CHAROEN POKPHAND ENTERPRISE(TAIWAN) CO., LTD

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

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.

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REPORT OF INDEPENDENT ACCOUNTANTS

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

Opinion

We have audited the accompanying parent company only balance sheets of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. as at December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. as at December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only 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 Company's parent company only financial statements of the current period are stated as follows:

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Evaluation of net realisable value of inventories

Description

Refer to Note 4(10) 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(3) for details of inventories. As at December 31, 2018, the carrying amount of inventories and allowance for inventory valuation losses amounted to NT$1,053,907 thousand and NT$14,800 thousand, respectively.

The main activities of the Company 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 Company'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 Company's operation 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(12) 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, 2018, the carrying amount of biological assets amounted to NT$1,468,588 thousand.

The Company's biological assets as 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 Comapny'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.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

In preparing the parent company only financial statements, management is responsible for assessing Charoen Pokphand Enterprise (Taiwan) Co., Ltd. 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 Charoen Pokphand Enterprise (Taiwan) Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including Audit Committee, are responsible for overseeing Charoen Pokphand Enterprise (Taiwan) Co., Ltd. financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Charoen Pokphand Enterprise (Taiwan) Co., Ltd. ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 Charoen Pokphand Enterprise (Taiwan) Co., Ltd. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Weng Shih Jung

Weng, Shih-Jung

Yi-fan Lin

Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 25, 2019

The accompanying parent company only 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 parent company only 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
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 55,303	1	$ 77,201	1
1150	Notes receivable, net	6(2)	331,198	2	340,232	3
1170	Accounts receivable, net	6(2)	1,616,029	11	1,496,152	11
1180	Accounts receivable - related parties	7	34,908	-	18,407	-
1200	Other receivables		20,201	-	8,036	-
130X	Inventory, net	6(3)	1,039,107	7	949,190	7
1400	Biological assets - current	6(5)	1,121,389	8	975,098	7
1410	Prepayments		539,758	4	350,607	3
1470	Other current assets	8	7,450	-	2,000	-
11XX	**Total current Assets**		4,765,343	33	4,216,923	32
	Non-current assets					
1550	Investments accounted for under equity method	6(4)	2,296,811	16	2,217,806	17
1600	Property, plant and equipment	6(6) and 8	6,988,772	48	6,109,595	47
1780	Intangible assets	6(7)	1,564	-	2,047	-
1830	Biological assets - non-current	6(5)	347,199	2	327,614	3
1840	Deferred income tax assets	6(23)	55,861	-	50,920	-
1900	Other non-current assets		103,751	1	83,945	1
15XX	**Total non-current assets**		9,793,958	67	8,791,927	68
1XXX	**Total assets**		$ 14,559,301	100	$ 13,008,850	100

(Continued)

CHAROEN POKPHAND ENTERPRISE(TAIWAN) CO., LTD
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(8)	$ 2,563,784	18	$ 2,236,383	17
2110	Short-term notes and bills payable	6(9)	619,270	4	499,489	4
2150	Notes payable		355,439	2	424,095	3
2160	Notes payable - related parties	7	1,974	-	8,599	-
2170	Accounts payable		660,006	5	506,535	4
2180	Accounts payable - related parties	7	12,625	-	4,133	-
2200	Other payables		547,619	4	507,209	4
2220	Other payables - related parties	7	21,430	-	28,210	-
2230	Current income tax liabilities		196,470	1	211,737	2
2300	Other current liabilities	6(10)(11) and 8	584,013	4	180,701	2
21XX	**Total current Liabilities**		5,562,630	38	4,607,091	36
	Non-current liabilities					
2540	Long-term borrowings	6(10) and 8	1,880,000	13	1,510,000	12
2570	Deferred income tax liabilities	6(23)	18,314	-	28,616	-
2600	Other non-current liabilities	6(11)(12)	166,381	1	185,645	1
25XX	**Total non-current liabilities**		2,064,695	14	1,724,261	13
2XXX	**Total Liabilities**		7,627,325	52	6,331,352	49
	Equity attributable to owners of parent					
	Share capital					
3110	Share capital - common stock	6(13)	2,679,910	19	2,679,910	20
	Capital surplus					
3200	Capital surplus	6(14)	1,652	-	1,145	-
	Retained earnings	6(15)				
3310	Legal reserve		638,708	4	495,401	4
3350	Unappropriated retained earnings		2,341,559	16	2,335,867	18
	Other equity interest					
3400	Other equity interest	6(16)	1,270,147	9	1,165,175	9
3XXX	**Total equity**		6,931,976	48	6,677,498	51
	Significant contingent liabilities and unrecognised contract commitments	6(11)(25) and 9				
	Significant disaster loss	10				
3X2X	**Total liabilities and equity**		$ 14,559,301	100	$ 13,008,850	100

The accompanying notes are an integral part of these parent company only financial statements.

CHAROEN POKPHAND ENTERPRISE(TAIWAN) CO., LTD

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	Year ended December 31 2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
4000	**Operating revenue**	6(17) and 7	$ 18,170,438	100	$ 17,379,603	100
5000	**Operating costs**	6(3)(12)(22) and 7	(15,711,283)	(86)	(14,437,948)	(83)
5950	**Net operating margin**		2,459,155	14	2,941,655	17
	Operating expenses	6(12)(22) and 7				
6100	Selling and marketing expenses		(805,048)	(4)	(826,614)	(5)
6200	General and administrative expenses		(491,898)	(3)	(474,865)	(3)
6450	Gain on expected credit loss impairment		(94)	-	-	-
6000	**Total operating expenses**		(1,297,040)	(7)	(1,301,479)	(8)
6500	**Other income and expense, net**	6(5)(18)	7,253	-	718	-
6900	**Operating profit**		1,169,368	7	1,640,894	9
	Non-operating income and expenses					
7010	Other income	6(19) and 7	4,063	-	2,889	-
7020	Other gains and losses	6(20)	27,129	-	52,822	-
7050	Finance costs	6(21)	(59,884)	-	(38,707)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(4)	86,479	-	101,042	1
7000	**Total non-operating income and expenses**		57,787	-	118,046	1
7900	**Profit before income tax**		1,227,155	7	1,758,940	10
7950	Income tax expense	6(23)	(276,428)	(2)	(325,870)	(2)
8200	**Profit for the year**		$ 950,727	5	$ 1,433,070	8
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gain (losses) on defined benefit plans	6(12)	$ 7,357	-	($ 25,098)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(4)	55,215	1	(18)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(5,212)	-	4,266	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		57,360	1	(20,850)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Currency translation differences of foreign operations	6(4)(16)	49,857	-	(176,705)	(1)
8380	Total Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(4)(16)	-	-	(160,292)	(1)
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		49,857	-	(336,997)	(2)
8300	**Other comprehensive income for the year**		$ 107,217	1	($ 357,847)	(2)
8500	**Total comprehensive income for the year**		$ 1,057,944	6	$ 1,075,223	6
	Earnings per share	6(24)				
9750	**Basic earnings per share**		$	3.55	$	5.35
9850	**Diluted earnings per share**		$	3.54	$	5.34

The accompanying notes are an integral part of these parent company only financial statements.

CHAROEN POKPHAND ENTERPRISE(TAIWAN) CO., LTD
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

				Retained Earnings		Other equity interest			
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Total unappropriated retained earnings (accumulated deficit)	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	Amount
2017									
Balance at January 1, 2017		$ 2,679,910	$ 967	$ 369,222	$ 1,853,799	$ 154,088	$ -	$ 1,348,084	$ 6,406,070
Profit for the year		-	-	-	1,433,070	-	-	-	1,433,070
Other comprehensive loss for the year		-	-	-	(20,850)	(176,705)	-	(160,292)	(357,847)
Total comprehensive income (loss)		-	-	-	1,412,220	(176,705)	-	(160,292)	1,075,223
Appropriations of 2016 earings	6(15)								
Legal reserve		-	-	126,179	(126,179)	-	-	-	-
Cash dividends to shareholders		-	-	-	(803,973)	-	-	-	(803,973)
Capital surplus - dividends not received by shareholders		-	178	-	-	-	-	-	178
Balance at December 31, 2017		$ 2,679,910	$ 1,145	$ 495,401	$ 2,335,867	($ 22,617)	$ -	$ 1,187,792	$ 6,677,498
2018									
Balance at January 1, 2018		$ 2,679,910	$ 1,145	$ 495,401	$ 2,335,867	($ 22,617)	$ -	$ 1,187,792	$ 6,677,498
Effect of retrospective application and retrospective restatement		-	-	-	-	-	1,187,792	(1,187,792)	-
Balance after restatement at January 1, 2018		2,679,910	1,145	495,401	2,335,867	(22,617)	1,187,792	-	6,677,498
Profit for the year		-	-	-	950,727	-	-	-	950,727
Other comprehensive income		-	-	-	2,245	49,857	55,115	-	107,217
Total comprehensive income		-	-	-	952,972	49,857	55,115	-	1,057,944
Appropriations of 2017 earnings	6(15)								
Legal reserve		-	-	143,307	(143,307)	-	-	-	-
Cash dividends to shareholders		-	-	-	(803,973)	-	-	-	(803,973)
Capital surplus - dividends not received by shareholders		-	507	-	-	-	-	-	507
Balance at December 31, 2018		$ 2,679,910	$ 1,652	$ 638,708	$ 2,341,559	$ 27,240	$ 1,242,907	$ -	$ 6,931,976

The accompanying notes are an integral part of these parent company only financial statements.

CHAROEN POKPHAND ENTERPRISE(TAIWAN) CO., LTD
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,227,155	$ 1,758,940
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on expected credit loss impairment	12(2)	94	-
Reversal of allowance for bad debts	6(2)	-	(211)
Depreciation	6(6)(22)	522,508	430,159
Amortisation	6(22)	3,762	2,561
Interest income	6(19)	(193)	(152)
Interest expense	6(21)	59,884	38,707
Provision for (reversal of) loss on inventory market price decline	6(3)	7,200	(1,900)
Change in fair value less cost to sell of biological assets	6(5)(18)	(7,253)	(718)
Share of profit (loss) of investments accounted for using the equity method	6(4)	(86,479)	(101,042)
Loss (gain) on disposal of property, plant and equipment	6(20)	2,054	(1,757)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		9,034	5,066
Accounts receivable		(119,971)	(15,022)
Accounts receivable - related parties		(16,501)	3,053
Other receivables		(12,165)	2,704
Inventories		(97,117)	4,027
Biological assets		(158,623)	(174,865)
Prepayments		(189,151)	(97,843)
Changes in operating liabilities			
Notes payable		(68,656)	33,494
Notes payable - related parties		(6,625)	6,861
Accounts payable		153,471	(17,213)
Accounts payable - related parties		8,492	(7,834)
Other payables		46,706	84,865
Other payables - related parties		(6,780)	14,768
Accrued pension liabilities		(14,319)	(14,651)
Cash inflow generated from operations		1,256,527	1,951,997
Cash paid for income tax		(312,150)	(235,966)
Net cash flows from operating activities		944,377	1,716,031
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments accounted for using equity method		(51,000)	(294,850)
Acquisition of property, plant and equipment	6(26)	(1,429,007)	(2,396,546)
Proceeds from disposal of property, plant and equipment		24,384	5,070
Acquisition of intangible assets	6(7)	(660)	(1,498)
(Increase) decrease in other current assets		(5,450)	-
(Increase) decrease in othor non-current assets		(22,425)	9,363
Cash receipt of interest		193	152
Dividends received		163,546	4,680
Net cash flows used in investing activities		(1,320,419)	(2,673,629)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		327,401	242,614
Increase in short-term notes and bills payable		119,781	239,644
Proceeds from long-term borrowings		2,900,000	2,040,000
Payment of long-term borrowings		(2,130,000)	(713,750)
Cash payment for interest		(59,572)	(38,670)
Cash dividends paid	6(15)	(803,973)	(803,973)
Capital surplus - dividends not received by shareholders		507	178
Net cash flows from financing activities		354,144	966,043
Net (decrease) increase in cash and cash equivalents		(21,898)	8,445
Cash and cash equivalents at beginning of year	6(1)	77,201	68,756
Cash and cash equivalents at end of year	6(1)	$ 55,303	$ 77,201

The accompanying notes are an integral part of these parent company only financial statements.

CHAROEN POKPHAND ENTERPRISE(TAIWAN) CO., LTD
PARENT COMPANY ONLY FINANCIAL STATEMENTS
(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 is 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 parent company only financial statements were authorised for issuance by the Board of Directors on March 25, 2019.

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 FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

IFRS 9, 'Financial instruments'

A. Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

B. The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

In adopting the new standards endorsed by the FSC effective from 2018, the Company applied the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Company has elected to adopt IFRS 15 using the modified retrospective approach. There is no significant effects to the company's financial statements as of January 1, 2018.

(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 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 Company's financial condition and financial performance based on the Company's assessment.

IFRS 16, 'Leases'

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.

The Company expects to recognise the lease contract of lessees in line with IFRS 16. However, the Company does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"), and on January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $347,074 and $332,900, respectively, and prepayments will be decreased by $14,174.

(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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by IASB
IFRS 17, ‘Insurance contracts’	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company 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 parent company only financial statements have been prepared under the historical cost convention:

(a) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

(b) 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 Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

C. In adopting IFRS 9 effective January 1, 2018, the Company has elected to apply the modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’) and related financial reporting interpretations. Please refer to Note 12(4) for details of significant accounting policies.

(3) Foreign currency translation

A. The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

B. 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'.

(4) 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) Liabilities arising mainly from trading activities;

(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.

(5) 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.

(6) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company 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.

(7) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company 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 Company recognises the impairment provision for lifetime ECLs.

(8) Derecognition of financial assets

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

(9) 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.

(10) 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.

(11) Investments accounted for using equity method/ subsidiaries

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls and entity when the Company 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. Investments in subsidiaries are accounted for using equity method in these non-consolidated financial statements.

B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

D. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(12) 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.

(13) 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

(14) Leased assets/ leases (lessee)

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Company 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 Company 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.

(15) Intangible assets

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

(16) Impairment of non-financial assets

The Company 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. 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.

(17) 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.

(18) 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.

(19) Derecognition of financial liabilities

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

(20) 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 Company 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.

(21) 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 accounted 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 Company 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.

(22) 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.

(23) 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.

(24) Revenue recognition

A. Sales of goods

(a) The Company manufactures and sells animal feed, 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 Company 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 refund liability 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 Company 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 Company does not adjust any of the transaction prices for the time value of money.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company'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 Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Company 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, 2018, the carrying amount of inventories was $1,039,107.

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 Company 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 Company 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, 2018, the carrying amount of biological assets was $1,468,588.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 9,138	$ 7,063
Checking accounts	335	640
Demand deposits	45,830	69,498
Total	$ 55,303	$ 77,201

A. The Company 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. The Company has restricted cash and cash equivalents pledged as collaterals totalling $7,450, and classified as other financial assets and shown as 'other current assets'. Please refer to Note 8 for details.

(2) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 331,198	$ 340,232
Accounts receivable	$ 1,618,358	$ 1,498,846
Less: Allowance for uncollectible accounts	(2,329)	(2,694)
	$ 1,616,029	$ 1,496,152

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

	December 31, 2018	December 31, 2017
Current	$ 1,551,365	$ 1,440,950
Up to 180 days	64,304	53,661
181 to 365 days	2,165	3,110
Over one year	524	1,125
	$ 1,618,358	$ 1,498,846

The above ageing analysis was based on past due date.

B. As of December 31, 2018 and 2017, all the Company's notes receivable were not past due.

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

	December 31, 2018	December 31, 2017
With guarantee	$ 135,342	$ 161,422
Without guarantee	1,483,016	1,337,424
	$ 1,618,358	$ 1,498,846

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

D. As at December 31, 2018 and 2017, 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 Company's notes receivable were $331,198 and $340,232, respectively, while the amount that best represents the Company's accounts receivable were $1,616,029 and $1,496,152, respectively.

E. Information relating to credit risk is provided in Note 12(2).

(3) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 559,822	$ -	$ 559,822
Packing supplies	16,213	-	16,213
Work in progress	25,800	-	25,800
Finished goods	452,072	(14,800)	437,272
	$ 1,053,907	($ 14,800)	$ 1,039,107

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 639,103	$ -	$ 639,103
Packing supplies	15,308	-	15,308
Work in progress	26,075	-	26,075
Finished goods	276,304	(7,600)	268,704
	$ 956,790	($ 7,600)	$ 949,190

The cost of inventories recognised as expense for the year:

	2018	2017
Cost of goods sold	$ 15,707,367	$ 14,445,334
Loss on (gain on reversal of) decline in market value	7,200	(1,900)
Others	(3,284)	(5,486)
	$ 15,711,283	$ 14,437,948

Gain on reversal of decline in market value was due to the Company's reversal of a previous inventory write-down and accounted for as reduction of cost of goods sold because of the eventual use or disposal of these inventories.

Others were mainly from gains and loss on physical inventory count and income from disposal of leftover and scraps.

(4) Investments accounted for under equity method

A.Details of investments accounted for using equity method-subsidiaries are provided as follows:

	December 31, 2018	December 31, 2017
Plenty Type Limited	$ 2,005,590	$ 1,978,777
Charoen Pokphand Enterprise (Taiwan) Co., Ltd.	34,096	33,795
Arbor Acres (Taiwan) Co., Ltd.	64,560	59,369
Rui Mu Foods Co., Ltd.	92,150	100,973
Rui Fu Foods Co., Ltd.	100,415	44,892
	$ 2,296,811	$ 2,217,806

B. Share of (loss) profit of subsidiaries accounted for under the equity method:

	2018	2017
Plenty Type Limited	$ 46,184	$ 63,741
Charoen Pokphand Enterprise (Taiwan) Co., Ltd.	4,552	4,653
Arbor Acres (Taiwan) Co., Ltd.	19,997	16,508
Rui Mu Foods Co., Ltd.	11,223	22,237
Rui Fu Foods Co., Ltd.	4,523	(6,097)
	$ 86,479	$ 101,042

C. Share of other comprehensive (loss) income of subsidiaries accounted for using equity method:

Components of other comprehensive income that will not be reclassified to profit or loss

	2018	2017
Plenty Type Limited	$ 55,115	$ -
Charoen Pokphand Enterprise (Taiwan) Co., Ltd.	26	(64)
Arbor Acres (Taiwan) Co., Ltd.	74	46
	$ 55,215	($ 18)

Items may be subsequently reclassified to profit or loss

	2018	2017
Plenty Type Limited	$ 49,857	($ 336,997)

D. Details of the subsidiaries are provided in Note 4(3) in the Company's consolidated financial statements for the year ended December 31, 2018.

(5) Biological assets

A. Biological assets

	December 31, 2018	December 31, 2017
Biological assets - current:		
Consumable biological assets	$ 960,264	$ 849,026
Consumable biological assets - changes in fair value less costs to sell	36,535	29,283
Bearer biological assets	179,950	125,900
Bearer biological assets - accumulated depreciation	(55,360)	(29,111)
	$ 1,121,389	$ 975,098
Biological assets - non-current:		
Bearer biological assets	$ 418,759	$ 386,562
Bearer biological assets - accumulated depreciation	(71,560)	(58,948)
	$ 347,199	$ 327,614

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:

	2018	2017
At January 1	$ 1,302,712	$ 1,127,129
Purchases	1,148,972	1,148,810
Costs and expenses input	5,574,926	4,758,014
Sales	(2,694,012)	(2,297,301)
Change in fair value less cost to sell	7,253	718
Transfer to inventories	(3,859,997)	(3,405,397)
Others	(11,266)	(29,261)
At December 31	$ 1,468,588	$ 1,302,712

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. For the years ended December 31, 2018 and 2017, depreciation expense of biological assets amounted to $185,843 and $91,014, respectively.

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

	December 31, 2018	December 31, 2017
Estimates of physical quantities (Units: heads)	4,918,068	4,043,085

E. Financial risk management policies

The Company is exposed to commodity risks arising from changes in market prices of the chickens and swine. The Company 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 Company reviews the risk of a decline in the price of the agriculture products regularly, and considers to take the financial risk.

(6) 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
At January 1, 2018									
Cost	$ 1,531,190	$ 67,955	$ 2,317,434	$ 3,125,768	$ 212,409	$ 945,310	$ 628,388	$ 692,365	$ 9,520,819
Accumulated depreciation and impairment	-	(28,430)	(971,145)	(1,698,316)	(122,041)	(355,747)	(235,545)	-	(3,411,224)
	$ 1,531,190	$ 39,525	$ 1,346,289	$ 1,427,452	$ 90,368	$ 589,563	$ 392,843	$ 692,365	$ 6,109,595
2018									
Opening net book amount as at January 1	$ 1,531,190	$ 39,525	$ 1,346,289	$ 1,427,452	$ 90,368	$ 589,563	$ 392,843	$ 692,365	$ 6,109,595
Additions	12,817	19,718	129,287	107,216	28,295	15,082	96,303	1,019,405	1,428,123
Disposals	-	-	(7,370)	(14,028)	(2,283)	(119)	(2,638)	-	(26,438)
Reclassifications	295,174	8,627	637,520	245,791	13,952	8,693	52,694	(1,262,451)	-
Depreciation	-	(5,835)	(134,227)	(194,979)	(35,225)	(92,116)	(60,126)	-	(522,508)
Closing net book amount as at December 31	$ 1,839,181	$ 62,035	$ 1,971,499	$ 1,571,452	$ 95,107	$ 521,103	$ 479,076	$ 449,319	$ 6,988,772
At December 31, 2018									
Cost	$ 1,839,181	$ 94,578	$ 3,025,679	$ 3,371,948	$ 237,965	$ 963,769	$ 767,653	$ 449,319	$ 10,750,092
Accumulated depreciation and impairment	-	(32,543)	(1,054,180)	(1,800,496)	(142,858)	(442,666)	(288,577)	-	(3,761,320)
	$ 1,839,181	$ 62,035	$ 1,971,499	$ 1,571,452	$ 95,107	$ 521,103	$ 479,076	$ 449,319	$ 6,988,772

	Land	Land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2017									
Cost	$ 435,277	$ 61,978	$ 1,980,789	$ 2,875,780	$ 195,056	$ 827,183	$ 448,240	$ 532,302	$ 7,356,605
Accumulated depreciation and impairment	-	(27,041)	(968,585)	(1,681,158)	(97,034)	(269,405)	(201,447)	-	(3,244,670)
	$ 435,277	$ 34,937	$ 1,012,204	$ 1,194,622	$ 98,022	$ 557,778	$ 246,793	$ 532,302	$ 4,111,935
2017									
Opening net book amount as at January 1	$ 435,277	$ 34,937	$ 1,012,204	$ 1,194,622	$ 98,022	$ 557,778	$ 246,793	$ 532,302	$ 4,111,935
Additions	48,292	6,750	71,899	109,480	24,079	67,343	60,384	2,042,905	2,431,132
Disposals	-	-	-	-	(2,656)	-	(657)	-	(3,313)
Reclassifications	1,047,621	1,161	360,302	289,687	4,064	53,283	126,724	(1,882,842)	-
Depreciation	-	(3,323)	(98,116)	(166,337)	(33,141)	(88,841)	(40,401)	-	(430,159)
Closing net book amount as at December 31	$ 1,531,190	$ 39,525	$ 1,346,289	$ 1,427,452	$ 90,368	$ 589,563	$ 392,843	$ 692,365	$ 6,109,595
At December 31, 2017									
Cost	$ 1,531,190	$ 67,955	$ 2,317,434	$ 3,125,768	$ 212,409	$ 945,310	$ 628,388	$ 692,365	$ 9,520,819
Accumulated depreciation and impairment	-	(28,430)	(971,145)	(1,698,316)	(122,041)	(355,747)	(235,545)	-	(3,411,224)
	$ 1,531,190	$ 39,525	$ 1,346,289	$ 1,427,452	$ 90,368	$ 589,563	$ 392,843	$ 692,365	$ 6,109,595

A. The Company's other equipment includes leased assets. As of December 31, 2018 and 2017, the book value of leased assets were $7,377 and $1,693, respectively. For the years ended December 31, 2018 and 2017, the additional leased assets were $9,585 and $1,986, respectively, and these assets' depreciation were recognised amounting to $3,901 and $293, respectively, in accordance with the Company's accounting policies. There was neither disposal nor reclassification.

B. 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:

	2018	2017
Amount capitalised	$ 3,654	$ 4,110
Interest rate range	1.10%~1.12%	1.10%~1.12%

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

D. As of December 31, 2018 and 2017, the Company held 114 parcels and 60 parcels of agricultural land, respectively. The carrying amounts of land registered under the title of others amounted to $648,489 and $374,498, 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.

(7) Intangible assets

Software

	2018	2017
At January 1, 2018		
Cost	$ 9,814	$ 8,316
Accumulated amortisation and impairment	(7,767)	(7,087)
	$ 2,047	$ 1,229
2018		
At January 1	$ 2,047	$ 1,229
Additions	660	1,498
Amortisation	(1,143)	(680)
December 31	$ 1,564	$ 2,047
At December 31, 2018		
Cost	$ 10,474	$ 9,814
Accumulated amortisation and impairment	(8,910)	(7,767)
	$ 1,564	$ 2,047

(8) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Unsecured borrowings	$ 2,422,350	1.04%~1.20%	None
Letters of credit	141,434	3.28%~4.12%	None
	$ 2,563,784		

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Unsecured credit loans	$ 2,125,000	1.00%~1.19%	None
Letters of credit	111,383	2.48%~2.96%	None
	$ 2,236,383		

(9) Short-term notes and bills payable

	December 31, 2018	December 31, 2017
Commercial paper payable	$ 620,000	$ 500,000
Less: Unamortised discounts	(730)	(511)
	$ 619,270	$ 499,489
Interest rates range	0.64%~0.94%	0.64%~0.97%

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

(10) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	December 31, 2018
Secured loans	2016.8.2~2022.12.15	1.42%~1.50%	$ 800,000
Unsecured credit loans	2017.8.1~2022.10.27	1.03%~1.42%	1,660,000
			2,460,000
Less: Current portion (shown as ‘Other current liabilities’)			(580,000)
			$ 1,880,000

Type of borrowings	Borrowing period and repayment term	Interest rate range	December 31, 2017
Secured loans	2016.8.2~2022.12.15	1.42%~1.50%	$ 900,000
Unsecured credit loans	2017.8.1~2022.10.27	1.03%~1.42%	790,000
			1,690,000
Less: Current portion (shown as ‘Other current liabilities’)			(180,000)
			$ 1,510,000

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

(11) Finance lease liabilities

A. The Company 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.

B. Future minimum lease payments and their present values as at December 31, 2018 and 2017 are as follows:

	December 31, 2018		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current (shown as 'Other current liabilities')			
Not later than one year	$ 4,080	($ 67)	$ 4,013
Non-current (shown as 'Other non-current liabilities')			
Later than one year but not later than five years	3,431	(22)	3,409
	$ 7,511	($ 89)	$ 7,422

	December 31, 2017		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current (shown as "Other current liabilities")			
Not later than one year	$ 718	($ 17)	$ 701
Non-current (shown as "Other non-current liabilities")			
Later than one year but not later than five years	1,006	(9)	997
	$ 1,724	($ 26)	$ 1,698

(12) Pensions

A. Defined benefit plans

(a) The Company has 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 contributes 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 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 will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 442,929)	($ 464,249)
Fair value of plan assets	279,957	277,815
Net defined benefit liability	(162,972)	(186,434)
Ending accrued pension fund	-	1,786
Net liabilities in the balance sheet	($ 162,972)	($ 184,648)

(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
2018			
Balance at January 1	($ 464,249)	$ 277,815	($ 186,434)
Current service cost	(4,412)	-	(4,412)
Interest (expense) income	(4,567)	2,790	(1,777)
	(473,228)	280,605	(192,623)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	8,604	8,604
Change in demographic assumptions	(4)	-	(4)
Change in financial assumptions	(9,324)	-	(9,324)
Experience adjustments	8,081	-	8,081
	(1,247)	8,604	7,357
Pension fund contribution	-	22,294	22,294
Paid pension	31,546	(31,546)	-
Balance at December 31	($ 442,929)	$ 279,957	($ 162,972)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2017			
Balance at January 1	($ 459,169)	$ 283,280	($ 175,889)
Current service cost	(4,683)	-	(4,683)
Interest (expense) income	(5,598)	3,507	(2,091)
	(469,450)	286,787	(182,663)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(974)	(974)
Change in demographic assumptions	(67)	-	(67)
Change in financial assumptions	(10,178)	-	(10,178)
Experience adjustments	(13,879)	-	(13,879)
	(24,124)	(974)	(25,098)
Pension fund contribution	-	21,327	21,327
Paid pension	29,325	(29,325)	-
Balance at December 31	($ 464,249)	$ 277,815	($ 186,434)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's 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 has no right to participate in managing and operating that fund and hence the Company is 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, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	2018	2017
Discount rate	0.75%	1.00%
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:

	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
2018				
Effect on present value of defined benefit obligation	($ 35,532)	$ 40,587	$ 39,640	($ 35,449)
2017				
Effect on present value of defined benefit obligation	($ 38,751)	$ 44,408	$ 43,485	($ 38,751)

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 for the year ending December 31, 2019 amount to $16,742.

(h) As of December 31, 2018, the weighted average duration of the retirement plan is 8 years.

B. Defined contribution plans

Effective July 1, 2005, the Company has 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 contributes 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 Company for the years ended December 31, 2018 and 2017 were $37,062 and $33,600, respectively.

(13) Share capital - common stocks

As of December 31, 2018, 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, 2018 and 2017, there are no changes in the number of the Company's ordinary shares outstanding.

(14) 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.

(15) 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 appropriation of earnings for 2017 and 2016 have been resolved at the shareholders' meetings on June 13, 2018 and June 15, 2017, respectively, as follows:

	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 143,307		$ 126,179	
Cash dividends	803,973	$ 3	803,973	$ 3

The effective dates for the above distribution of cash dividends are July 18, 2018 and July 9, 2017, respectively.

E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(22).

(16) Other equity items

	Measured at fair value through other comprehensive income	Currency translation	Total
At January 1, 2018	$ 1,187,792	($ 22,617)	$ 1,165,175
Unrealised loss on valuation of financial assets	55,115	-	55,115
Currency translation differences	-	49,857	49,857
At December 31, 2018	$ 1,242,907	$ 27,240	$ 1,270,147

	Available-for-sale investments	Currency translation	Total
At January 1, 2017	$ 1,348,084	$ 154,088	$ 1,502,172
Unrealised gain on valuation of financial assets	(160,292)	-	(160,292)
Currency translation differences	-	(176,705)	(176,705)
At December 31, 2017	$ 1,187,792	($ 22,617)	$ 1,165,175

(17) Operating revenue

	2018
Revenue from contracts with customers	$ 18,170,438

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time.

B. Related disclosures on operating revenue for the year 2017 are provided in Note 12(5).

(18) Other income and expenses, net

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

	2018	2017
Other income and expenses, net	$ 7,253	$ 718

(19) Other income

	2018	2017
Rental income	$ 3,870	$ 2,737
Interest income	193	152
	$ 4,063	$ 2,889

(20) Other gains and losses

	2018	2017
Net foreign exchange gains	$ 1,750	$ 16,690
(Losses) gains on disposal of property, plant and equipment	(2,054)	1,757
Miscellaneous income	27,433	34,375
	$ 27,129	$ 52,822

(21) Finance costs

	2018	2017
Interest expense		
Bank borrowings	$ 59,884	$ 38,707

(22) Expenses by nature

	2018			2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expense						
Wages and salaries	$ 825,625	$ 455,671	$ 1,281,296	$ 756,182	$ 428,985	$ 1,185,167
Labor and health insurance	82,070	31,520	113,590	73,027	27,076	100,103
Pension costs	26,188	17,063	43,251	25,151	15,223	40,374
Directors' remunerations	-	36,164	36,164	-	31,161	31,161
Other personnel expenses (Note)	44,211	9,376	53,587	38,882	6,279	45,161
Depreciation expense	484,844	37,664	522,508	389,125	41,034	430,159
Amortisation	2,570	1,192	3,762	1,856	705	2,561

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

A. As of December 31, 2018 and 2017, the Company had 1,895 and 1,796 employees, respectively, and had 5 directors for both years.

B. 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.

C. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $12,152 and $17,708, respectively. The aforementioned amounts were recognised in wages and salaries expense.

For the year ended December 31, 2018, 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 2017, the difference of $107 between employees' compensation of $17,815 resolved by the Board of Directors and the amount of $17,708 recognised in the 2017 financial statements, mainly resulting from a variance in estimation, was adjusted in profit or loss for 2018.

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

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	2018	2017
Current tax:		
Current tax on profits for the year	$ 250,389	$ 280,910
Tax on undistributed surplus earnings	46,494	32,588
Prior year income tax (over) underestimation	-	-
Total current tax	296,883	313,498
Deferred tax:		
Origination and reversal of temporary differences	(12,779)	12,372
Impact of change in tax rate	(7,676)	-
Total deferred tax	(20,455)	12,372
Income tax expense	$ 276,428	$ 325,870

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

	2018	2017
Remeasurement of defined benefit obligations	$ 5,212	$ 4,266

B. Reconciliation between income tax expense and accounting profit

	2018	2017
Tax calculated based on profit before tax and statutory tax rate	$ 245,431	$ 299,020
Expenses disallowed by tax regulation	238	603
Tax exempt income by tax regulation	(8,059)	(6,341)
Tax on undistributed surplus earnings	46,494	32,588
Effect from changes in tax regulation	(7,676)	-
Income tax expenses	$ 276,428	$ 325,870

C. (a) Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	December 31, 2018	December 31, 2017
Temporary differences:		
Accrued sales discounts	$ 16,463	$ 16,414
Provision for loss on spare parts	2,642	2,021
Pension expense in excess of the limit for tax purpose	32,594	31,390
Unrealised inventory valuation loss and changes in fair value of biological assets	(4,347)	(3,686)
Unrealised foreign investment income	(10,224)	(21,978)
Unrealised exchange loss	(75)	(88)
Others	494	(1,769)
	$ 37,547	$ 22,304

	December 31, 2018	December 31, 2017
Deferred tax assets	$ 55,861	$ 50,920
Deferred tax liabilities	(18,314)	(28,616)
	$ 37,547	$ 22,304

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

	2018	2017
Recognised in profit or loss	$ 20,455	($ 12,371)
Recognised in other comprehensive income	($ 5,212)	$ 4,266

D. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

E. 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 Company has assessed the impact of the change in income tax rate.

(24) Earnings per share

	2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 950,727	267,991	$ 3.55
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 950,727	267,991	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	228	
	$ 950,727	268,219	$ 3.54

	2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,433,070	267,991	$ 5.35
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,433,070	267,991	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	276	
	$ 1,433,070	268,267	$ 5.34

(25) Operating leases

The Company leases certain main operating locations and farms from years 2009 to 2041. The Company recognised rental expense of $32,131 and $32,110 in profit or loss for the years ended December 31, 2018 and 2017, respectively.

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

	December 31, 2018	December 31, 2017
Not later than one year	$ 31,415	$ 32,508
Later than one year but not later than five years	112,443	114,031
Over five years	234,405	252,156
	$ 378,263	$ 398,695
Issued post-dated checks	$ 13,521	$ 15,899

(26) Supplemental cash flow information

Investing activities with partial cash payment are as follows:

	2018	2017
Acquisition of property, plant and equipment	$ 1,428,123	$ 2,431,132
Add: Opening balance of payable on equipment	66,979	34,091
Opening balance of financial lease liabilities	1,698	-
Less: Ending balance of payable on equipment	(60,371)	(66,979)
Ending balance of financial lease liabilities	(7,422)	(1,698)
Cash paid during the year	$ 1,429,007	$ 2,396,546

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

CPF (incorporated in Thailand) indirectly held 39% of the Company's equity shares, the remainder were held by the general public.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
Charoen Pokphand Foods Public Company Limited (CPF)	Ultimate parent company
Charoen Pokphand (Taiwan) Co., Ltd.	Subsidiaries
Arbor Acres (Taiwan) Co., Ltd.	"
Rui Mu Foods Co., Ltd.	"
Rui Fu Foods Co., Ltd.	"
Charoen Pokphand Group Co., Ltd. (CPG)	Other related parties
C.P. Merchandising Company Limited	"
Ta Chung Investment Co., Ltd.	"
Chung Ta Investment Co., Ltd.	"
Perfect Companion (Taiwan) Co., Ltd.	"

(3) Significant related party transactions and balances

A. Operating revenue

	2018	2017
Sales of goods:		
Subsidiary	$ 206,342	$ 141,780

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

B. Purchases

	2018	2017
Purchase of goods:		
Ultimate parent company	$ 39,301	$ 18,554
Subsidiary	88,064	83,976
Other related parties	10,216	4,391
	$ 137,581	$ 106,921

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

C. Receivables from related parties

	December 31, 2018	December 31, 2017
Accounts receivable:		
Subsidiary	$ 34,908	$ 18,407

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

D. Payables to related parties

	December 31, 2018	December 31, 2017
Notes and accounts payable:		
Ultimate parent company	$ 3,040	$ -
Subsidiary	11,559	12,732
	$ 14,599	$ 12,732

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

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

Lessee	2018	2017
Subsidiary	$ 1,771	$ 1,766
Other related parties	86	86
	$ 1,857	$ 1,852

The rental receivables are collected annually or 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, 2018 and 2017, the Company recognised technical service expenses amounting to $12,869 and $12,081, respectively. As of December 31, 2018 and 2017, the outstanding balance was approximately $156 and $90, 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, 2018 and 2017, the Company recognised technical service expense amounting to $8,400 for both years. As of December 31, 2018 and 2017, the outstanding balance was $2,100 for both years.

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, 2018 and 2017, the Company recognised royalties amounting to $89,293 and $74,112, respectively. As of December 31, 2018 and 2017, the outstanding balance was approximately $19,174 and $26,020, respectively.

(4) Key management compensation

	2018	2017
Salaries and other short-term employee benefits	$ 160,860	$ 112,705
Post-employment benefits	1,517	1,596
Total	$ 162,377	$ 114,301

8. PLEDGED ASSETS

The Company’s assets pledged as collateral are as follows:

	Book value		
Pledged assets	December 31, 2018	December 31, 2017	Purpose
Time deposits - shown as ‘Other current assets’	$ 7,450	$ 2,000	Guarantee deposit
Land	51,785	51,785	Long-term borrowings
Buildings and structures	192,760	202,257	Long-term borrowings
	$ 251,995	$ 256,042	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Other than those stated in Note 6(11), (25) and Note 7 the significant commitments and contingent liabilities of the Company were as follows:

(1) As of December 31, 2018 and 2017, the Company had opened unused letters of credit for purchases of raw materials and machinery of approximately $510,882 and $441,511, respectively.

(2) As of December 31, 2018 and 2017, the Company had several outstanding construction contracts and equipment purchase agreements. The balance outstanding was approximately $123,207 and $357,113, respectively, and will be paid on the basis of percentage of completion.

10. SIGNIFICANT DISASTER LOSS

On July 4, 2018, the Company suffered fire damage in its Nantou factory. The book value of the damaged plant, equipment, and inventory due to operation interruption amounted to approximately $18,515. The Company has sufficient insurance coverage for all of its property, including property insurance and business interruption insurance. For the year ended December 31, 2018, the Company received indemnity income from insurance proceeds amounted to $18,515 which was recognised in other gains and losses.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

12. OTHERS

(1) Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at amortised cost / Loans and receivables		
Cash and cash equivalents	$ 55,303	$ 77,201
Notes receivable	331,198	340,232
Accounts receivable (including related parties)	1,650,937	1,514,559
Other accounts receivable (including related parties)	20,201	8,036
	$ 2,057,639	$ 1,940,028

	December 31, 2018	December 31, 2017
Financial liabilities		
Short-term borrowings	$ 2,563,784	$ 2,236,383
Short-term notes and bills payable	619,270	499,489
Notes payable (including related parties)	357,413	432,694
Accounts payable (including related parties)	672,631	510,668
Other accounts payable (inlcuding related parties)	569,049	535,419
Long-term borrowings (including current portion)	2,460,000	1,690,000
Other financial liabilities	7,422	1,698
	$ 7,249,569	$ 5,906,351

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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company'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 Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and HKD. 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 the company to manage their foreign exchange risk against their functional currency.

iii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD. 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, 2018				
	Foreign currency amount (in thousands)		Exchange rate		Book value (NTD)
(Foreign currency : functional currency)					
Financial assets					
Non-monetary items					
HKD:NTD	HKD	513,664	3.904	$	2,005,590
Financial liabilities					
Monetary items					
USD:NTD	USD	6,189	30.77	$	190,390

	December 31, 2017				
	Foreign currency amount (in thousands)		Exchange rate		Book value (NTD)
(Foreign currency : functional currency)					
Financial assets					
Non-monetary item					
HKD:NTD	HKD	521,114	3.80	$	1,978,777
Financial liabilities					
Monetary item					
USD:NTD	USD	5,760	29.81	$	171,724

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

v. Total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017 amounted to $1,750 and $16,690, respectively.

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

	2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)			
Financial assets			
Non-monetary item			
HKD：NTD	1%	$ -	$ 20,056
Financial liabilities			
Monetary item			
USD：NTD	1%	($ 1,904)	$ -

	2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)			
Financial assets			
Non-monetary item			
HKD：NTD	1%	$ -	$ 19,788
Financial liabilities			
Monetary item			
USD：NTD	1%	($ 1,717)	$ -

Price risk

The Company's management strategy of price risk arising from biological assets is provided in Note 6(5)

Interest rate risk

i. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company 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 Company to fair value interest rate risk. During the years ended December 31, 2018 and 2017, the Company's borrowings at variable rate were denominated in NTD.

ii. The Company 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 Company 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, 2018 and 2017, 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, 2018 and 2017, would have been $19,680 and $14,027 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 Company 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 Company manages their credit risk taking into consideration the entire group's concern. According to the Company's credit policy, each local entity in the Company 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. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 17 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. As a result, the Company should strengthen controls and follow-up procedures are implemented.

iv. The Company 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 Company classifies customers' accounts receivable in accordance with customer types. The Company applies the simplified approach using loss rate methodology to estimate expected credit loss impairment under the provision matrix basis.

vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2018, the Company's written-off financial assets that are still under recourse procedures amounted to $2,173.

vii. (i) The expected loss rate for well-reputed customers is 0.03%. On December 31, 2018, the total book value of accounts receivable and loss allowance amounted to $717,022 and $0, respectively.

(ii) The Company 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, 2018, the expected loss rate is as follows:

	Group A		Group B		Total	
December 31, 2018						
Expected loss rate		0~100%		0.003%~10%		
Total book value	$	28,974	$	907,270	$	936,244
Loss allowance		2,329		-		2,329

Note: Customers are categorised into Company 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 Company applying the simplified approach to provide loss allowance for notes and accounts receivable are as follows:

	2018	
	Notes and accounts receivable (including related parties)	
At January 1_IAS 39	$	2,694
Adjustments under new standards		-
At January 1_IFRS 9		2,694
Provision for impairment		94
Write-offs	(	459)
At December 31	$	2,329

The impairment loss arising from customers' contracts for the year ended December 31, 2018 amounted to $94.

ix. Credit risk information for the year ended December 31, 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's financial ratio targets, covenant compliance and applicable external regulatory or legal requirements.

ii. The table below analyses the Company'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, 2018	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	$ 2,563,784	$ -	$ -
Short-term notes and bills payable	620,000	-	-
Notes payable (including related parties)	357,413	-	-
Accounts payable (including related parties)	672,631	-	-
Other payables (including related parties)	569,049	-	-
Long-term borrowings (including current portion)	608,215	1,911,015	-
Other financial liabilities	4,080	3,431	-

December 31, 2017	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	$ 2,236,383	$ -	$ -
Short-term notes and bills payable	500,000	-	-
Notes payable	432,694	-	-
Accounts payable (including related parties)	510,668	-	-
Other payables (including related parties)	535,419	-	-
Long-term borrowings (including current portion)	202,809	1,542,863	-
Other financial liabilities	718	1,006	-

iii. The Company 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 Company’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 Company'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 on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Biological assets	$ -	$ 725,806	$ -	$ 725,806

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Biological assets	$ -	$ 632,249	$ -	$ 632,249

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

(a) The instruments the Company 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 and which are classified as available-for-sale financial assets.

(b) The Company 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 Company's credit quality.

(c) Details of methods for measuring biological assets are provided in Note 6(5).

E. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

(4) Effects on initial application of IFRS 9

A. Summary of significant accounting policies adopted in 2017:

(a) Accounts receivable

Accounts receivable

Accounts receivable are originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(b) Impairment of financial assets

i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Company, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vi) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(vii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. Credit risk information as of December 31, 2017 are as follows:

(a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company 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. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(b) As of December 31, 2017, no credit limits were exceeded during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

(c) The ageing analysis of accounts receivable is as follows:

	December 31, 2017
Not past due	$ 1,440,950
Up to 180 days	53,661
181 to 365 days	3,110
Over 1 year	1,125
	$ 1,498,846

Note A: Both impaired and unimpaired accounts receivable are included.

B: The ageing analysis is based on the number of past-due days. The accounts receivable all meet the credit criteria taking account the industry characteristics, business scale and/or profitability of counterparties.

(d) Movements of financial assets that were impaired

Movements in the provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	$ 2,919	$ -	$ 2,919
Reversal of impairment	(211)	-	(211)
Write-offs during the year	(14)	-	(14)
At December 31	$ 2,694	$ -	$ 2,694

(e) The credit quality based on the Company's credit criteria is as follows:

	December 31, 2017
Secured	$ 161,422
Unsecured	1,337,424
	$ 1,498,846

The Company holds mainly promissory notes, property and certificates of deposit as collaterals for accounts receivable.

(5) Effects of initial application of IFRS 15 and information

A. The significant accounting policies applied on revenue recognition for the year 2017 are set out below:

Sales revenue

The Company manufactures and sells animal feed and meat products. Revenue is measured at the fair value of the consideration received or receivable taking into account of added-value tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognised when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognised by using above accounting policies for the year 2017 are as follows:

	2017
Sales revenue	$ 17,379,603

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, 2018: None.

C. Holding of marketable securities at December 31, 2018 (not including subsidiaries, associates and joint ventures):

	Marketable securities		Relationship with	General ledger	As of December 31, 2018				
Securities held by	Types	Name	the securities issuer	account	Number of shares	Book value	Ownership	Fair value (Note 1)	Footnote
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	1,782,950	0.89%	1,782,950	

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).

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, 2018: None.

E. Acquisition of real estate reaching NT$300,000 or 20% of paid-in capital or more during the year ended December 31, 2018: None.

F. Disposal of real estate reaching NT$300,000 or 20% of paid-in capital or more during the year ended December 31, 2018 None.

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, 2018:

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)	
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)
Lianyungang Chia Tai Agro-industry Development Co., Ltd.	Chia Tai Food (Sugian)	Other related parties	Sales	($ 540,228) (CNY118,465 thousand)	(2.54%)	60 days	Same as third party transactions	Same as third party transactions	$ 156,782 (CNY 35,267 thousand)	6.25%
Lianyungang Chia Tai Agro-industry Development Co., Ltd	Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd.	Other related parties	Sales	($ 168,836) (CNY 36,915 thousand)	(0.80%)	60 days	Same as third party transactions	Same as third party transactions	$ 163,663 (CNY 36,815 thousand)	6.53%
Lianyungang Chia Tai Agro-industry Development Co., Ltd	Chia Tai Aquaculture (Nantong) Co., Ltd.	Other related parties	Sales	($ 302,391) (CNY 65,831 thousand)	(1.42%)	60 days	Same as third party transactions	Same as third party transactions	$ - (CNY 0 thousand)	0.00%
Lianyungang Chia Tai Agro-industry Development Co., Ltd	Chia Tai (China) Investment Co., Ltd.	Other related parties	Purchases	($ 114,993) (CNY 24,877 thousand)	0.72%	30 days	Same as third party transactions	Same as third party transactions	($ 711) (CNY 160 thousand)	0.05%
Lianyungang Chia Tai Agro-industry Development Co., Ltd	Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd.	Other related parties	Purchases	($ 316,631) (CNY 70,035 thousand)	1.98%	30 days	Same as third party transactions	Same as third party transactions	($ 264,637) (CNY 59,529 thousand)	18.85%

H. Receivables from related parties reaching NT$100,000 or 20% of paid-in capital or more as at December 31, 2018: None.

I. Trading in derivative instruments undertaken during the year ended December 31, 2018: None

J. Significant inter-company transactions during the year ended December 31, 2018:

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)

				Initial investment amount		Shares held as of December 31, 2018					
Investor	Investee	Location	Main business activities	Balance as of December 31, 2018	Balance as of December 31, 2017	Number of shares	Ownership (%)	Book value	Net profit of the investee	Investment income recognised by the Company	Footnote
The Company	Plenty Type Limited (Cayman Islands)	Cayman Islands	Management of producing and non-producing business investments	$ 720,448	$ 720,448	96,370,079	100.00	$ 2,005,590	$ 46,184	$ 46,184	Subsidiary (Note 1)
The Company	Charoen Pokphand (Taiwan) Co., Ltd.	Taiwan	Management of importing and exporting businesses.	20,086	20,086	2,443,716	90.00	34,096	5,057	4,552	Subsidiary
The Company	Arbor Acres (Taiwan) Co., Ltd.	Taiwan	Husbandry management of chickens to produce eggs and meat	60,131	60,131	1,600,000	50.00	64,560	39,994	19,997	Subsidiary
The Company	Rui Mu Foods Co., Ltd.	Taiwan	Husbandry management of layers and related business	78,000	78,000	7,800,000	52.00	92,150	21,582	11,223	Subsidiary
The Company	Rui Fu Foods Co., Ltd.	Taiwan	Husbandry management of layers and related business	102,000	51,000	10,200,000	51.00	100,415	8,869	4,523	Subsidiary
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	201,330	17,112	-	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, 2018	Amount remitted from /remitted back to Taiwan during the period		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	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, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Lianyungang Chia Tai Agro-industry Development Co., Ltd.	Feeds producing, poultry raising, processing and sales.	USD 5,400 (in thousand)	2	USD 4,276 (in thousand)	$ -	$ -	USD 4,276 (in thousand)	$ 30,415	70.00	$ 21,291	$ 174,584	$ -	Note 4

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 (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	USD 4,276 (in thousand)	USD 13,517 (in thousand)	$ 4,159,185

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 USD$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, 2018 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, 2018.

Note 5: The amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) is USD$13,517 thousand. The amount in the table is translated into New Taiwan Dollars at the spot exchange rates prevailing at December 31, 2018.

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

14. OPERATING SEGMENT INFORMATION

None

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 1

Customer name	Amount	Note
Non-related parties:		
A Customer	$ 191,710	
B Customer	131,204	
C Customer	97,673	
Others	1,197,771	The balance of each customer has not exceeded 5% of the accounts receivable
Less: Allowance for bad debts	(2,329)	
	$ 1,616,029	
Related parties:		
Rui Fu Foods Co., Ltd.	$ 11,263	
Rui Mu Foods Co., Ltd.	19,164	
Arbor Acres (Taiwan) Co., Ltd.	4,481	
	$ 34,908	

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CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
DETAILS OF INVENTORIES
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 2

Items	Cost	Net realisable value	Note
Materials and suppliers	$ 576,035	$ 646,694	
Work in progress	25,800	33,862	
Finished goods	452,072	469,282	
	1,053,907	1,149,838	
Less: Allowance for inventory valuation losses	(14,800)	-	
	$ 1,039,107	$ 1,149,838	

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CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 3

	Opening balance		Additions							Ending balance			Market price or value per share		
Name	Number of shares (per thousand share)	Amounts	Number of shares (per thousand share)	Amounts	Cash dividends	Investment income	Exchange differences on translation of foreign financial statements	Gain on valuation of financial assets at fair value through other comprehensive income	Gains on remeasurements of defined benefit plans	Number of shares (per thousand share)	Ownership (%)	Amounts	Price (in NTD)	Total price	Pledged to other as collaterals
Plenty Type Limited	96,370,079	$ 1,978,777	-	$ -	($ 124,343)	$ 46,184	$ 49,857	$ 55,115	$ -	96,370,079	100%	$ 2,005,590	$ -	$ 2,005,590	None
Charoen Pokphand Enterprise (Taiwan) Co., Ltd.	2,443,716	33,795	-	-	(4,277)	4,552	-	-	26	2,443,716	90%	34,096	-	34,096	None
Arbor Acres (Taiwan) Co., Ltd.	1,600,000	59,369	-	-	(14,880)	19,997	-	-	74	1,600,000	50%	64,560	-	64,560	None
Rui Mu Foods Co., Ltd.	7,800,000	100,973	-	-	(20,046)	11,223	-	-	-	7,800,000	52%	92,150	-	92,150	None
Rui Fu Foods Co., Ltd.	5,100,000	44,892	5,100,000	51,000	-	4,523	-	-	-	10,200,000	51%	100,415	-	100,415	None
		$ 2,217,806		$ 51,000	($ 163,546)	$ 86,479	$ 49,857	$ 55,115	$ 100			$ 2,296,811		$ 2,296,811	

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CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
DETAILS OF ACCOUNTS PAYABLE
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 4

Customer name	Amount	Note
Non-related parties		
A Supplier	$ 103,711	
B Supplier	37,634	
Others	518,661	The balance of each expense account has not exceeded 5% of the accounts payable
	$ 660,006	
Related parties		
Charoen Pokphand Foods Public Company Limited (CPF)	$ 3,040	
Charoen Pokphand Enterprise (Taiwan) Co., Ltd.	3,359	
Arbor Acres (Taiwan) Co., Ltd.	6,199	
Rui Mu Foods Co., Ltd.	27	
	$ 12,625	

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CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
DETAILS OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 5

Item	Quantity (Metric tons)	Amount
Animal feed, cooked food	637,514	$ 7,417,490
Agricultural livestock	110,293	8,036,510
Meat processing	18,662	2,716,438
		$ 18,170,438

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CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
DETAILS OF OPERATING COST
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 6

Item	Amount	Note
Cost of goods sold		
Raw material		
Raw materials at the beginning	$ 639,103	
Material purchased during the year	12,576,375	
Raw material sold	(1,145,591)	
Scraps sold	(5,947)	
Materials reclassified as expenses	(17,303)	
Gain on physical raw materials	411	
Raw materials at the end	(559,822)	
	11,487,226	
Indirect material		
Raw materials at the beginning	15,308	
Material purchased during the year	230,813	
Raw material sold	(121)	
Materials reclassified as expenses	(4,559)	
Gain on physical raw materials	422	
Raw materials at the end	(16,213)	
	225,650	
Direct labor	647,295	
Manufacturing overhead	1,789,579	
Manufacturing Cost	14,149,750	
Add: Work in progress at the beginning	1,299,504	
Less: Work in progress reclassified as expenses and others	(989)	
Less: Work in progress at the end	(1,457,853)	
Finished goods cost	13,990,412	
Add: Finished goods at the beginning	276,304	
Add: Finished goods purchases for the period	787,647	
Less: Finished goods reclassified as expenses	(41,736)	
Less: Finished goods scrapped and reclassified as other losses	(29)	
Less: Scrapped finished goods sold	(19)	
Less: Loss on physical finished goods	2,188	
Less: Finished goods at the end	(452,072)	
	14,562,695	
Less: Revenue from sales of by-product	(1,041)	
Add: Material sold	1,145,712	
Less: Loss on physical inventory	(3,021)	
Less: Gain on reversal of decline in market value	7,200	
Less: Loss on scrapping inventory	(262)	
Operating costs	$ 15,711,283	

Note: Biological assets were included in working in progress

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.
DETAILS OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 7

Items	Selling expenses	General and administrative expenses	Total	Notes
Wages and salaries	$ 220,550	$ 288,347	$ 508,897	
Freight	345,943	6	345,949	
Advertisement expense	9,128	468	9,596	
Cost of service and technical service	404	118,099	118,503	
Traveling Expense	37,723	12,589	50,312	
Storage fee	42,983	-	42,983	
Non-deductible input VAT for dual-status business entities	35,838	5,068	40,906	
Insurance expense	19,202	18,818	38,020	
Depreciations	27,721	9,943	37,664	
Fee expense	15,221	227	15,448	
Miscellaneous disbursements and repairs and maintenance expense	8,189	5,505	13,694	
Utilities expense and fuel fee	10,184	1,202	11,386	
Entertainment expense	6,762	3,882	10,644	
Rent expense	5,857	2,258	8,115	
Postage expenses	4,123	3,451	7,574	
Other expenses	15,220	22,035	37,255	
	$ 805,048	$ 491,898	$ 1,296,946	