.P.ChiaTai Aquaculture Co., Ltd.	"
Ningbo Chia Tai Agriculture Co., Ltd.	"
Ningbo Beston Plastics Co., Ltd.	"
Fuzhou Da Fu Co., Ltd.	"
Guangdong Chia Tai Biotechnology Co., Ltd.	"
Guangdong Zhanjiang Chia Tai Aquaculture Co., Ltd.	"
Zhumadian Huazhong Chia Tai Co., Ltd.	"
Chia Tai (Hainan) Agro-Industry Co., Ltd.	"
Hung Peng-Da	"
Huang Wei-I	"
Hung Yu-Chun	"

(3) Significant related party transactions and balances

A. Operating revenue

	2019	2018
Sales of goods:		
Other related parties	\$ 440,176	\$ 1,158,467
Less: Operating revenue from discontinued operations	( 440,176)	( 1,158,454)
	<u>\$ -</u>	<u>\$ 13</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.



## B. Purchases

	<u>2019</u>	<u>2018</u>
Purchase of goods:		
Ultimate parent company	\$ 32,716	\$ 39,301
Other related parties	522,239	661,826
Less: Purchase from discontinued operations	( 494,136)	( 644,905)
	<u>\$ 60,819</u>	<u>\$ 56,222</u>

Goods are purchased from related parties on normal commercial terms and conditions.

## C. Receivables from related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable:		
Other related parties	\$ 61,152	\$ 370,720
Other receivables:		
Other related parties	17,836	14,155
	78,988	384,875
Less: Non-current assets held for sale	( 78,988)	-
	<u>\$ -</u>	<u>\$ 384,875</u>

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

## D. Payables to related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes and accounts payable:		
Other related parties	\$ 183,650	\$ 270,562
Less: Liabilities directly related to non-current assets held for sale	( 178,029)	-
	<u>\$ 5,621</u>	<u>\$ 270,562</u>

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

## E. Rental income (shown as 'Other income')

	<u>2019</u>	<u>2018</u>
Rental income:		
Other related parties	<u>\$ 722</u>	<u>\$ 722</u>

The rental receivables are collected annually or monthly based on the contracts.

#### F. Technical service agreement

- (a) The Company signed a technical service agreement with CPG since 1996. CPG helps the Company to manufacture feeds, raise animals and to process meat products, and the Company pays compensation of THB12 million (net value) for the services annually. The commitment would not be terminated except when any of the two parties would agree to end the agreement. For the years ended December 31, 2019 and 2018, the Company recognised technical service expenses amounting to \$14,563 and \$12,869, respectively. As of December 31, 2019 and 2018, the outstanding balance was approximately \$627 and \$156, respectively.
- (b) The Company signed a technical service agreement with CPG at the end of 2015. CPG helps the Company to raise animals and provides consulting services of related technical skills, and the Company pays compensation of \$700 for the services monthly. The contract is effective for 5 years. For the years ended December 31, 2019 and 2018, the Company recognised technical service expense amounting to \$8,400 and \$8,400, respectively. As of December 31, 2019 and 2018, the outstanding balances were both \$2,100.

#### G. Trademark licensing agreement

The Company signed a trademark license agreement with CPG at the end of 2015. The contract authorises the Company to use ‘CP’ as trademark in the designated area (Republic of China). Royalties are paid monthly based on 1.5% of the net amount of sales. The contract is effective for 5 years. For the years ended December 31, 2019 and 2018, the Company recognised royalties amounting to \$77,909 and \$89,293, respectively. As of December 31, 2019 and 2018, the outstanding balance was \$20,023 and \$19,174, respectively.

#### H. Property transactions:

- (a) On June 26, 2018, the Board of Directors during its meeting resolved to acquire the land and building located at No. 3781 and No. 227 Changduanshu, Houbi Dist., Tainan City 731, Taiwan (R.O.C.) from other related party and used as an egg washing facility. The total contract price was \$30,130 which had been fully paid.
- (b) On August 5, 2019, the Board of Directors during its meeting resolved to acquire the land located at No. 2058, No. 2059 and No. 2060 Baishatun, Houbi Dist., Tainan City 731, Taiwan (R.O.C.) from other related party. The total contract price was \$40,932 which had been fully paid.

#### (4) Key management compensation

	2019	2018
Salaries and other short-term employee benefits	\$ 169,830	\$ 164,746
Post-employment benefits	1,556	1,517
Total	<u>\$ 171,386</u>	<u>\$ 166,263</u>

## 8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

<u>Pledged assets</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	
Time deposits (shown as 'Other current assets')	\$ 7,700	\$ 7,450	Guarantee deposit
Land use right ( shown as 'Non-current assets classified as held for sale')	-	3,611	Credit line of short-term borrowing
Property, plant and equipment			
Land	142,803	103,557	Long-term borrowings
Buildings and structures	434,735	201,598	Long-term borrowings
	<u>\$ 585,238</u>	<u>\$ 316,216</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Other than those stated in Note 6(28), the significant commitments and contingent liabilities of the Group were as follows:

- (1) As of December 31, 2019 and 2018, the Group had opened unused letters of credit for purchases of raw materials and machinery of \$516,177 and \$510,882, respectively.
- (2) As of December 31, 2019 and 2018, the Group had several outstanding construction contracts and equipment purchase agreements. The balance outstanding was \$801,753 and \$385,915, respectively, and will be paid based on percentage of completion.
- (3) The Company signed a contract for food sludge disposal with Fu Mao Organic Fertilizer Co., Ltd. The Company received a disposition for deferred prosecution in December 2019 as the disposal company violated the Waste Disposal Act by dumping sludge. The removal shall be completed before December 31, 2020 based on the waste disposal plan approved by the Environmental Protection Bureau Changhua County. The Company has committed to complete the disposal within the period and has accrued disposal expense of \$41,750 (shown as Other Payables - Others).

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Other than those stated in Note 6(1), the significant events after the reporting period of the Group were as follows:

- (1) On January 6, 2020, the Board of Directors of Rui Mu Foods Co., Ltd. during its meeting resolved to build the facility for egg washing located at Houbi Dist., Tainan City. The total contract price for the construction and purchase of equipment is \$300,000.
- (2) On January 15, 2020, the Board of Directors of Rui Fu Foods Co., Ltd. during its meeting resolved to issue common stock for cash, consisting of 10 million shares of common stock, with a par value of \$10 (in dollars) per share. The total proceeds from such shares issuance is \$100,000.
- (3) On March 6, 2020, the Board of Directors of Sheng Da Foods Co., Ltd. during its meeting resolved to issue preference shares A for cash, consisting of 2 million shares of common stock, with a par value of \$10 (in dollars) per share. The total proceeds from such shares issuance is \$20,000.
- (4) On March 18, 2020, the Board of Directors of Rui Mu Foods Co., Ltd. during its meeting resolved to issue common stock for cash, consisting of 10 million shares of common stock, with a par value of \$10 (in dollars) per share. The total proceeds from such shares issuance is \$100,000.

## 12. OTHERS

### (1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

### (2) Financial risk of financial instruments

#### A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets measured at fair value through other comprehensive income		
Designation of equity instrument	\$ 2,119,249	\$ 1,782,950
Financial assets at amortised cost		
Cash and cash equivalents	873,651	134,880
Notes receivable	315,760	359,097
Accounts receivable (including related parties)	1,822,619	2,149,093
Other accounts receivable (including related parties)	9,978	35,227
Refundable deposits	44,521	47,039
Other financial assets	7,700	7,450
	<u>\$ 5,193,478</u>	<u>\$ 4,515,736</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 2,343,488	\$ 2,768,011
Short-term notes and bills payable	978,659	619,270
Notes payable	473,913	394,109
Accounts payable (including related parties)	682,365	1,009,684
Other accounts payable (including related parties)	729,615	785,633
Long-term borrowings (including current portion)	3,689,750	2,553,000
	<u>\$ 8,897,790</u>	<u>\$ 8,129,707</u>
Lease liability	<u>\$ 331,307</u>	<u>\$ -</u>

#### B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units.

#### C. Financial risks and degrees of financial risks

##### (a) Market risk

##### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, HKD and CNY. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: CNY and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		December 31, 2019		
		Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:HKD	USD	1,867	7.80	\$ 55,934
CNY:HKD	CNY	7,176	1.12	30,827
<u>Non-monetary item</u>				
THB:HKD	THB	2,112,000	0.26	\$ 2,119,249
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	2,568	30.03	\$ 77,127
EUR:NTD	EUR	1,629	33.79	\$ 55,052

  

		December 31, 2018		
		Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:HKD	USD	639	7.80	\$ 19,457
CNY:HKD	CNY	3,198	1.14	14,215
<u>Non-monetary items</u>				
THB:HKD	THB	1,889,280	0.24	\$ 1,782,950
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	6,299	30.77	\$ 193,790

Note: The functional currency of certain subsidiaries belonging to the Group is HKD. Thus, this information has to be considered when reporting.

- v. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the year ended December 31, 2019 and 2018 amounted to \$8,978 and (\$4,016), respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		2019		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : HKD	1%	\$	559	\$ -
CNY : HKD	1%		308	-
<u>Non-monetary item</u>				
THB : HKD	1%	\$	-	\$ 21,192
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	(\$	771)	\$ -
EUR : NTD	1%	(\$	551)	\$ -
		2018		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : HKD	1%	\$	195	\$ -
CNY : HKD	1%		142	-
<u>Non-monetary item</u>				
THB : HKD	1%	\$	-	\$ 17,830
<u>Financial liabilities</u>				
<u>Monetary item</u>				
USD : NTD	1%	(\$	1,938)	\$ -

Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through other comprehensive income. Please refer to Note 6(2).

- ii. For the Group's strategies for biological assets price risk, please refer to Note 6(5).
- iii. The Group's investment in equity securities comprise foreign listed stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other equity for the years ended December 31, 2019 and 2018 would have increased/decreased by \$21,192 and \$17,830, respectively, as a result of gains/losses on equity securities classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2019 and 2018, the Group's borrowings at variable rate were denominated in NTD.
- ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios run only for liabilities that represent the major interest-bearing positions.
- iii. For the years ended December 31, 2019 and 2018, if interest rates on NTD-denominated borrowings at that date had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018, would have been \$29,518 and \$20,424 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is the contract cash flows when counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.



- iii. Based on the Group's historical experience, if the contract payments were past due over 17 days, there has been a significant increase in credit risk on that instrument since initial recognition. As a result, the Group should strengthen controls and make follow-up procedures.
- iv. The Group pays attention on specific customers whose payments were past due to confirm the debts and recognises the allowance for bad debts when there is a concern about default based on the assessment of customers' credit risk.
- v. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss impairment under the provision matrix basis.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of December 31, 2019 and 2018, the Group's written-off financial assets that are still under recourse procedures amounted to \$1,283 and \$2,173, respectively.
- vii. (i) The expected loss rate for well-reputed customers is 0.03%. On December 31, 2019 and 2018, the total book value of accounts receivable and loss allowance amounted to \$693,792 and \$0, \$712,662 and \$0, respectively.
- (ii) The Group used the forecastability of the global economy to adjust historical and timely information to assess the default possibility of accounts receivable in accordance with customers' credit. On December 31, 2019 and 2018, the expected loss rate is as follows:

	<u>Group A</u>	<u>Group B</u>	<u>Total</u>
<u>December 31, 2019</u>			
Expected loss rate	0%~100%	0.003%~10%	
Total book value	\$ 23,065	\$ 1,107,462	\$ 1,130,527
Loss allowance	1,656	44	1,700
	<u>Group A</u>	<u>Group B</u>	<u>Total</u>
<u>December 31, 2018</u>			
Expected loss rate	0%~100%	0.003%~10%	
Total book value	\$ 28,974	\$ 1,039,106	\$ 1,068,080
Loss allowance	2,329	40	2,369

Note: Customers are categorised into Group A and B based on their credit rating. The expected loss rate is assessed on an individual basis under each group.

- viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes and accounts receivable are as follows:

	<u>2019</u>	<u>2018</u>
	Notes and accounts receivable (including related parties)	Notes and accounts receivable (including related parties)
At January 1	\$ 2,369	\$ 2,733
Provision for impairment loss	22	94
Write-offs	( 691)	( 458)
At December 31	<u>\$ 1,700</u>	<u>\$ 2,369</u>

The impairment loss arising from customers' contracts for the years ended December 31, 2019 and 2018 amounted to \$22 and \$94, respectively.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's financial ratio targets, covenant compliance and applicable external regulatory or legal requirements.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2019	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 2,343,488	\$ -	\$ -
Short-term notes and bills payable	980,000	-	-
Notes payable	473,913	-	-
Accounts payable (including related parties)	682,365	-	-
Other payables (including related parties)	729,615	-	-
Lease liability	23,316	124,098	214,777
Long-term borrowings (including current portion)	639,471	3,076,747	62,660

Non-derivative financial liabilities

December 31, 2018	<u>Less than 1 year</u>	<u>Between 1 and</u>	
		<u>5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 2,768,011	\$ -	\$ -
Short-term notes and bills payable	620,000	-	-
Notes payable (including related parties)	394,109	-	-
Accounts payable (including related parties)	1,009,684	-	-
Other payables (including related parties)	785,633	-	-
Long-term borrowings (including current portion)	622,849	1,992,634	-
Other financial liabilities	6,653	6,209	-

iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2) A.

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in biological assets is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

C. The related information of financial and non-financial instruments measured at fair value by level based on the nature, characteristics and risks of the assets and liabilities is as follows:

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Biological assets	\$ <u>          -</u>	\$ <u>  755,525</u>	\$ <u>          -</u>	\$ <u>  755,525</u>
Financial assets at fair value through other comprehensive income:				
Equity securities	\$ <u>  2,119,249</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  2,119,249</u>
<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Biological assets	\$ <u>          -</u>	\$ <u>  730,384</u>	\$ <u>          -</u>	\$ <u>  730,384</u>
Financial assets at fair value through other comprehensive income:				
Equity securities	\$ <u>  1,782,950</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  1,782,950</u>

D. The methods and assumptions of the Group used to measure fair value are as follows:

- (a) The instruments the Group used quoted market prices as their fair values (that is, Level 1) are listed stocks, whose quoted market prices are based on the closing prices which are classified as available-for-sale financial assets.
  - (b) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
  - (c) Details of methods for measuring Level 2 - Biological assets are provided in Note 6(5).
- E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.
- F. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

### 13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others during the year ended December 31, 2019: None.

C. Holding of marketable securities at December 31, 2019 (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities		Relationship with the securities issuer	General ledger account	As of December 31, 2019				Footnote
	Types	Name			Number of shares	Book value	Ownership	Fair value (Note 1)	
Plenty Type Limited (Cayman Islands)	Common share	CHAROEN POKPHAND (USA), INC.	None	Financial assets at fair value through profit or loss	4,501,000	\$ -	0.02%	\$ -	
Plenty Type Limited (Cayman Islands)	Common share	CHAROEN POKPHAND FOODS PUBLIC COMPANY LIMITED	(Note 2)	Financial assets at fair value through other comprehensive income	76,800,000	2,119,249	0.89%	2,119,249	

Note 1: The numbers filled in for market value are as follows:

(1) Where there is a quoted market price, the fair value is based on the closing price at the balance sheet date, the fair value of open-end funds is based on the net asset value at the balance sheet date.

(2) Where there is no quoted market price, this column is filled in with the book value per share for stocks or left blank for other instruments.

Note 2: Investee company accounted for as financial assets at fair value through other comprehensive income by Plenty Type Limited (Cayman Islands), which is ultimate parent entity of the Company

D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300,000 or 20% of the Company's paid-in capital during the year ended December 31, 2019: None.

E. Acquisition of real estate reaching NT\$300,000 or 20% of paid-in capital or more during the year ended December 31, 2019: None.

F. Disposal of real estate reaching NT\$300,000 or 20% of paid-in capital or more during the year ended December 31, 2019:

Real estate disposed by	Real estate	Transaction date or date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
Arbor Acres (Taiwan) Co., Ltd.	Land	2019/5/13	1973/1/1	\$ 977	\$ 794,120	\$ 794,120	\$ 783,044	Li Chong-Hua and Jih Hwei Steel Corporation.	Third parties	Operational needs	Investment property appraisal report	-

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the disposal real estate should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

G. Purchases or sales of goods from or to related parties reaching NT\$100,000 or 20% of paid-in capital or more during the year ended December 31, 2019:

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction		Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
				Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Lianyungang Chia Tai Agro-industry Development Co., Ltd.	Chia Tai Aquaculture (Nantong) Co., Ltd	Other related parties	Sales	(\$212,064) (CNY 47,187 thousand)	0.94%	60 days	Same as third party transactions	Same as third party transactions	\$1,544 (CNY 359 thousand)	0.07%	
Lianyungang Chia Tai Agro-industry Development Co., Ltd.	Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd.	Other related parties	Purchases	\$350,334 (CNY 78,210 thousand)	2.08%	30 days	Same as third party transactions	Same as third party transactions	(\$175,765) (CNY 40,914 thousand)	12.87%	

H. Receivables from related parties reaching NT\$100,000 or 20% of paid-in capital or more as at December 31, 2019: None.

I. Trading in derivative instruments undertaken during the year ended December 31, 2019: None

J. Significant inter-company transactions during the year ended December 31, 2019:

The inter-company transactions below 1% of consolidated assets or revenue are not disclosed.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China):

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2019				Investment income		Footnote
				Balance as of December 31, 2019	Balance as of December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit of the investee	recognised by the Company		
The Company	Plenty Type Limited (Cayman Islands)	Cayman Islands	Management of producing and non-producing business investments	\$ 720,448	\$ 720,448	96,370,079	100	\$ 2,368,685	\$ 33,957	\$ 33,957	Subsidiary (Note 1)	
The Company	Charoen Pokphand (Taiwan) Co., Ltd.	Taiwan	Management of importing and exporting businesses	20,086	20,086	2,443,716	90	38,794	12,036	10,833	Subsidiary	
The Company	Arbor Acres (Taiwan) Co., Ltd.	Taiwan	Husbandry management of chickens to produce breeder chicken and daily chicken	60,131	60,131	1,600,000	50	384,779	703,017	351,508	Subsidiary	
The Company	Rui Mu Foods Co., Ltd.	Taiwan	Husbandry management of layers and related business	93,860	78,000	10,400,000	52	125,701	34,021	17,691	Subsidiary	
The Company	Rui Fu Foods Co., Ltd.	Taiwan	Husbandry management of layers and related business	153,000	102,000	15,300,000	51	141,197	(20,035)	(10,218)	Subsidiary (Note 1)	
Plenty Type Limited (Cayman Islands)	Chia Tai Lianyungang Co., Ltd.	Hong Kong	Management of producing and non-producing business investments	HKD 19,910	HKD 19,910	999,999	99.99	192,643	(3,180)	-	Indirectly owned subsidiary (Note 2)	
Rui Fu Foods Co., Ltd.	Sheng Da Foods Co., Ltd.	Taiwan	Husbandry management of layers and related business	60,000	-	6,000,000	100	59,845	(155)	-	Indirectly owned subsidiary (Note 2)	

Note 1: Including recognition of current profit of its investees.

Note 2: Current period income has been recognised by subsidiaries and indirectly owned subsidiaries.

(3) Information on investments in Mainland China

A. Basic information:

Investee in Mainland China	Main business activities	Paid-in Capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from /remitted back to Taiwan during the period		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of the investee	Ownership held by the Company (direct or indirect)	Investment income recognised by the company (Note 2)	Book value of investment as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
				China as of January 1, 2019	Remitted to Mainland China	Remitted back to Taiwan	China as of December 31, 2019					December 31, 2019	
Lianyungang Chia Tai Agro-industry Development Co., Ltd.	Feeds producing, poultry raising, processing and sales.	\$ 142,846	2	\$ 127,981	\$ -	\$ -	\$ 127,981	\$ 776	\$ 70.00	\$ 543	\$ 149,054	\$ -	Note 4

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 4)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)(Note 5)	Ceiling on investments in Mainland China imposed by the Investment Commission of the MOEA
The Company	\$ 127,981	\$ 404,564	\$ 4,753,399

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company (Chia Tai Lianyungang Co., Ltd.) in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: Based on the financial statements audited by independent accountants in the R.O.C.

Note 3: The table is expressed in New Taiwan dollars.

Note 4: The paid-in capital was US\$5,400 thousand, which was translated into New Taiwan dollars based on the historical exchange rates and the accumulated amount of remittance from Taiwan to Mainland China as of January 1 and December 31, 2019 were both US\$4,276 thousand. The amounts in the table are translated into New Taiwan dollars at the spot exchange rates prevailing at December 31, 2019.

Note 5: The amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) is US\$13,517 thousand. The amount in the table is translated into New Taiwan dollars at the spot exchange rates prevailing at December 31, 2019.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland China area: None.



## 14. OPERATING SEGMENT INFORMATION

### (1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decision.

The Group's Chief Operating Decision-Maker considers the business from a product type perspective. The main activities of the Group are feeds business, meat processing business, food processing business, management of importing and exporting animal medicine and husbandry business. The reportable segments are as follows:

- A. Feeds business: Manufacture and sale of animal feeds and wholesale of commodity;
- B. Meat processing business;
- C. Food processing business; and
- D. Husbandry business: Husbandry management of chickens to produce eggs and meat.

There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information in this period.

### (2) Measurement of segment information

The Chief Operating Decision-Maker evaluates the performance of the operating segments based on revenue and a measure of profit before income tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as goodwill impairment. The measurement also excludes the effects of unrealised gains/losses on financial instruments, interest expense and foreign exchange gain or loss, since the action are managed by central management department, operating department are not included.

(3) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	2019					
	<u>Feeds</u>	<u>Meat processing</u>	<u>Food processing</u>	<u>Husbandry</u>	<u>Others</u>	<u>Total</u>
Revenues from third parties (Note 1)	\$ 13,086,262	\$ 4,945,608	\$ 3,218,553	\$ 1,204,380	\$ 85,103	\$ 22,539,906
Revenues from the Group	287,611	48,404	718	32,295	41,003	410,031
Total segment revenue	<u>\$ 13,373,873</u>	<u>\$ 4,994,012</u>	<u>\$ 3,219,271</u>	<u>\$ 1,236,675</u>	<u>\$ 126,106</u>	<u>\$ 22,949,937</u>
Segment income (loss) (Note 2)	<u>\$ 1,425,256</u>	<u>(\$ 68,090)</u>	<u>\$ 229,910</u>	<u>\$ 815,385</u>	<u>(\$ 125,626)</u>	<u>\$ 2,276,835</u>

  

	2018					
	<u>Feeds</u>	<u>Meat processing</u>	<u>Food processing</u>	<u>Husbandry</u>	<u>Others</u>	<u>Total</u>
Revenues from third parties (Note 1)	\$ 13,068,237	\$ 4,467,479	\$ 2,715,807	\$ 911,608	\$ 71,955	\$ 21,235,086
Revenues from the Group	205,711	21,875	631	27,458	40,591	296,266
Total segment revenue	<u>\$ 13,273,948</u>	<u>\$ 4,489,354</u>	<u>\$ 2,716,438</u>	<u>\$ 939,066</u>	<u>\$ 112,546</u>	<u>\$ 21,531,352</u>
Segment income (loss) (Note 2)	<u>\$ 1,195,975</u>	<u>\$ 136,246</u>	<u>\$ 99,302</u>	<u>\$ 90,009</u>	<u>(\$ 146,317)</u>	<u>\$ 1,375,215</u>

Note 1 : The Feeds include operating revenue from discontinued operations.

Note 2 : The Feeds include profit (loss) from discontinued operations.

The adoption of IFRS 16, 'Leases', had the following impact on the segment information in 2019.

	<u>Feeds</u>	<u>Meat processing</u>	<u>Food processing</u>	<u>Husbandry</u>	<u>Others</u>	<u>Total</u>
Depreciation expense increased	<u>\$ 23,672</u>	<u>\$ 8,828</u>	<u>\$ 3,004</u>	<u>\$ 2,605</u>	<u>\$ -</u>	<u>\$ 38,109</u>

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The operating revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment income to the income before tax from continuing operations for the years ended December 31, 2019 and 2018 is provided as follows:

	2019	2018
Reportable segment income	\$ 2,402,461	\$ 1,521,532
Other segment loss	( 125,626)	( 146,317)
Total segment	2,276,835	1,375,215
Interest expense	( 80,567)	( 63,304)
Foreign exchange gains (losses), net	8,978	( 4,061)
Income before tax from discontinued segment	( 2,216)	( 41,635)
Income before tax from continuing segment	<u>\$ 2,203,030</u>	<u>\$ 1,266,215</u>

(5) Information on products and services

Please refer to Note 14(3) for the related information.

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

<u>2019</u>	<u>Domestic</u>	<u>Asia</u>	<u>Total</u>
Revenues from third parties	\$ 21,173,634	\$ 1,366,272	\$ 22,539,906
Revenues from the Group	410,031	-	410,031
Total revenue	<u>\$ 21,583,665</u>	<u>\$ 1,366,272</u>	<u>\$ 22,949,937</u>
Segment assets –non-current	<u>\$ 9,598,659</u>	<u>\$ 137,500</u>	<u>\$ 9,736,159</u>
<u>2018</u>	<u>Domestic</u>	<u>Asia</u>	<u>Total</u>
Revenues from third parties	\$ 18,947,659	\$ 2,287,427	\$ 21,235,086
Revenues from the Group	296,266	-	296,266
Total revenue	<u>\$ 19,243,925</u>	<u>\$ 2,287,427</u>	<u>\$ 21,531,352</u>
Segment assets –non-current	<u>\$ 7,961,381</u>	<u>\$ 144,074</u>	<u>\$ 8,105,455</u>

(7) Major customer information

For the years ended December 31, 2019 and 2018, the Group has no customers accounting for more than 10% of consolidated sales revenue. Therefore, no additional disclosure is required.