

**CHAROEN POKPHAND ENTERPRISE
(TAIWAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
SEPTEMBER 30, 2019 AND 2018**

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.



資誠

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. and subsidiaries (the “Group”) as at September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and nine-month period then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review


We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



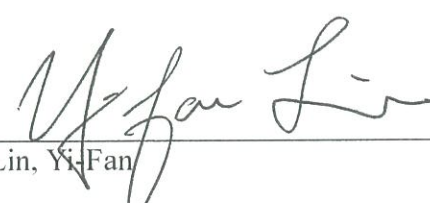
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Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2019 and 2018, and of its consolidated financial performance for the three-month and nine-month period then ended and its consolidated cash flows for the nine-month period then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.



Weng, Shih-Jung



Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

November 5, 2019

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

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

ASSETS	Notes	September 30, 2019		December 31, 2018		September 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 367,052	2	\$ 134,880	1	\$ 152,124	1
1150	Notes receivable, net	6(3)	320,271	2	359,097	2	351,983	2
1170	Accounts receivable, net	6(3)	1,991,466	11	1,778,373	11	1,753,063	11
1180	Accounts receivable - related parties	7	-	-	370,720	3	304,225	2
1200	Other receivables		29,605	-	21,072	-	28,590	-
1210	Other receivables - related parties	7	-	-	14,155	-	10,190	-
130X	Inventories, net	6(4)	1,693,618	9	1,294,023	8	1,465,022	10
1400	Biological assets - current	6(5)	1,386,175	8	1,253,446	8	1,217,823	8
1410	Prepayments		549,271	3	603,932	4	381,183	3
1460	Non-current assets held for sale, net	6(6), 7 and 8	518,373	3	-	-	-	-
1470	Other current assets	6(1) and 8	7,700	-	7,450	-	2,900	-
11XX	Total current assets		<u>6,863,531</u>	<u>38</u>	<u>5,837,148</u>	<u>37</u>	<u>5,667,103</u>	<u>37</u>
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	2,046,856	11	1,782,950	11	1,827,081	12
1600	Property, plant and equipment	6(7) and 8	8,219,212	46	7,617,265	48	7,348,429	48
1755	Right-of-use assets	6(8)	342,420	2	-	-	-	-
1780	Intangible assets	6(9)	14,471	-	15,059	-	15,326	-
1830	Biological assets - non-current	6(5)	380,361	2	347,198	2	337,582	2
1840	Deferred income tax assets		57,615	-	64,611	1	67,988	-
1900	Other non-current assets		109,431	1	125,933	1	115,978	1
15XX	Total non-current assets		<u>11,170,366</u>	<u>62</u>	<u>9,953,016</u>	<u>63</u>	<u>9,712,384</u>	<u>63</u>
1XXX	Total assets		<u>\$ 18,033,897</u>	<u>100</u>	<u>\$ 15,790,164</u>	<u>100</u>	<u>\$ 15,379,487</u>	<u>100</u>

(Continued)

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

LIABILITIES AND EQUITY	Notes	September 30, 2019		December 31, 2018		September 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(10)	\$ 3,245,181	18	\$ 2,768,011	17	\$ 3,002,031	20
2110	Short-term notes and bills payable	6(11)	1,008,784	5	619,270	4	689,470	4
2150	Notes payable		571,539	3	394,109	2	438,781	3
2160	Notes payable - related parties	7	3,150	-	-	-	-	-
2170	Accounts payable		662,480	4	739,122	5	672,271	4
2180	Accounts payable - related parties	7	11,046	-	270,562	2	251,091	2
2200	Other payables	6(12)	759,782	4	764,203	5	596,196	4
2220	Other payables - related parties	7	22,387	-	21,430	-	23,916	-
2230	Current income tax liabilities		111,471	1	207,954	1	130,228	1
2260	Liabilities related to non-current assets held for sale	6(6)	305,475	2	-	-	-	-
2280	Current lease liabilities		17,409	-	-	-	-	-
2300	Other current liabilities	6(13)(14)	868,250	5	599,764	4	611,166	4
21XX	Total current liabilities		<u>7,586,954</u>	<u>42</u>	<u>6,384,425</u>	<u>40</u>	<u>6,415,150</u>	<u>42</u>
Non-current liabilities								
2540	Long-term borrowings	6(13)	2,289,812	12	1,959,750	13	1,793,062	12
2570	Deferred income tax liabilities		20,957	-	18,314	-	18,868	-
2580	Non-current lease liabilities		307,495	2	-	-	-	-
2600	Other non-current liabilities	6(14)	150,814	1	170,990	1	184,331	1
25XX	Total non-current liabilities		<u>2,769,078</u>	<u>15</u>	<u>2,149,054</u>	<u>14</u>	<u>1,996,261</u>	<u>13</u>
2XXX	Total liabilities		<u>10,356,032</u>	<u>57</u>	<u>8,533,479</u>	<u>54</u>	<u>8,411,411</u>	<u>55</u>
Equity attributable to owners of parent								
Share capital								
3110	Share capital - common stock	6(16)	2,679,910	15	2,679,910	17	2,679,910	18
Capital surplus								
3200	Capital surplus	6(17)	1,645	-	1,652	-	1,663	-
Retained earnings								
3310	Legal reserve	6(18)	733,781	4	638,708	4	638,708	4
3350	Unappropriated retained earnings		2,382,334	13	2,341,559	15	2,019,837	13
Other equity interest								
3400	Other equity interest		1,531,757	9	1,270,147	8	1,313,666	8
31XX	Equity attributable to owners of the parent		<u>7,329,427</u>	<u>41</u>	<u>6,931,976</u>	<u>44</u>	<u>6,653,784</u>	<u>43</u>
36XX	Non-controlling interest		<u>348,438</u>	<u>2</u>	<u>324,709</u>	<u>2</u>	<u>314,292</u>	<u>2</u>
3XXX	Total equity		<u>7,677,865</u>	<u>43</u>	<u>7,256,685</u>	<u>46</u>	<u>6,968,076</u>	<u>45</u>
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		<u>\$ 18,033,897</u>	<u>100</u>	<u>\$ 15,790,164</u>	<u>100</u>	<u>\$ 15,379,487</u>	<u>100</u>

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

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

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2019		2018		2019		2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(19) and 7	\$ 5,389,590	100	\$ 4,839,514	100	\$ 15,575,358	100	\$ 13,919,720	100
5000	Operating costs	6(4)(24)(25) and 7	(4,614,951)	(86)	(4,192,473)	(87)	(13,244,203)	(85)	(12,014,895)	(86)
5950	Net operating margin		774,639	14	647,041	13	2,331,155	15	1,904,825	14
	Operating expenses	6(24)(25) and 7								
6100	Selling and marketing expenses		(253,765)	(5)	(226,413)	(5)	(729,397)	(5)	(660,910)	(5)
6200	General and administrative expenses		(137,658)	(2)	(126,134)	(2)	(404,735)	(2)	(397,764)	(3)
6450	Expected credit impairment loss	12(2)	(110)	-	(284)	-	(25)	-	(115)	-
6000	Total operating expenses		(391,533)	(7)	(352,831)	(7)	(1,134,157)	(7)	(1,058,789)	(8)
6500	Other income and expenses, net	6(5)(20)	(5,195)	-	9,667	-	5,657	-	8,575	-
6900	Operating profit		377,911	7	303,877	6	1,202,655	8	854,611	6
	Non-operating income and expenses									
7010	Other income	6(21) and 7	24,929	-	25,431	-	50,236	-	44,913	-
7020	Other gains and losses	6(22)	2,108	-	3,989	-	14,020	-	2,449	-
7050	Finance costs	6(23)	(21,095)	-	(17,838)	-	(57,985)	-	(45,275)	-
7000	Total non-operating income and expenses		5,942	-	11,582	-	6,271	-	2,087	-
7900	Profit before income tax		383,853	7	315,459	6	1,208,926	8	856,698	6
7950	Income tax expense	6(26)	(79,179)	(1)	(66,641)	(1)	(249,815)	(2)	(219,866)	(1)
8000	Profit for the period from continuing operations		304,674	6	248,818	5	959,111	6	636,832	5
8100	Profit (loss) from discontinued operations	6(6)	3,550	-	9,556	-	(1,640)	-	32,774	-
8200	Profit for the period		\$ 308,224	6	\$ 258,374	5	\$ 957,471	6	\$ 669,606	5

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

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2019		2018		2019		2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
Other comprehensive income										
Components of other comprehensive income that will not be reclassified to profit or loss										
8316	Unrealised gain or loss on financial assets at fair value through other comprehensive income	6(2)	(\$ 142,230)	(3)	\$ 108,811	2	\$ 236,564	2	\$ 105,899	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	-	-	-	-	-	-	(4,176)	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		(142,230)	(3)	108,811	2	236,564	2	101,723	1
Components of other comprehensive income that will be reclassified to profit or loss										
8361	Currency translation differences of foreign operations		(8,921)	-	(6,797)	-	23,835	-	40,669	-
8360	Other comprehensive income that will be reclassified to profit or loss		(8,921)	-	(6,797)	-	23,835	-	40,669	-
8300	Total other comprehensive income (loss) for the period		(\$ 151,151)	(3)	\$ 102,014	2	\$ 260,399	2	\$ 142,392	1
8500	Total comprehensive income for the period		\$ 157,073	3	\$ 360,388	7	\$ 1,217,870	8	\$ 811,998	6
Profit attributable to:										
8610	Owners of the parent		\$ 307,947	6	\$ 242,211	5	\$ 939,821	6	\$ 635,247	5
8620	Non-controlling interest		277	-	16,163	-	17,650	-	34,359	-
			\$ 308,224	6	\$ 258,374	5	\$ 957,471	6	\$ 669,606	5
Comprehensive income attributable to:										
8710	Owners of the parent		\$ 159,225	3	\$ 347,029	7	\$ 1,201,431	8	\$ 779,741	6
8720	Non-controlling interest		(2,152)	-	13,359	-	16,439	-	32,257	-
			\$ 157,073	3	\$ 360,388	7	\$ 1,217,870	8	\$ 811,998	6
Earnings per share (in dollars) 6(27)										
9710	Basic earnings per share from continuing operations		\$ 1.14		\$ 0.88		\$ 3.52		\$ 2.28	
9720	Basic earnings (loss) per share from discontinued operations		0.01		0.02		(0.01)		0.09	
9750	Total basic earnings per share		\$ 1.15		\$ 0.90		\$ 3.51		\$ 2.37	
9810	Diluted earnings per share from continuing operations		\$ 1.14		\$ 0.88		\$ 3.52		\$ 2.28	
9820	Diluted earnings (loss) per share from discontinued operations		0.01		0.02		(0.01)		0.09	
9850	Total diluted earnings per share		\$ 1.15		\$ 0.90		\$ 3.51		\$ 2.37	

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

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

	Equity attributable to owners of the parent											
	Notes	Retained Earnings				Other Equity Interest				Total	Non-controlling interest	Total equity
		Share capital - common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets				
For the nine-month period ended September 30, 2018												
Balance at January 1, 2018		\$ 2,679,910	\$ 1,145	\$ 495,401	\$ 2,335,867	(\$ 22,617)	\$ -	\$ 1,187,792	\$ 6,677,498	\$ 280,016	\$ 6,957,514	
Effect of retrospective application and restatement		-	-	-	-	-	1,187,792	(1,187,792)	-	-	-	
Balance after restatement at January 1, 2018		2,679,910	1,145	495,401	2,335,867	(22,617)	1,187,792	-	6,677,498	280,016	6,957,514	
Profit for the period		-	-	-	635,247	-	-	-	635,247	34,359	669,606	
Other comprehensive income (loss) for the period		-	-	-	(3,997)	42,592	105,899	-	144,494	(2,102)	142,392	
Total comprehensive income		-	-	-	631,250	42,592	105,899	-	779,741	32,257	811,998	
Appropriations of 2017 earnings												
Legal reserve	6(18)	-	-	143,307	(143,307)	-	-	-	-	-	-	
Cash dividends to shareholders	6(18)	-	-	-	(803,973)	-	-	-	(803,973)	-	(803,973)	
Capital surplus - dividends not received by shareholders		-	518	-	-	-	-	-	518	-	518	
Cash dividends to non-controlling interest		-	-	-	-	-	-	-	-	(46,981)	(46,981)	
Cash receipt from non-controlling interest of a subsidiary through capital increase in cash		-	-	-	-	-	-	-	-	49,000	49,000	
Balance at September 30, 2018		\$ 2,679,910	\$ 1,663	\$ 638,708	\$ 2,019,837	\$ 19,975	\$ 1,293,691	\$ -	\$ 6,653,784	\$ 314,292	\$ 6,968,076	
For the nine-month period ended September 30, 2019												
Balance at January 1, 2019		\$ 2,679,910	\$ 1,652	\$ 638,708	\$ 2,341,559	\$ 27,240	\$ 1,242,907	\$ -	\$ 6,931,976	\$ 324,709	\$ 7,256,685	
Profit for the period		-	-	-	939,821	-	-	-	939,821	17,650	957,471	
Other comprehensive income (loss) for the period		-	-	-	-	25,046	236,564	-	261,610	(1,211)	260,399	
Total comprehensive income		-	-	-	939,821	25,046	236,564	-	1,201,431	16,439	1,217,870	
Appropriations of 2018 earnings												
Legal reserve	6(18)	-	-	95,073	(95,073)	-	-	-	-	-	-	
Cash dividends to shareholders	6(18)	-	-	-	(803,973)	-	-	-	(803,973)	-	(803,973)	
Capital surplus - dividends not received by shareholders (reversed)		-	(7)	-	-	-	-	-	(7)	-	(7)	
Cash dividends to non-controlling interest		-	-	-	-	-	-	-	-	(41,710)	(41,710)	
Cash receipt from non-controlling interest of a subsidiary through capital increase in cash		-	-	-	-	-	-	-	-	49,000	49,000	
Balance at September 30, 2019		\$ 2,679,910	\$ 1,645	\$ 733,781	\$ 2,382,334	\$ 52,286	\$ 1,479,471	\$ -	\$ 7,329,427	\$ 348,438	\$ 7,677,865	

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

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

	Notes	For the nine-month period ended September 30,	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from continuing operations before tax		\$ 1,208,926	\$ 856,698
Profit from discontinued operations before tax		2,373	43,364
Profit before tax		<u>1,211,299</u>	<u>900,062</u>
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	25	115
Depreciation	6(7)(24)	464,818	407,320
Depreciation of right-of-use	6(8)(24)	28,223	-
Amortisation	6(24)	3,337	2,951
Interest income	6(21)	(12,144)	(10,715)
Interest expense	6(23)	58,605	45,275
Dividend income	6(2)(21)	(45,737)	(42,513)
Provision for loss on inventory market price decline	6(4)	34,184	8,184
Change in fair value less cost to sell of biological assets	6(5)(20)	(5,657)	(8,575)
(Gain) loss on disposal of property, plant and equipment	6(22)	(2,397)	20,841
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		34,482	26,115
Accounts receivable		(213,118)	(140,034)
Accounts receivable - related parties		205,376	(109,630)
Other receivables		(12,087)	(17,057)
Other receivables - related parties		(17,011)	(3,507)
Inventories		(525,919)	(254,549)
Biological assets		(160,427)	(153,796)
Prepayments		41,487	51,241
Changes in operating liabilities			
Notes payable		177,430	(30,861)
Notes payable - related parties		3,150	-
Accounts payable		(51,701)	36,192
Accounts payable - related parties		(86,583)	152,663
Other payables		143,390	(32,701)
Other payables - related parties		957	(4,294)
Accrued pension liabilities		(14,049)	(11,234)
Cash inflow generated from operations		1,259,933	831,493
Cash paid for income tax		(344,023)	(342,428)
Net cash flows from operating activities		<u>915,910</u>	<u>489,065</u>

(Continued)

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

	Notes	For the nine-month period ended September 30,	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other current assets		(\$ 250)	(\$ 900)
Acquisition of property, plant and equipment	6(29)	(1,251,057)	(1,350,346)
Proceeds from disposal of property, plant and equipment		4,242	4,809
Acquisition of intangible assets	6(9)	-	(754)
Decrease (increase) in other non-current assets		9,976	(24)
Cash receipt of interest		12,144	10,715
Cash receipt of dividends	6(2)(21)	45,737	42,513
Net cash flows used in investing activities		(1,179,208)	(1,293,987)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		477,170	740,648
Increase in short-term notes and bills payable		389,514	189,981
Proceeds from long-term borrowings		3,150,000	2,050,000
Payment of long-term borrowings		(2,544,938)	(1,425,000)
Payment of lease liability	6(8)	(45,846)	-
Cash payment for interest		(60,961)	(44,662)
Cash dividends paid	6(18)	(803,973)	(803,973)
Cash receipt from non-controlling interest of a subsidiary through capital increase/establishment		49,000	49,000
Cash dividends paid to non-controlling interest		(41,710)	(46,981)
Capital surplus - dividends not received by shareholders (reversed)		(7)	518
Net cash flows from financing activities		568,249	709,531
Effects of changes in foreign exchange rate		(756)	528
Non-current assets held for sale - cash	6(6)	(72,023)	-
Net increase (decrease) in cash and cash equivalents		232,172	(94,863)
Cash and cash equivalents at beginning of period	6(1)	134,880	246,987
Cash and cash equivalents at end of period	6(1)	\$ 367,052	\$ 152,124

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

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were reported to the Board of Directors on November 1, 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 the FSC effective from 2019 are as follows:

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

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

IFRS 16, 'Leases'

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2018, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standards 34, 'Interim Financial Reporting' as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through other comprehensive income.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
 - (c) Biological assets measured at fair value less costs to sell.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements is consistent with that of the year ended December 31, 2018.

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
The Company	Plenty Type Limited (Cayman Islands)	Management of producing and non-producing business investments	100.00	100.00	100.00	
The Company	Charoen Pokphand (Taiwan) Co., Ltd.	Management of importing and exporting business	90.00	90.00	90.00	
The Company	Arbor Acres (Taiwan) Co., Ltd.	Husbandry, management of chickens to produce breeder chicken and daily chicken	50.00	50.00	50.00	Note

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
The Company	Rui Mu Foods Co., Ltd.	Management of layers and related business	52.00	52.00	52.00	
The Company	Rui Fu Foods Co., Ltd.	Management of layers and related business	51.00	51.00	51.00	
Plenty Type Limited (Cayman Islands)	Chia Tai Lianyungang Co., Ltd.	Management of producing and non-producing business investments	99.99	99.99	99.99	
Chia Tai Lianyungang Co., Ltd.	Lianyungang Chia Tai Agro-industry Development Co., Ltd.	Feeds producing, poultry raising, processing and sales	70.00	70.00	70.00	

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

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

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

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

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

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments, less any lease incentives receivable.

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

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

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

(6) Leased assets / leases (lessee)

Prior to 2019

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

(7) Income tax

- A. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

- B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income.

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

There have been no significant changes as of September 30, 2019. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Cash on hand and revolving funds	\$ 6,126	\$ 9,478	\$ 6,762
Checking accounts	28,661	3,031	2,422
Demand deposits	404,288	122,371	142,940
Total	439,075	134,880	152,124
Less: Non-current assets held for sale	(72,023)	-	-
	<u>\$ 367,052</u>	<u>\$ 134,880</u>	<u>\$ 152,124</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. On September 30, 2019, the Group has restricted cash and cash equivalents pledged as collateral totalling \$7,700, and classified as other financial assets and shown as 'other current assets'. Please refer to Note 8 for details.

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

<u>Items</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 515,155	\$ 507,724	\$ 506,005
Valuation adjustment	1,531,701	1,275,226	1,321,076
	<u>\$ 2,046,856</u>	<u>\$ 1,782,950</u>	<u>\$ 1,827,081</u>

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

	<u>For the three-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 142,230)	\$ 108,811
Dividend income recognised in profit or loss held at end of period	\$ 23,446	\$ 24,874
	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 236,564	\$ 105,899
Dividend income recognised in profit or loss held at end of period	\$ 45,737	\$ 42,513

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

(3) Notes and accounts receivable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Notes receivable	\$ 324,615	\$ 359,097	\$ 351,983
Less: Non-current assets held for sale	(4,344)	-	-
	<u>\$ 320,271</u>	<u>\$ 359,097</u>	<u>\$ 351,983</u>
Accounts receivable	\$ 1,993,820	\$ 1,780,742	\$ 1,755,501
Less: Allowance for uncollectible accounts	(2,354)	(2,369)	(2,438)
	<u>\$ 1,991,466</u>	<u>\$ 1,778,373</u>	<u>\$ 1,753,063</u>

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current	\$ 1,847,798	\$ 1,711,849	\$ 1,670,274
Up to 180 days	142,972	66,149	81,956
181 to 365 days	2,439	2,181	2,246
Over one year	611	563	1,025
	<u>\$ 1,993,820</u>	<u>\$ 1,780,742</u>	<u>\$ 1,755,501</u>

The above ageing analysis was based on past due date.

B. As of September 30, 2019, December 31, 2018 and September 30, 2018, accounts receivable and

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

C. As of September 30, 2019, December 31, 2018 and September 30, 2018, all the Group's notes receivable were not past due.

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

	September 30, 2019	December 31, 2018	September 30, 2018
With guarantee	\$ 122,359	\$ 135,655	\$ 131,018
Without guarantee	1,871,461	1,645,087	1,624,483
	<u>\$ 1,993,820</u>	<u>\$ 1,780,742</u>	<u>\$ 1,755,501</u>

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

E. As at September 30, 2019, December 31, 2018 and September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was \$324,615, \$359,097 and \$351,983, respectively, while the amount that best represents the Group's accounts receivable was \$1,991,466, \$1,778,373 and \$1,753,063, respectively.

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

(4) Inventories

	September 30, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 962,060	\$ -	\$ 962,060
Packing supplies	28,020	(300)	27,720
Work in progress	24,433	-	24,433
Finished goods	759,078	(48,920)	710,158
General merchandise	45,826	(63)	45,763
Inventory in transit	15,624	-	15,624
	1,835,041	(49,283)	1,785,758
Less: Non-current assets held for sale	(92,140)	-	(92,140)
	<u>\$ 1,742,901</u>	<u>(\$ 49,283)</u>	<u>\$ 1,693,618</u>

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

September 30, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 895,308	\$ -	\$ 895,308
Packing supplies	23,935	-	23,935
Work in progress	30,261	-	30,261
Finished goods	485,663	(15,565)	470,098
General merchandise	29,348	(280)	29,068
Inventory in transit	16,352	-	16,352
	<u>\$ 1,480,867</u>	<u>(\$ 15,845)</u>	<u>\$ 1,465,022</u>

The cost of inventories recognised as expense for the period:

	For the three-month period ended September 30,	
	2019	2018
Cost of goods sold	\$ 4,981,053	\$ 4,885,639
Loss on decline in market value	13,803	1,272
Others	593	(825)
Less: Operating costs from discontinued operations	(380,498)	(693,613)
	<u>\$ 4,614,951</u>	<u>\$ 4,192,473</u>

	For the nine-month period ended September 30,	
	2019	2018
Cost of goods sold	\$ 14,256,142	\$ 13,749,369
Loss on decline in market value	34,184	8,184
Others	(2,760)	(600)
Less: Operating costs from discontinued operations	(1,043,363)	(1,742,058)
	<u>\$ 13,244,203</u>	<u>\$ 12,014,895</u>

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

(5) Biological assets

A. Biological assets

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Biological assets - current:			
Consumable biological assets	\$ 1,087,745	\$ 992,020	\$ 981,976
Consumable biological assets - changes in fair value less costs to sell	42,192	36,535	37,857
Bearer biological assets	516,122	391,483	395,473
Bearer biological assets - accumulated depreciation	(259,692)	(166,592)	(197,483)
	<u>1,386,367</u>	<u>1,253,446</u>	<u>1,217,823</u>
Less: Non-current assets held for sale	(192)	-	-
	<u>\$ 1,386,175</u>	<u>\$ 1,253,446</u>	<u>\$ 1,217,823</u>
Biological assets - non-current:			
Bearer biological assets	\$ 459,894	\$ 418,758	\$ 405,366
Bearer biological assets - accumulated depreciation	(79,533)	(71,560)	(67,784)
	<u>\$ 380,361</u>	<u>\$ 347,198</u>	<u>\$ 337,582</u>

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

B. Movements of biological assets were as follows:

	<u>2019</u>	<u>2018</u>
At January 1	\$ 1,600,644	\$ 1,393,034
Purchases	774,969	913,192
Costs and expenses input	5,100,184	4,398,979
Sales	(2,219,896)	(2,092,203)
Gains on changes in fair value less cost to sell	5,657	8,575
Transfer to inventories	(3,489,433)	(3,053,211)
Others	(5,397)	(12,961)
At September 30	<u>1,766,728</u>	<u>1,555,405</u>
Less: Non-current assets held for sale	(192)	-
	<u>\$ 1,766,536</u>	<u>\$ 1,555,405</u>

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

The market prices or fair values at the present condition of breeders are unavailable due to short production cycle; the market prices or fair values at present condition of broiler chickens are difficult to obtain. The valuation based on a discounted cash flow method is considered unreliable given the uncertainty with respect to external factors such as climate, weather, diseases etc. Therefore, breeders and broiler chicken are measured using the cost approach. Cost of biological assets includes all costs incurred during the growth cycle such as cost of new-born animals, feed costs, and other farm costs. Bearer biological assets are depreciated using the straight-line method through the productive period of each biological asset. The productive period of breeder swine is approximately 24 ~ 36 months; the productive period of breeder chickens is approximately 30 weeks ~ 1 year. For the three-month and nine-month period ended September 30, 2019 and 2018, depreciation expense of biological assets amounted to \$98,881, \$69,531, \$269,855 and \$208,975, respectively.

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Livestock production:			
Estimates of physical quantities (Units: heads)	<u>6,227,766</u>	<u>5,516,040</u>	<u>5,039,473</u>
Aquatic production:			
Estimates of physical quantities (Units: KG)	<u>-</u>	<u>318,313</u>	<u>201,255</u>
Estimates of physical quantities (Units: heads)	<u>1,500,000</u>	<u>-</u>	<u>-</u>

E. Financial risk management policies

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

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

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

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

	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating cash flows	\$ 116,792	\$ 38,289
Investing cash flows	(5,697)	(14,655)
Financing cash flows	(53,710)	(21,565)
Total cash flows	<u>\$ 57,385</u>	<u>\$ 2,069</u>

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

	<u>September 30, 2019</u>
Cash and cash equivalents	\$ 72,023
Notes receivable	4,344
Accounts receivable - related parties	165,344
Other receivables	3,554
Other receivables - related parties	31,166
Inventories	92,140
Biological assets	192
Prepayments	15,560
Property, plant and equipment	121,521
Deferred income tax assets	8,632
Other non-current assets	3,897
	<u>\$ 518,373</u>

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

	<u>September 30, 2019</u>
Accounts payable	\$ 24,940
Accounts payable to related parties	172,933
Other payables	102,299
Current income tax liabilities	5,303
	<u>\$ 305,475</u>

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

	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Operating revenue	\$ 1,127,582	\$ 1,887,339
Operating costs	(1,043,363)	(1,742,058)
Operating expenses	(93,620)	(114,188)
Total non-operating income and expenses	<u>11,774</u>	<u>12,271</u>
Profit before tax of discontinued operations	2,373	43,364
Income tax expense	(4,013)	(10,590)
(Loss) profit after tax of discontinued operations	<u><u>(\$ 1,640)</u></u>	<u><u>\$ 32,774</u></u>
Attributable to:		
Discontinued operations of parent company	(\$ 1,148)	\$ 22,942
Non-controlling interest	(492)	9,832
(Loss) profit after tax of discontinued operations	<u><u>(\$ 1,640)</u></u>	<u><u>\$ 32,774</u></u>

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

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

(7) Property, plant and equipment

	Land	Land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2019</u>									
Cost	\$ 2,131,816	\$ 96,928	\$ 3,276,514	\$ 3,806,059	\$ 273,253	\$ 965,801	\$ 792,432	\$ 593,269	\$ 11,936,072
Accumulated depreciation and impairment	-	(34,726)	(1,242,450)	(2,137,433)	(166,031)	(444,698)	(306,002)	-	(4,331,340)
	<u>\$ 2,131,816</u>	<u>\$ 62,202</u>	<u>\$ 2,034,064</u>	<u>\$ 1,668,626</u>	<u>\$ 107,222</u>	<u>\$ 521,103</u>	<u>\$ 486,430</u>	<u>\$ 593,269</u>	<u>\$ 7,604,732</u>
<u>2019</u>									
Opening net book amount as at January 1	\$ 2,131,816	\$ 62,202	\$ 2,034,064	\$ 1,668,626	\$ 107,222	\$ 521,103	\$ 486,430	\$ 593,269	\$ 7,604,732
Additions	43,120	28,684	272,700	88,137	22,252	6,197	74,914	669,511	1,205,515
Disposals	-	-	-	-	(1,845)	-	-	-	(1,845)
Reclassifications	129,160	26,983	222,333	117,471	-	10,565	75,139	(581,651)	-
Depreciation	-	(7,476)	(131,946)	(176,336)	(27,377)	(67,708)	(53,975)	-	(464,818)
Net exchange differences	-	-	(823)	(1,751)	(64)	-	(205)	(8)	(2,851)
Closing net book amount as at September 30	<u>\$ 2,304,096</u>	<u>\$ 110,393</u>	<u>\$ 2,396,328</u>	<u>\$ 1,696,147</u>	<u>\$ 100,188</u>	<u>\$ 470,157</u>	<u>\$ 582,303</u>	<u>\$ 681,121</u>	<u>\$ 8,340,733</u>
<u>At September 30, 2019</u>									
Cost	\$ 2,304,096	\$ 152,595	\$ 3,710,817	\$ 3,963,274	\$ 281,460	\$ 981,315	\$ 931,411	\$ 681,121	\$ 13,006,089
Accumulated depreciation and impairment	-	(42,202)	(1,314,489)	(2,267,127)	(181,272)	(511,158)	(349,108)	-	(4,665,356)
	2,304,096	110,393	2,396,328	1,696,147	100,188	470,157	582,303	681,121	8,340,733
Less: Transferred non-current assets held for sales	-	-	(33,601)	(77,895)	(3,131)	-	(6,894)	-	(121,521)
	<u>\$ 2,304,096</u>	<u>\$ 110,393</u>	<u>\$ 2,362,727</u>	<u>\$ 1,618,252</u>	<u>\$ 97,057</u>	<u>\$ 470,157</u>	<u>\$ 575,409</u>	<u>\$ 681,121</u>	<u>\$ 8,219,212</u>

	Land	Land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2018</u>									
Cost	\$ 1,718,826	\$ 70,105	\$ 2,567,038	\$ 3,541,712	\$ 252,921	\$ 947,342	\$ 656,167	\$ 732,387	\$ 10,486,498
Accumulated depreciation and impairment	-	(30,580)	(1,155,135)	(2,027,022)	(145,645)	(357,779)	(255,175)	-	(3,971,336)
	<u>\$ 1,718,826</u>	<u>\$ 39,525</u>	<u>\$ 1,411,903</u>	<u>\$ 1,514,690</u>	<u>\$ 107,276</u>	<u>\$ 589,563</u>	<u>\$ 400,992</u>	<u>\$ 732,387</u>	<u>\$ 6,515,162</u>
<u>2018</u>									
Opening net book amount as at January 1	\$ 1,718,826	\$ 39,525	\$ 1,411,903	\$ 1,514,690	\$ 107,276	\$ 589,563	\$ 400,992	\$ 732,387	\$ 6,515,162
Additions	15,830	10,378	100,408	77,566	25,492	11,056	80,128	948,915	1,269,773
Disposals	-	-	(7,370)	(13,329)	(2,196)	(118)	(2,637)	-	(25,650)
Reclassifications	388,933	2,131	440,982	160,690	13,952	8,404	45,351	(1,060,443)	-
Depreciation	-	(3,981)	(102,537)	(155,656)	(29,899)	(69,367)	(45,880)	-	(407,320)
Net exchange differences	-	-	(916)	(2,456)	(80)	-	(84)	-	(3,536)
Closing net book amount as at September 30	<u>\$ 2,123,589</u>	<u>\$ 48,053</u>	<u>\$ 1,842,470</u>	<u>\$ 1,581,505</u>	<u>\$ 114,545</u>	<u>\$ 539,538</u>	<u>\$ 477,870</u>	<u>\$ 620,859</u>	<u>\$ 7,348,429</u>
<u>At September 30, 2018</u>									
Cost	\$ 2,123,589	\$ 81,732	\$ 3,054,227	\$ 3,680,951	\$ 276,322	\$ 961,807	\$ 772,406	\$ 620,859	\$ 11,571,893
Accumulated depreciation and impairment	-	(33,679)	(1,211,757)	(2,099,446)	(161,777)	(422,269)	(294,536)	-	(4,223,464)
	<u>\$ 2,123,589</u>	<u>\$ 48,053</u>	<u>\$ 1,842,470</u>	<u>\$ 1,581,505</u>	<u>\$ 114,545</u>	<u>\$ 539,538</u>	<u>\$ 477,870</u>	<u>\$ 620,859</u>	<u>\$ 7,348,429</u>

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

	For the three-month period ended September 30,	
	2019	2018
Amount capitalised	\$ 881	\$ 835
Interest rate range	1.12%~1.63%	1.10%~1.63%

	For the nine-month period ended September 30,	
	2019	2018
Amount capitalised	\$ 3,415	\$ 3,029
Interest rate range	1.12%~1.63%	1.10%~1.63%

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

C. As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group held 175 parcels, 179 parcels and 175 parcels of agricultural land, respectively. The carrying amounts of land registered under the title of others amounted to \$891,441, \$876,746 and \$898,518, respectively. These parcels of land are registered under the title of individuals, however, the Company has agreements with those individuals to pledge these agricultural land to the Company.

(8) Leasing arrangements - lessee

Effective 2019

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

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

	At September 30, 2019	For the three-month period ended September 30, 2019
	Carrying amount	Depreciation charge
Land	\$ 322,228	\$ 6,594
Buildings	8,012	1,288
Transportation equipment (Business vehicles)	4,040	727
Other equipment	8,140	1,363
	\$ 342,420	\$ 9,972

	For the nine-month period ended September 30, 2019
	<u>Depreciation charge</u>
Land	\$ 19,385
Buildings	2,864
Transportation equipment (Business vehicles)	2,101
Other equipment	3,873
	<u>\$ 28,223</u>

- C. For the three-month and nine-month period ended September 30, 2019, the additions to right-of-use assets were \$5,914 and \$10,776, respectively.
- D. The Group has no significant profit or loss in relation to lease contracts for the three-month and nine-month period ended September 30, 2019.
- E. For the three-month and nine-month period ended September 30, 2019, the Group's total cash outflow for leases was \$11,217 and \$45,846, respectively.

(9) Intangible assets

	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2019</u>			
Cost	\$ 10,568	\$ 13,430	\$ 23,998
Accumulated amortisation and impairment	(8,939)	-	(8,939)
	<u>\$ 1,629</u>	<u>\$ 13,430</u>	<u>\$ 15,059</u>
<u>2019</u>			
At January 1	\$ 1,629	\$ 13,430	\$ 15,059
Amortisation	(785)	-	(785)
Net exchange differences	-	197	197
At September 30	<u>\$ 844</u>	<u>\$ 13,627</u>	<u>\$ 14,471</u>
<u>At September 30, 2019</u>			
Cost	\$ 10,568	\$ 13,627	\$ 24,195
Accumulated amortisation and impairment	(9,724)	-	(9,724)
	<u>\$ 844</u>	<u>\$ 13,627</u>	<u>\$ 14,471</u>

	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1, 2018</u>			
Cost	\$ 9,814	\$ 13,061	\$ 22,875
Accumulated amortisation and impairment	(7,767)	-	(7,767)
	<u>\$ 2,047</u>	<u>\$ 13,061</u>	<u>\$ 15,108</u>
<u>2018</u>			
At January 1	\$ 2,047	\$ 13,061	\$ 15,108
Additions	754	-	754
Amortisation	(859)	-	(859)
Net exchange differences	-	323	323
At September 30	<u>\$ 1,942</u>	<u>\$ 13,384</u>	<u>\$ 15,326</u>
<u>At September 30, 2018</u>			
Cost	\$ 10,568	\$ 13,384	23,952
Accumulated amortisation and impairment	(8,626)	-	(8,626)
	<u>\$ 1,942</u>	<u>\$ 13,384</u>	<u>\$ 15,326</u>

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	\$ 2,999,711	1.04%~1.69%	None
Letters of credit	245,470	2.57%~2.94%	None
	<u>\$ 3,245,181</u>		
<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	\$ 2,604,350	1.04%~1.75%	None
Letters of credit	141,433	3.28%~4.12%	None
Secured borrowings	22,228	4.79%	Land use right and building
	<u>\$ 2,768,011</u>		
<u>Type of borrowings</u>	<u>September 30, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	\$ 2,923,173	1.00%~4.79%	Land use right and building
Letters of credit	78,858	2.79%~3.46%	None
	<u>\$ 3,002,031</u>		

(11) Short-term notes and bills payable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Commercial paper payable	\$ 1,010,000	\$ 620,000	\$ 690,000
Less: Unamortised discounts	(1,216)	(730)	(530)
	<u>\$ 1,008,784</u>	<u>\$ 619,270</u>	<u>\$ 689,470</u>
Interest rates range	0.34%~0.94%	0.64%~0.94%	0.64%~0.93%

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

(12) Other payables

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Accrued salary	\$ 335,345	\$ 344,043	\$ 297,155
Payables for machinery and equipment	16,621	62,163	11,169
Contract liabilities	170,792	100,652	13,587
Others	<u>339,323</u>	<u>257,345</u>	<u>274,285</u>
	862,081	764,203	596,196
Less: Liabilities directly related to non-current assets held for sale	(102,299)	-	-
	<u>\$ 759,782</u>	<u>\$ 764,203</u>	<u>\$ 596,196</u>

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>September 30, 2019</u>
Secured loans	2016.9.26~2026.04.03	1.42%~1.63%	\$ 918,062
Unsecured credit loans	2017.9.6~2022.10.27	1.03%~1.50%	<u>2,240,000</u>
			3,158,062
Less: Current portion (shown as 'Other current liabilities')			(868,250)
			<u>\$ 2,289,812</u>

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

Type of borrowings	Borrowing period	Interest rate range	September 30, 2018
Secured loans	2016.5.28~2022.12.15	1.42%~1.69%	\$ 918,000
Unsecured credit loans	2017.8.1~2022.10.27	1.03%~1.42%	1,480,000
			<u>2,398,000</u>
Less: Current portion (shown as ‘Other current liabilities’)			(604,938)
			<u>\$ 1,793,062</u>

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

(14) Finance lease liabilities

Prior to 2019

- A. The Group signed finance lease contracts to lease transportation equipment from Pro Leasing & Rental Co., Ltd., Avis Car Rental Co., Ltd., Ho-Hsin Truck Leasing Co., Ltd. Shung-Ye Leasing & Rental Co., Ltd. and Carplus Auto Leasing Co., Ltd. The lease terms cover the majority of the total estimated economic lives of the leased assets.
- B. The Group signed finance lease contracts to lease other equipment from Taiwan Warehouse Solution Corp., Tay Warehouse Equipment Co., Ltd., Yiyi Warehouse Equipment Co., Ltd., Power Handling Co., Ltd., Taiwan Shih Ban Industrial Co., Ltd., and Tedson Machine Co., Ltd.. The lease terms cover the majority of the total estimated economic lives of the leased assets.
- C. Future minimum lease payments and their present values as at December 31, 2018 and September 30, 2018 are as follows:

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

	September 30, 2018		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
<u>Current</u> (shown as “Other current liabilities”)			
Not later than one year	\$ 6,369	(\$ 141)	\$ 6,228
<u>Non-current</u> (shown as “Other non-current liabilities”)			
Later than one year but not later than five years	6,757	(68)	6,689
	<u>\$ 13,126</u>	<u>(\$ 209)</u>	<u>\$ 12,917</u>

(15) Pensions

A. Defined benefit plans

- (a) The Company and its domestic subsidiaries have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit plans, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to specific percentage of the employees’ monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balances are insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$1,142, \$1,572, \$3,423 and \$4,714 for the three-month and nine-month period ended September 30, 2019 and 2018, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2019 have no material differences from actual contributions for the year ended December 31, 2018.

B. Defined contribution plans

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of retirement employment. The pension costs for the aforementioned defined contribution pension plans of the Group for the three-month and nine-month period ended September 30, 2019 and 2018 were \$11,505, \$10,512, \$33,353 and \$30,727, respectively.
- (b) The Company’s Mainland China subsidiary, Lianyungang Chia Tai Agro-industry Development Co., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage has been adjusted to 16% since May 1, 2019 and was both 20% for the four-month period ended April 30, 2019 and for the nine-month period ended September 30, 2018. Other than the monthly contributions, the Group has no further obligations. The pension costs for the aforementioned defined contribution pension plans of the Group for the three-month and nine-month period ended September 30, 2019 and 2018 were \$2,016, \$2,513, \$5,477 and \$5,885, respectively.

(16) Share capital - common stocks

As of September 30, 2019, the Company’s authorised capital was \$3,579,000, consisting of 357,900 thousand shares of common stock, and the paid-in capital was \$2,679,910, consisting of 267,991 thousand shares of common stock with a par value of \$10 (in dollars) per share. All proceeds from shares issuance have been collected.

For the nine-month period ended September 30, 2019 and 2018, there were no changes in the number of the Company’s ordinary shares outstanding.

(17) Capital surplus

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

(18) Retained earnings

A. Under the Company’s Articles of Incorporation, the current year’s earnings, if any, shall first be used to pay all taxes and offset prior years’ operating losses and then 10% of the remaining

amount shall be set aside as legal reserve. A special reserve is set aside or reversed in accordance with related laws or Competent Authority. The remainder, if any, along with the accumulated unappropriated earnings in prior years, shall be distributed as shareholders' bonus as resolved by the shareholders. Cash dividends to shareholders shall account for at least 10% of the total dividends to shareholders. If cash dividend is lower than \$0.1 (in dollars) per share, dividends are distributed using share dividends.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations of earnings for 2018 and 2017 have been resolved at the shareholders' meetings on June 26, 2019 and June 13, 2018, respectively, as follows:

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

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

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

(19) Operating revenue

	For the three-month period ended September 30,	
	2019	2018
Revenue from contracts with customers	\$ 5,807,973	\$ 5,586,602
Less: Operating revenue from discontinued operations	(418,383)	(747,088)
	\$ 5,389,590	\$ 4,839,514

	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue from contracts with customers	\$ 16,702,940	\$ 15,807,059
Less: Operating revenue from discontinued operations	(1,127,582)	(1,887,339)
	<u>\$ 15,575,358</u>	<u>\$ 13,919,720</u>

A. Disaggregation of revenue from contracts with customers

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

<u>For the three-month period ended</u>	<u>Domestic</u>	<u>Asia</u>	<u>Total</u>
<u>September 30, 2019</u>			
Total segment revenue	\$ 5,498,293	\$ 418,383	\$ 5,916,676
Inter-segment revenue	(108,703)	-	(108,703)
Revenue from external customer contracts	<u>\$ 5,389,590</u>	<u>\$ 418,383</u>	<u>\$ 5,807,973</u>
Timing of revenue recognition			
At a point in time	\$ 5,389,590	\$ 418,383	\$ 5,807,973
Less: Operating revenue from discontinued operations	-	(418,383)	(418,383)
	<u>\$ 5,389,590</u>	<u>\$ -</u>	<u>\$ 5,389,590</u>
<u>For the three-month period ended</u>	<u>Domestic</u>	<u>Asia</u>	<u>Total</u>
<u>September 30, 2018</u>			
Total segment revenue	\$ 4,916,306	\$ 747,088	\$ 5,663,394
Inter-segment revenue	(76,792)	-	(76,792)
Revenue from external customer contracts	<u>\$ 4,839,514</u>	<u>\$ 747,088</u>	<u>\$ 5,586,602</u>
Timing of revenue recognition			
At a point in time	\$ 4,839,514	\$ 747,088	\$ 5,586,602
Less: Operating revenue from discontinued operations	-	(747,088)	(747,088)
	<u>\$ 4,839,514</u>	<u>\$ -</u>	<u>\$ 4,839,514</u>

<u>For the nine-month period ended</u>	<u>Domestic</u>	<u>Asia</u>	<u>Total</u>
<u>September 30, 2019</u>			
Total segment revenue	\$ 15,877,231	\$ 1,127,582	\$ 17,004,813
Inter-segment revenue	(301,873)	-	(301,873)
Revenue from external customer contracts	<u>\$ 15,575,358</u>	<u>\$ 1,127,582</u>	<u>\$ 16,702,940</u>
Timing of revenue recognition			
At a point in time	\$ 15,575,358	\$ 1,127,582	\$ 16,702,940
Less: Operating revenue from discontinued operations	-	(1,127,582)	(1,127,582)
	<u>\$ 15,575,358</u>	<u>\$ -</u>	<u>\$ 15,575,358</u>
<u>For the nine-month period ended</u>	<u>Domestic</u>	<u>Asia</u>	<u>Total</u>
<u>September 30, 2018</u>			
Total segment revenue	\$ 14,127,448	\$ 1,887,339	\$ 16,014,787
Inter-segment revenue	(207,728)	-	(207,728)
Revenue from external customer contracts	<u>\$ 13,919,720</u>	<u>\$ 1,887,339</u>	<u>\$ 15,807,059</u>
Timing of revenue recognition			
At a point in time	\$ 13,919,720	\$ 1,887,339	\$ 15,807,059
Less: Operating revenue from discontinued operations	-	(1,887,339)	(1,887,339)
	<u>\$ 13,919,720</u>	<u>\$ -</u>	<u>\$ 13,919,720</u>

B. Contract liabilities

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>	<u>January 1, 2018</u>
Contract liabilities:				
Contract liabilities - advance receipts	\$ 170,792	\$ 100,652	\$ 13,587	\$ 82,423
Less: Transferred liabilities				
directly related to non-current assets	(20,792)	-	-	-
	<u>\$ 150,000</u>	<u>\$ 100,652</u>	<u>\$ 13,587</u>	<u>\$ 82,423</u>

C. Information on revenue categorised by nature is provided in Note 14(2).

(20) 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.

	<u>For the three-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Other income and expenses, net	(\$ 5,195)	\$ 9,667

	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Other income and expenses, net	\$ 5,657	\$ 8,575

(21) Other income

	<u>For the three-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest income:		
Interest income from bank deposits	\$ 2,754	\$ 4,421
Rental income	1,456	460
Dividend income	23,446	24,874
Less: Other income from discontinued operations	(2,727)	(4,324)
	<u>\$ 24,929</u>	<u>\$ 25,431</u>

	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest income:		
Interest income from bank deposits	\$ 12,144	\$ 10,715
Rental income	4,280	2,143
Dividend income	45,737	42,513
Less: Other income from discontinued operations	(11,925)	(10,458)
	<u>\$ 50,236</u>	<u>\$ 44,913</u>

(22) Other gains and losses

	<u>For the three-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Gains (losses) on disposal of property, plant and equipment	\$ 1,342	(\$ 16,990)
Foreign exchange losses	(63)	(3,207)
Other gains and losses	1,065	25,318
Less: Other gains and losses from discontinued operations	(236)	(1,132)
	<u>\$ 2,108</u>	<u>\$ 3,989</u>

	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Gains (losses) on disposal of property, plant and equipment	\$ 2,397	(\$ 20,841)
Foreign exchange gains (losses)	2,977	(5,212)
Other gains and losses	9,115	30,315
Less: Other gains and losses from discontinued operations	(469)	(1,813)
	<u>\$ 14,020</u>	<u>\$ 2,449</u>

(23) Finance costs

	<u>For the three-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest expense	\$ 21,166	\$ 17,838
Less: Finance costs from discontinued operations	(71)	-
	<u>\$ 21,095</u>	<u>\$ 17,838</u>

	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest expense	\$ 58,605	\$ 45,275
Less: Finance costs from discontinued operations	(620)	-
	<u>\$ 57,985</u>	<u>\$ 45,275</u>

(24) Expenses by nature (Including discontinued operations)

	<u>For the three-month period ended September 30, 2019</u>		
	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense	\$ 326,664	\$ 175,748	\$ 502,412
Depreciation on property, plant and equipment	149,894	10,445	160,339
Depreciation on right-of-use assets	8,158	1,814	9,972
Amortisation	821	338	1,159
	<u>\$ 485,537</u>	<u>\$ 188,345</u>	<u>\$ 673,882</u>

For the three-month period ended September 30, 2018

	Operating cost	Operating expenses	Total
Employee benefit expense	\$ 277,298	\$ 163,731	\$ 441,029
Depreciation on property, plant and equipment	130,956	10,779	141,735
Amortisation	686	387	1,073
	<u>\$ 408,940</u>	<u>\$ 174,897</u>	<u>\$ 583,837</u>

For the nine-month period ended September 30, 2019

	Operating cost	Operating expenses	Total
Employee benefit expense	\$ 950,796	\$ 512,739	\$ 1,463,535
Depreciation on property, plant and equipment	435,151	29,667	464,818
Depreciation on right-of- use assets	23,268	4,955	28,223
Amortisation	2,285	1,052	3,337
	<u>\$ 1,411,500</u>	<u>\$ 548,413</u>	<u>\$ 1,959,913</u>

For the nine-month period ended September 30, 2018

	Operating cost	Operating expenses	Total
Employee benefit expense	\$ 810,591	\$ 501,942	\$ 1,312,533
Depreciation on property, plant and equipment	375,227	32,093	407,320
Amortisation	1,860	1,091	2,951
	<u>\$ 1,187,678</u>	<u>\$ 535,126</u>	<u>\$ 1,722,804</u>

(25) Employee benefit expense (Including discontinued operations)

	For the three-month period ended September 30, 2019		
	Operating cost	Operating expenses	Total
Wages and salaries	\$ 277,068	\$ 156,119	\$ 433,187
Labor and health insurance	24,926	8,646	33,572
Pension costs	8,673	5,990	14,663
Other personnel expenses	15,997	4,993	20,990
	<u>\$ 326,664</u>	<u>\$ 175,748</u>	<u>\$ 502,412</u>

	For the three-month period ended September 30, 2018		
	Operating cost	Operating expenses	Total
Wages and salaries	\$ 233,973	\$ 143,413	\$ 377,386
Labor and health insurance	21,733	8,093	29,826
Pension costs	8,333	6,264	14,597
Other personnel expenses	13,259	5,961	19,220
	<u>\$ 277,298</u>	<u>\$ 163,731</u>	<u>\$ 441,029</u>

	For the nine-month period ended September 30, 2019		
	Operating cost	Operating expenses	Total
Wages and salaries	\$ 806,827	\$ 454,316	\$ 1,261,143
Labor and health insurance	74,715	27,918	102,633
Pension costs	25,016	17,237	42,253
Other personnel expenses	44,238	13,268	57,506
	<u>\$ 950,796</u>	<u>\$ 512,739</u>	<u>\$ 1,463,535</u>

	For the nine-month period ended September 30, 2018		
	Operating cost	Operating expenses	Total
Wages and salaries	\$ 683,631	\$ 442,766	\$ 1,126,397
Labor and health insurance	65,418	26,614	92,032
Pension costs	23,909	17,417	41,326
Other personnel expenses	37,633	15,145	52,778
	<u>\$ 810,591</u>	<u>\$ 501,942</u>	<u>\$ 1,312,533</u>

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

- A. According to the Articles of Incorporation of the Company, an amount equal to at least 1% of the Company's distributable profit of the current year should be appropriated as employees' compensation expense. If the Company has an accumulated deficit, earnings should be reserved to cover the accumulated losses in advance.

B. For the three-month and nine-month period ended September 30, 2019 and 2018, employees' compensation was accrued at \$3,907, \$2,853, \$11,941 and \$8,401, respectively. The aforementioned amounts were recognised in wages and salaries expense.

For the nine-month period ended September 30, 2019, the employees' compensation was estimated and accrued based on 1% (as prescribed by the Company's Articles of Incorporation) of distributable profit of current year as of the end of reporting period.

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

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>For the three-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the period	\$ 81,546	\$ 83,780
Tax on undistributed surplus earnings	-	-
Prior year income tax (over) underestimation	-	-
Total current tax	<u>81,546</u>	<u>83,780</u>
Deferred tax:		
Origination and reversal of temporary differences	(901)	(13,524)
Impact of change in tax rate	-	-
Total deferred tax	<u>(901)</u>	<u>(13,524)</u>
Income tax expense	80,645	70,256
Less: Income tax expenses from discontinued operations	<u>(1,466)</u>	<u>(3,615)</u>
	<u>\$ 79,179</u>	<u>\$ 66,641</u>

	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profits for the period	\$ 250,478	\$ 203,162
Tax on undistributed surplus earnings	2,696	46,499
Prior year income tax (over) underestimation	(109)	112
Total current tax	<u>253,065</u>	<u>249,773</u>
Deferred tax:		
Origination and reversal of temporary differences	763	(10,519)
Impact of change in tax rate	-	(8,798)
Total deferred tax	<u>763</u>	<u>(19,317)</u>
Income tax expense	253,828	230,456
Less: Income tax expenses from discontinued operations	(4,013)	(10,590)
	<u>\$ 249,815</u>	<u>\$ 219,866</u>

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

	<u>For the three-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Remeasurement of defined benefit obligations	<u>\$ -</u>	<u>\$ -</u>
	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Remeasurement of defined benefit obligations	<u>\$ -</u>	<u>\$ 4,176</u>

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

(27) Earnings per share

	<u>For the three-month period ended September 30, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders	\$ 305,462	<u>267,991</u>	\$ 1.14
Profit from discontinued operations	<u>2,485</u>		<u>0.01</u>
Profit attributable to ordinary shareholders	<u>\$ 307,947</u>		<u>\$ 1.15</u>
<u>Diluted earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders	\$ 305,462	267,991	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	<u>-</u>	<u>63</u>	
Profit from continuing operations attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	305,462	<u>268,054</u>	\$ 1.14
Profit from discontinued operations	<u>2,485</u>		<u>0.01</u>
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 307,947</u>	<u>268,054</u>	<u>\$ 1.15</u>

For the three-month period ended September 30, 2018

	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders	\$ 235,522	<u>267,991</u>	\$ 0.88
Profit from discontinued operations	<u>6,689</u>		<u>0.02</u>
Profit attributable to ordinary shareholders	<u>\$ 242,211</u>		<u>\$ 0.90</u>
 <u>Diluted earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders	\$ 235,522	267,991	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	<u>-</u>	<u>53</u>	
Profit from continuing operations attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	235,522	<u>268,044</u>	\$ 0.88
Profit from discontinued operations	<u>6,689</u>		<u>0.02</u>
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 242,211</u>	<u>268,044</u>	<u>\$ 0.90</u>

For the nine-month period ended September 30, 2019

	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders	\$ 940,969	<u>267,991</u>	\$ 3.52
Loss from discontinued operations	(1,148)		(0.01)
Profit attributable to ordinary shareholders	<u>\$ 939,821</u>		<u>\$ 3.51</u>
 <u>Diluted earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders	\$ 940,969	267,991	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	<u>-</u>	<u>286</u>	
Profit from continuing operations attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	940,969	<u>268,277</u>	\$ 3.52
Loss from discontinued operations	(1,148)		(0.01)
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 939,821</u>	<u>268,277</u>	<u>\$ 3.51</u>

For the nine-month period ended September 30, 2018

	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders	\$ 612,305	<u>267,991</u>	\$ 2.28
Profit from discontinued operations	<u>22,942</u>		<u>0.09</u>
Profit attributable to ordinary shareholders	<u>\$ 635,247</u>		<u>\$ 2.37</u>
 <u>Diluted earnings per share</u>			
Profit from continuing operations attributable to ordinary shareholders	\$ 612,305	267,991	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	<u>-</u>	<u>286</u>	
Profit from continuing operations attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	612,305	<u>268,277</u>	\$ 2.28
Profit from discontinued operations	<u>22,942</u>		<u>0.09</u>
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 635,247</u>	<u>268,277</u>	<u>\$ 2.37</u>

(28) Operating leases

The Group leases certain main operating locations and farms from years 2009 to 2041. The Group recognised rental expense of \$39,619, \$10,841 and \$29,397 in profit or loss for the year ended December 31, 2018 and the three-month and nine-month period ended September 30, 2018, respectively.

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

	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Not later than one year	\$ 38,557	\$ 38,293
Later than one year but not later than five years	131,034	130,888
Over five years	<u>237,220</u>	<u>235,639</u>
	<u>\$ 406,811</u>	<u>\$ 404,820</u>
Issued post-dated checks	<u>\$ 13,521</u>	<u>\$ 16,493</u>

(29) Supplemental cash flow information

Investing activities with partial cash payment are as follows:

	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Acquisition of property, plant and equipment	\$ 1,205,515	\$ 1,269,773
Add: Opening balance of payable on equipment	62,163	97,662
Opening balance of financial lease liabilities	-	6,997
Less: Ending balance of payable on equipment	(16,621)	(11,169)
Ending balance of financial lease liabilities	-	(12,917)
Cash paid during the period	<u>\$ 1,251,057</u>	<u>\$ 1,350,346</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Charoen Pokphand Foods Public Co., Ltd. (CPF)	Ultimate parent company
Charoen Pokphand Group Co., Ltd. (CPG)	Other related parties
C.P. Merchandising Company Limited	"
C.P. Land Public Company Limited	"
Chia Tai Feedmill Pte. Ltd.	"
Leadership Development Charoen Pokphand Group Co., Ltd.	"
Ta Chung Investment Co., Ltd.	"
Chung Ta Investment Co., Ltd.	"
Perfect Companion (Taiwan) Co., Ltd.	"
C.P. Aquaculture (Dongfang) Co., Ltd.	"
Chia Tai (China) Investment Co., Ltd.	"
Chia Tai (China) Agro-industrial Ltd.	"
Chia Tai Aquaculture (Nantong) Co., Ltd	"
Chia Tai Food (Suqian) Co., Ltd.	"
Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd.	"
C.P. Trading (China) Co., Ltd.	"
Chia Tai Electronic Commerce (Zhejiang) Co., Ltd.	"
C.P. Premix (Tianjin) Co., Ltd.	"
C.P. Premix (Nantong) Co., Ltd.	"
C.P. Premix (Guanghan) Co., Ltd.	"
Jiangsu C.T. & Suken Swine Co., Ltd.	"
Jiansu Huai Yin Chia Tai Co., Ltd.	"
Wuhan Chia Tai Aquaculture Co., Ltd.	"
Henan C.T. Poultry Co., Ltd.	"
Pizhou Chia Tai Food Co., Ltd.	"
Qingdao Chia Tai Agricultural Development Co., Ltd.	"
Qingdao Yi Bang Bio-Engineering Co., Ltd.	"
Nantong Chia Tai Co., Ltd.	"
Nantong Chia Tai Livestock & Poultry Co., Ltd.	"
Nantong Chia Tai Agriculture Development Co., Ltd	"
Nantong Chia Tai Feedmill Co., Ltd.	"
Xuzhou Chia Tai Feed Co., Ltd.	"
Taizhou Chia Tai Feed Co., Ltd.	"
Huaian C.P. Livestock Co., Ltd.	"
Xiamen Chia Tai Agriculture Co., Ltd.	"
Chuzhou Chia Tai Co., Ltd.	"
Ningbo Chia Tai Agriculture Co., Ltd.	"
Fuzhou Da Fu Co., Ltd.	"

Names of related parties	Relationship with the Group
Guangdong Chia Tai Biotechnology Co., Ltd.	Other related parties
Guangdong Zhanjiang Chia Tai Aquaculture Co., Ltd.	"
Zhumadian Huazhong Chia Tai Co., Ltd.	"
Chia Tai (Hainan) Agro-Industry Co., Ltd.	"
CP Food Enterprise (Qingdao) Co., Ltd.	"
Shanghai Zhengcheng Mechanical and Electrical Manufacture	"
Guangdong Chia Tai Conti Co., Ltd.	"
Hung Peng-Da	"
Huang Wei-I	"
Hung Yu-Chun	"

(3) Significant related party transactions and balances

A. Operating revenue

	For the three-month period ended September 30,	
	2019	2018
Sales of goods:		
Other related parties	\$ 109,158	\$ 302,139
Less: Operating revenue from discontinued operations	(109,158)	(302,139)
	<u>\$ -</u>	<u>\$ -</u>
	For the nine-month period ended September 30,	
	2019	2018
Sales of goods:		
Other related parties	\$ 389,670	\$ 950,189
Less: Operating revenue from discontinued operations	(389,670)	(950,189)
	<u>\$ -</u>	<u>\$ -</u>

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

B. Purchases

	For the three-month period ended September 30,	
	2019	2018
Purchase of goods:		
Ultimate parent company	\$ 14,809	\$ 8,729
Other related parties	142,356	260,716
Less: Purchase from discontinued operations	(126,732)	(254,911)
	<u>\$ 30,433</u>	<u>\$ 14,534</u>

	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Purchase of goods:		
Ultimate parent company	\$ 27,347	\$ 21,087
Other related parties	419,380	541,111
Less: Purchase from discontinued operations	(398,411)	(531,054)
	<u>\$ 48,316</u>	<u>\$ 31,144</u>

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

C. Receivables from related parties

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Accounts receivable:			
Other related parties	\$ 165,344	\$ 370,720	\$ 304,225
Other receivables:			
Other related parties	31,166	14,155	10,190
	<u>196,510</u>	<u>384,875</u>	<u>314,415</u>
Less: Non-current assets held for sale	(196,510)	-	-
	<u>\$ -</u>	<u>\$ 384,875</u>	<u>\$ 314,415</u>

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

D. Payables to related parties

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Notes and accounts payable:			
Other related parties	\$ 187,129	\$ 270,562	\$ 251,091
Less: Liabilities directly related to non-current assets held for sale	(172,933)	-	-
	<u>\$ 14,196</u>	<u>\$ 270,562</u>	<u>\$ 251,091</u>

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

E. Rental income (shown as ‘Other income’)

	For the three-month period ended September 30,	
	2019	2018
Rental income:		
Other related parties	\$ 159	\$ 159

	For the nine-month period ended September 30,	
	2019	2018
Rental income:		
Other related parties	\$ 563	\$ 563

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

F. Technical service agreement

- (a) The Company signed a technical service agreement with CPG since 1996. CPG helps the Company to manufacture feeds, raise animals and to process meat products, and the Company pays compensation of THB12 million (net value) for the services annually. The commitment would not be terminated except when any of the two parties would agree to end the agreement. For the three-month and nine-month period ended September 30, 2019 and 2018, the Company recognised technical service expenses amounting to \$3,450, \$3,263, \$10,339 and \$9,479, respectively. As of September 30, 2019, December 31, 2018 and September 30, 2018, the outstanding balance was approximately \$30, \$156 and \$40, 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 three-month and nine-month period ended September 30, 2019 and 2018, the Company recognised technical service expense amounting to \$2,100, \$2,100, \$6,300 and \$6,300, respectively. As of September 30, 2019, December 31, 2018 and September 30, 2018, the outstanding balances were all \$2,100.

G. Trademark licensing agreement

The Company signed a trademark license agreement with CPG at the end of 2015. The contract authorises the Company to use ‘CP’ as trademark in the designated area (Republic of China). Royalties are paid monthly based on 1.5% of the net amount of sales. The contract is effective for 5 years. For the three-month and nine-month period ended September 30, 2019 and 2018, the Company recognised royalties amounting to \$20,257, \$21,776, \$57,886 and \$70,118, respectively. As of September 30, 2019, December 31, 2018 and September 30, 2018, the outstanding balance was approximately \$20,257, \$19,174 and \$21,776, respectively.

H. Property transactions:

- (a) On June 26, 2018, the Board of Directors during its meeting resolved to acquire the land and building located at No. 3781 and No. 227 Changduanshu, Houbi Dist., Tainan City 731,

Taiwan (R.O.C.) from other related party and used as an egg washing facility (included in construction in progress). The total contract price is \$30,130 and Rui Mu Foods Co., Ltd. has paid \$25,000 for the contract.

(b) On August 5, 2019, the Board of Directors during its meeting resolved to acquire the land located at No. 2058, No. 2059 and No. 2060 Baishatun, Houbi Dist., Tainan City 731, Taiwan (R.O.C.) from other related party (included in construction in progress). The total contract price is \$40,932 and Rui Mu Foods Co., Ltd. has paid \$25,968 for the contract.

(4) Key management compensation

	<u>For the three-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 41,747	\$ 36,941
Post-employment benefits	389	379
Total	<u>\$ 42,136</u>	<u>\$ 37,320</u>

	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 124,864	\$ 111,716
Post-employment benefits	1,167	1,138
Total	<u>\$ 126,031</u>	<u>\$ 112,854</u>

8. PLEDGED ASSETS

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

<u>Pledged assets</u>	<u>Book value</u>			<u>Purpose</u>
	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>	
Time deposits - shown as 'Other current assets'	\$ 7,700	\$ 7,450	\$ 2,900	Guarantee deposit
Land use right (shown as 'Non-current assets classified as held for sale')	-	3,611	3,668	Credit line of short-term borrowing
Property, plant and equipment				
Land	142,803	103,557	103,557	Long-term borrowings
Buildings and structures	440,200	201,598	206,038	Long-term borrowings
	<u>\$ 590,703</u>	<u>\$ 316,216</u>	<u>\$ 316,163</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

(1) As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group had opened unused letters of credit for purchases of raw materials and machinery of approximately \$455,109, \$510,882 and \$374,907, respectively.

(2) As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group had several outstanding construction contracts and equipment purchase agreements. The balance outstanding was approximately \$677,180, \$385,915 and \$419,577, respectively, and will be paid based on percentage of completion.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

12. OTHERS

(1) Capital risk management

There were no significant changes in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2018.

(2) Financial risk of financial instruments

A. Financial instruments by category

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial assets</u>			
Financial assets measured at fair value through other comprehensive income			
Designation of equity instrument	\$ 2,046,856	\$ 1,782,950	\$ 1,827,081
Financial assets at amortised cost			
Cash and cash equivalents	367,052	134,880	152,124
Notes receivable	320,271	359,097	351,983
Accounts receivable (including related parties)	1,991,466	2,149,093	2,057,288
Other accounts receivable (including related parties)	29,605	35,227	38,780
Refundable deposits	51,360	47,039	37,830
Other financial assets	7,700	7,450	2,900
	<u>\$ 4,814,310</u>	<u>\$ 4,515,736</u>	<u>\$ 4,467,986</u>

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 3,245,181	\$ 2,768,011	\$ 3,002,031
Short-term notes and bills payable	1,008,784	619,270	689,470
Notes payable (including related parties)	574,689	394,109	438,781
Accounts payable (including related parties)	673,526	1,009,684	923,362
Other accounts payable (including related parties)	782,169	785,633	620,112
Long-term borrowings (including current portion)	3,158,062	2,553,000	2,398,000
	<u>\$ 9,442,411</u>	<u>\$ 8,129,707</u>	<u>\$ 8,071,756</u>
Lease liability	<u>\$ 324,904</u>	<u>\$ -</u>	<u>\$ -</u>

B. Financial risk management policies

There were no significant changes in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2018.

C. Financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, HKD and CNY. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: CNY and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2019					
		Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency : functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:HKD	USD	1,902	7.80	\$	58,775
CNY:HKD	CNY	7,176	1.10		31,173
<u>Non-monetary items</u>					
THB:HKD	THB	2,016,000	0.26	\$	2,046,856
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	USD	10,391	31.09	\$	323,062
December 31, 2018					
		Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency : functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:HKD	USD	639	7.80	\$	19,457
CNY:HKD	CNY	3,198	1.14		14,215
<u>Non-monetary items</u>					
THB:HKD	THB	1,889,280	0.24	\$	1,782,950
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	USD	6,299	30.77	\$	193,790

September 30, 2018

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:HKD	USD 694	7.80	\$ 21,029
CNY:HKD	CNY 3,317	1.14	14,684
<u>Non-monetary item</u>			
THB:HKD	THB 1,939,200	0.24	\$ 1,827,081
<u>Financial liabilities</u>			
<u>Monetary item</u>			
USD:NTD	USD 5,172	30.58	\$ 158,130
JPY:NTD	JPY 26,357	0.27	7,148

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

- v. Total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month period ended September 30, 2019 and 2018 amounted to (\$63), (\$3,207), \$2,977 and (\$5,212), respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	For the nine-month period ended September 30, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : HKD	1%	\$ 588	\$ -
CNY : HKD	1%	312	-
<u>Non-monetary item</u>			
THB : HKD	1%	\$ -	\$ 20,469
<u>Financial liabilities</u>			
<u>Monetary item</u>			
USD : NTD	1%	(\$ 3,231)	\$ -

For the nine-month period ended September 30, 2018

Sensitivity analysis		
Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)		
<u>Financial assets</u>		
<u>Monetary items</u>		
USD : HKD	1% \$ 210	\$ -
CNY : HKD	1% 147	-
<u>Non-monetary item</u>		
THB : HKD	1% \$ -	\$ 18,271
<u>Financial liabilities</u>		
<u>Monetary item</u>		
USD : NTD	1% (\$ 1,581)	\$ -
JPY : NTD	1% (71)	-

Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through other comprehensive income. Please refer to Note 6(2).
- ii. For the Group's strategies for biological assets price risk, please refer to Note 6(5).
- iii. The Group's investment in equity securities comprise foreign listed stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other equity for the nine-month period ended September 30, 2019 and 2018 would have increased/decreased by \$20,469 and \$18,271, respectively, as a result of gains/losses on equity securities classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the nine-month period ended September 30, 2019 and 2018, the Group's borrowings at variable rate were denominated in NTD.
- ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is

used for all currencies. The scenarios run only for liabilities that represent the major interest-bearing positions.

- iii. For the nine-month period ended September 30, 2019 and 2018, if interest rates on NTD-denominated borrowings at that date had been 1% higher/lower with all other variables held constant, post-tax profit for the nine-month period ended September 30, 2019 and 2018, would have been \$18,948 and \$14,388 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is the contract cash flows when counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. Based on the Group's historical experience, if the contract payments were past due over 17 days, there has been a significant increase in credit risk on that instrument since initial recognition. As a result, the Group should strengthen controls and make follow-up procedures.
- iv. The Group pays attention on specific customers whose payments were past due to confirm the debts and recognises the allowance for bad debts when there is a concern about default based on the assessment of customers' credit risk.
- v. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss impairment under the provision matrix basis.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On September 30, 2019, December 31, 2018 and September 30, 2018, the Group's written-off financial assets that are still under recourse procedures amounted to \$635, \$2,173 and \$1,438, respectively.

- vii. (i) The expected loss rate for well-reputed customers is 0.03%. On September 30, 2019, December 31, 2018 and September 30, 2018, the total book value of accounts receivable and loss allowance amounted to \$914,370 and \$0, \$712,662 and \$0, \$772,061 and \$0, respectively.
- (ii) The Group used the forecastability of the global economy to adjust historical and timely information to assess the default possibility of accounts receivable in accordance with customers' credit. On September 30, 2019, December 31, 2018 and September 30, 2018, the expected loss rate is as follows:

	<u>Group A</u>	<u>Group B</u>	<u>Total</u>
<u>September 30, 2019</u>			
Expected loss rate	0%~100%	0.003%~10%	
Total book value	\$ 25,844	\$ 1,053,606	\$ 1,079,450
Loss allowance	2,354	-	2,354
<u>December 31, 2018</u>			
Expected loss rate	0%~100%	0.003%~10%	
Total book value	\$ 28,974	\$ 1,039,106	\$ 1,068,080
Loss allowance	2,329	40	2,369
<u>September 30, 2018</u>			
Expected loss rate	0%~100%	0.003%~10%	
Total book value	\$ 35,728	\$ 947,712	\$ 983,440
Loss allowance	2,400	38	2,438

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

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

	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
	Notes and accounts receivable (including related parties)	Notes and accounts receivable (including related parties)
At January 1	\$ 2,369	\$ 2,733
Provision for impairment loss	25	115
Write-offs	(40)	(410)
At September 30	<u>\$ 2,354</u>	<u>\$ 2,438</u>

The impairment loss arising from customers' contracts for the nine-month period ended September 30, 2019 and 2018 amounted to \$25 and \$115, respectively.

(c) Liquidity risk

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

Non-derivative financial liabilities

September 30, 2019	<u>Less than 1 year</u>	<u>Between 1 and</u>	
		<u>5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 3,245,181	\$ -	\$ -
Short-term notes and bills payable	1,010,000	-	-
Notes payable			
(including related parties)	574,689	-	-
Accounts payable			
(including related parties)	673,526	-	-
Other payables			
(including related parties)	782,169	-	-
Lease liability	19,501	126,603	209,542
Long-term borrowings			
(including current portion)	907,340	2,242,096	82,844

Non-derivative financial liabilities

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

Non-derivative financial liabilities

September 30, 2018	<u>Less than 1 year</u>	<u>Between 1 and</u>	
		<u>5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 3,002,031	\$ -	\$ -
Short-term notes and bills payable	690,000	-	-
Notes payable	438,781	-	-
Accounts payable (including related parties)	923,362	-	-
Other payables (including related parties)	620,112	-	-
Long-term borrowings (including current portion)	633,134	1,826,363	-
Other financial liabilities	6,369	6,757	-

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

(3) Fair value information

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

<u>September 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Biological assets	\$ -	\$ 794,146	\$ -	\$ 794,146
Financial assets at fair value through other comprehensive income:				
Equity securities	\$ 2,046,856	\$ -	\$ -	\$ 2,046,856
<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Biological assets	\$ -	\$ 730,384	\$ -	\$ 730,384
Financial assets at fair value through other comprehensive income:				
Equity securities	\$ 1,782,950	\$ -	\$ -	\$ 1,782,950
<u>September 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Biological assets	\$ -	\$ 738,368	\$ -	\$ 738,368
Financial assets at fair value through other comprehensive income:				
Equity securities	\$ 1,827,081	\$ -	\$ -	\$ 1,827,081

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

- (a) The instruments the Group used quoted market prices as their fair values (that is, Level 1) are listed stocks, whose quoted market prices are based on the closing prices which are classified as available-for-sale financial assets.
 - (b) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
 - (c) Details of methods for measuring biological assets are provided in Note 6(5).
- E. For the nine-month period ended September 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.
- F. For the nine-month period ended September 30, 2019 and 2018, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others during the nine-month period ended September 30, 2019: None.

C. Holding of marketable securities at September 30, 2019 (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities		Relationship with the securities issuer	General ledger account	As of September 30, 2019			
	Types	Name			Number of shares	Book value	Ownership	Fair value (Note 1)
Plenty Type Limited (Cayman Islands)	Common share	CHAROEN POKPHAND (USA), INC.	None	Financial assets at fair value through profit or loss	4,501,000	\$ -	0.02%	\$ -
Plenty Type Limited (Cayman Islands)	Common share	CHAROEN POKPHAND FOODS PUBLIC COMPANY LIMITED	(Note 2)	Financial assets at fair value through other comprehensive income	76,800,000	2,046,856	0.89%	2,046,856

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 nine-month period ended September 30, 2019: None.

E. Acquisition of real estate reaching NT\$300,000 or 20% of paid-in capital or more during the nine-month period ended September 30, 2019: None.

F. Disposal of real estate reaching NT\$300,000 or 20% of paid-in capital or more during the nine-month period ended September 30, 2019:

Real estate disposed by	Real estate	Transaction date or date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used	Other commitments
											in setting the price	
Arbor Acres (Taiwan) Co., Ltd.	Land	2019/5/13	1973/1/1	\$ 977	\$ 794,120	\$ 150,000	Note 4	Li Chong-Hua and Jiu Hwei Steel Corporation.	Third parties	Operational needs	Investment property appraisal report	-

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

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

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

Note 4: The transaction is still in process. Therefore, gain or loss on disposal will be available when the transfer is completed.

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 nine-month period ended September 30, 2019:

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			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 Aquaculture (Nantong) Co., Ltd	Other related parties	Sales	(\$189,799) (CNY 42,041 thousands)	1.14%	60 days	Same as third party transactions	Same as third party transactions	\$15,463 (CNY 3,559 thousands)	0.62%	
Lianyungang Chia Tai Agro-industry Development Co., Ltd.	Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd.	Other related parties	Purchases	\$271,857 (CNY 60,071 thousands)	2.15%	30 days	Same as third party transactions	Same as third party transactions	(\$168,388) (CNY 38,761 thousands)	11.64%	

H. Receivables from related parties reaching NT\$100,000 or 20% of paid-in capital or more as at September 30, 2019: None.

I. Trading in derivative instruments undertaken during the nine-month period ended September 30, 2019: None

J. Significant inter-company transactions during the nine-month period ended September 30, 2019:

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

(2) Information on investees

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

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of September 30, 2019			Net profit of the investee	Investment income recognised by the Company	Footnote
				Balance as of September 30, 2019	Balance as of December 31, 2018	Number of shares	Ownership (%)	Book value			
The Company	Plenty Type Limited (Cayman Islands)	Cayman Islands	Management of producing and non-producing business investments	\$ 720,448	\$ 720,448	96,370,079	100	\$ 2,300,334	\$ 33,134	\$ 33,134	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	37,897	8,840	7,956	Subsidiary
The Company	Arbor Acres (Taiwan) Co., Ltd.	Taiwan	Husbandry management of chickens to produce breeder chicken and daily chicken	60,131	60,131	1,600,000	50	33,394	1,669	835	Subsidiary
The Company	Rui Mu Foods Co., Ltd.	Taiwan	Husbandry management of layers and related business	78,000	78,000	8,814,000	52	111,912	38,004	19,762	Subsidiary
The Company	Rui Fu Foods Co., Ltd.	Taiwan	Husbandry management of layers and related business	153,000	102,000	15,300,000	51	149,522	(3,711)	(1,893)	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	193,850	(5,018)	-	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	Amount remitted from /remitted back to Taiwan during the period		Accumulated amount of remittance from Taiwan to Mainland	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 September 30, 2019	Accumulated amount of investment	Footnote
				China as of January 1, 2019	Remitted to Mainland China	Remitted back to Taiwan	China as of September 30, 2019					back to Taiwan as of September 30, 2019	
Lianyungang Chia Tai Agro-industry Development Co., Ltd.	Feeds producing, poultry raising, processing and sales.	\$ 142,846	2	\$ 132,513	\$ -	\$ -	\$ 132,513	(\$ 1,640)	\$ 70	(\$ 1,148)	\$ 149,029	\$ -	Note 4

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019 (Note 4)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)(Note 5)	Ceiling on investments in Mainland China imposed by the Investment Commission of the MOEA
The Company	\$ 132,513	\$ 418,892	\$ 4,397,656

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 reviewed by independent accountants in the R.O.C.

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

Note 4: The paid-in capital was US\$5,400 thousand, which was translated into New Taiwan dollars based on the historical exchange rates and the accumulated amount of remittance from Taiwan to Mainland China as of January 1 and September 30, 2019 were both US\$4,276 thousand. The amounts in the table are translated into New Taiwan dollars at the spot exchange rates prevailing at September 30, 2019.

Note 5: The amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) is US\$13,517 thousand. The amount in the table is translated into New Taiwan dollars at the spot exchange rates prevailing at September 30, 2019.

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

14. OPERATING SEGMENT INFORMATION

(1) General information

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

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

A. Feeds business: Manufacture and sale of animal feeds and wholesale of commodity;

B. Meat processing business;

C. Food processing business; and

D. Husbandry business: Husbandry management of chickens to produce eggs and meat.

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

(2) Segment information

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

	For the three-month period ended September 30, 2019					
	<u>Feeds</u>	<u>Meat processing</u>	<u>Food processing</u>	<u>Husbandry</u>	<u>Others</u>	<u>Total</u>
Revenues from third parties (Note 1)	\$ 3,322,276	\$ 1,283,096	\$ 874,976	\$ 304,202	\$ 23,423	\$ 5,807,973
Revenues from the Group	77,986	6,739	276	11,931	11,771	108,703
Total segment revenue	<u>\$ 3,400,262</u>	<u>\$ 1,289,835</u>	<u>\$ 875,252</u>	<u>\$ 316,133</u>	<u>\$ 35,194</u>	<u>\$ 5,916,676</u>
Segment income (loss) (Note 2)	<u>\$ 396,432</u>	<u>(\$ 18,806)</u>	<u>\$ 63,697</u>	<u>(\$ 1,092)</u>	<u>(\$ 30,133)</u>	<u>\$ 410,098</u>

	For the three-month period ended September 30, 2018					
	<u>Feeds</u>	<u>Meat processing</u>	<u>Food processing</u>	<u>Husbandry</u>	<u>Others</u>	<u>Total</u>
Revenues from third parties (Note 1)	\$ 3,482,561	\$ 1,139,091	\$ 705,656	\$ 239,898	\$ 19,396	\$ 5,586,602
Revenues from the Group	51,730	5,022	332	7,308	12,400	76,792
Total segment revenue	<u>\$ 3,534,291</u>	<u>\$ 1,144,113</u>	<u>\$ 705,988</u>	<u>\$ 247,206</u>	<u>\$ 31,796</u>	<u>\$ 5,663,394</u>
Segment income (loss) (Note 2)	<u>\$ 311,371</u>	<u>\$ 11,398</u>	<u>\$ 26,808</u>	<u>\$ 34,310</u>	<u>(\$ 34,212)</u>	<u>\$ 349,675</u>

For the nine-month period ended September 30, 2019

	Feeds	Meat processing	Food processing	Husbandry	Others	Total
Revenues from third parties (Note 1)	\$ 9,858,194	\$ 3,547,982	\$ 2,302,089	\$ 928,749	\$ 65,926	\$ 16,702,940
Revenues from the Group	215,350	34,713	614	22,758	28,438	301,873
Total segment revenue	<u>\$ 10,073,544</u>	<u>\$ 3,582,695</u>	<u>\$ 2,302,703</u>	<u>\$ 951,507</u>	<u>\$ 94,364</u>	<u>\$ 17,004,813</u>
Segment income (loss) (Note 2)	<u>\$ 1,106,994</u>	<u>\$ 47,678</u>	<u>\$ 156,440</u>	<u>\$ 48,391</u>	<u>(\$ 92,576)</u>	<u>\$ 1,266,927</u>

For the nine-month period ended September 30, 2018

	Feeds	Meat processing	Food processing	Husbandry	Others	Total
Revenues from third parties (Note 1)	\$ 9,751,152	\$ 3,353,585	\$ 2,027,622	\$ 626,433	\$ 48,267	\$ 15,807,059
Revenues from the Group	138,529	16,119	630	20,648	31,802	207,728
Total segment revenue	<u>\$ 9,889,681</u>	<u>\$ 3,369,704</u>	<u>\$ 2,028,252</u>	<u>\$ 647,081</u>	<u>\$ 80,069</u>	<u>\$ 16,014,787</u>
Segment income (loss) (Note 2)	<u>\$ 854,702</u>	<u>\$ 90,175</u>	<u>\$ 56,265</u>	<u>\$ 62,464</u>	<u>(\$ 113,057)</u>	<u>\$ 950,549</u>

Note 1 : Including operating revenue from discontinued operations.

Note 2 : Including profit (loss) from discontinued operations.

(3) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment income to the income before tax from continuing operations for the three-month and nine-month period ended September 30, 2019 and 2018 is provided as follows:

	<u>For the three-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Reportable segment income	\$ 440,231	\$ 383,887
Other segment loss	(30,133)	(34,212)
Total segment	410,098	349,675
Interest expense	(21,166)	(17,838)
Foreign exchange losses, net	(63)	(3,207)
Income before tax from discontinued segment	(5,016)	(13,171)
Income before tax from continuing segment	<u>\$ 383,853</u>	<u>\$ 315,459</u>

	<u>For the nine-month period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Reportable segment income	\$ 1,359,503	\$ 1,063,606
Other segment loss	(92,576)	(113,057)
Total segment	1,266,927	950,549
Interest expense	(58,605)	(45,275)
Foreign exchange gains (losses), net	2,977	(5,212)
Income before tax from discontinued segment	(2,373)	(43,364)
Income before tax from continuing segment	<u>\$ 1,208,926</u>	<u>\$ 856,698</u>