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**CHAROEN POKPHAND ENTERPRISE  
(TAIWAN) CO., LTD.**

**2020 Annual Report**

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<http://www.cptwn.com.tw> (Corporate Website)

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# Letter to Shareholders

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Dear shareholders and honorable guests,

Welcome shareholders and guests to participate in the 2021 Annual Shareholders' Meeting. On behalf of the Company's directors and all the colleagues, I would like to thank you for your kindness and support for the Company over the years.

Recalling that 2020 was affected by the US-China trade war and the global spread of COVID-19 led to the severe impact of blockade policies implemented by government of countries. Due to the effective anti-epidemic measures, the impact on Taiwan's economy was much lower than other countries. Performance of export and domestic demand is stable.

In 2020, various business indicators, including production and marketing cost control, breeding management, livestock breeding rates, breeder egg production rates, brand management, physical marketing channels, e-commerce channel development, have shown progress compared to the previous years. Also, with the efforts of the management team and all colleagues, 2020 EPS of NT\$6.18 hit a record high since the Company's stock was listed on the Taiwan Stock Exchange.

Envisioning 2021, COVID-19 is expected to be alleviated after the vaccine is applied real-time, effectively, and universally. The global and Taiwan's economies will also perform better than 2020. However, it is still required to pay attention to the imbalanced and unsynchronized economic recovery of different countries in the post-epidemic era and the possibilities that US-China trade disputes will rise again or escalate.

It is expected that a stable development will be seen in 2021. However, it is necessary to observe uncontrollable external factors such as the period length of panic consumption resulted from the COVID-19 pandemic, fluctuations in bulk grain price, oil prices, exchange rates, poultry and livestock prices, etc. The following business strategies will continue to be carried out in the future:

1. CP Group upholds the Three Benefits to Sustainability "for the Country, the People and the Company" and keeps on continuous innovation to take "Become the Kitchen of the World" as its mission. The R&D team has established the core technology and database of meat processing for years and continuously communicates with the R&D center of Thailand Head Office and collects the development trends and information of food all over the world for continuous improvement.
2. Standing with customers and providing them with satisfied products in a fast and high-quality way to create a win-win situation is CP Group's insistent belief. Understanding the customers' needs is the driving force to spur us to continuously move forward with courage. The customers' satisfaction is the greatest energy to support us. We will continue to uphold this belief to develop safe and delicious food for customers and consumers.
3. Except for the meat processing product market we have already deeply cultivated, in the future, we will enhance the development and sales of dry meat products such as meat floss and jerky, egg products such as steamed egg custard and soft boiled egg, and prepared food package to provide consumers more versatile dietary needs.

- 
4. The Company is projected to invest NT\$1.3 billion to establish an AI-automatic drug-free feed mill in Yunlin Technology-based Industrial Park in Douliou City, Yunlin County and already started construction in Feb. 2018. We will introduce the world's most advanced AI-automatic stereoscopic storage facility that all production processes from raw material inbounded, crushing and mixing, preparation to packaging will use AI-automatic production while the acceptance and inspection of raw material and shipment processes of finished products will adopt the AI-automatic system, which will save 50% manpower in comparison with existed feed mills. Mass production is expected to be commenced after completion in the second quarter of 2021. In the future, it will become a new driving force for our operating performance to increase our market share to more than 20%.

The Company has been well aware of the frequent incidents of food safety in recent years. CP Group Chairman, Dhanin Chearavanont, adhering to the corporate philosophy of “for the Country, the People, and the Company” expects all the colleagues to take into account the economy, corporate social responsibility (CSR) and environmental protection when promoting policies, as well as the philosophy of fully protecting the consumers' food safety and health.

As far as the 2020 operation result and the 2021 business objectives, we would like to invite our CEO, Mr. Thong Chotirat, to present it to all the shareholders and honorable guests.

Finally, wish all shareholders and guests good health, peace and happiness.

Chairman

**Wu Yeh Cheng**

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Dear Shareholders and honorable guests,

Total consolidated operating revenue of the Company for 2020 was NT\$22,189,635 thousand, a NT\$1,016,001 thousand and 4.8% growth compared with 2019. The structure of operating revenue is illustrated as follows:

1. Feed Business

The operating revenue was NT\$7,572,206 thousand, approximately 34.1% of the total operating revenue, with a 4.2% decrease compared with NT\$7,903,787 thousand in 2019.

2. Agriculture and Livestock Business

The operating revenue was NT\$9,718,538 thousand, approximately 43.8% of the total operating revenue, with a 8.7% growth compared with NT\$8,940,030 thousand in 2019.

3. Consumable Food Products

The operating revenue was NT\$4,898,891 thousand, approximately 22.1% of the total operating revenue, with a 13.1% growth compared with NT\$4,329,817 thousand in 2019.

In conclusion, total operating revenue deducted the operating costs NT\$18,664,912 thousand to obtain the net operating margin NT\$3,524,723 thousand. The operating profit was NT\$1,898,598 thousand, the profit before income tax was NT\$2,049,199 thousand, and the earnings per share was NT\$6.18.

The results of 2020 operating performance, business plan, budget implementation, and financial analysis and 2021 business plan overview are illustrated in the Annual Report, please refer to page 5~6.

Envisioning the coming year, I and all colleagues will fulfill the strategy and the budget target for the year of 2021 assigned by the Board of Directors with the best efforts. I sincerely invite every shareholder to continue giving us your kind support and concern, and offer your comments without hesitation.

Finally, I wish all the shareholders and honorable guests have good health, success, and happiness.

Chief Executive Officer

**Thong Chotirat**

## I. 2020 Business Report

### 1. Operating Performance

Please refer to the previous page.

### 2. Budget Implementation

In accordance with the Regulations Governing the Publication of Financial Forecast of Public Companies, the Company does not have to prepare 2020 financial forecasts to the public. However, the overall business performance is better than the company's internal operating plan.

### 3. Finance Income and Costs and Profitability Analysis

#### (1) Finance Income and Costs

A. Year 2020 Interest income was NT\$ 1,159 thousand which is from bank deposits.

B. Year 2020 Interest expense was NT\$ 76,789 thousand which is from bank borrowings.

#### (2) Profitability Analysis

| Item   | Year 2020 |
|--|-----------|
| Return on total assets                               | 8.91%     |
| Return on owners' equity                             | 18.89%    |
| Ratio of profit before income tax to paid-in capital | 76.47%    |
| Profit margin  | 7.39%     |
| Earnings Per Share                                   | NT\$ 6.18 |

### 4. Research and Development

(1) Develop a variety of Chinese and exotic cuisines, such as Garlic chicken soup, Thai-style basil pork rice, Cantonese-style basmati fried rice, etc., for consumers to enjoy delicious meal anytime anywhere in a more convenient and simple way.

(2) Targeting the needs and trends for high-protein diets, further develop more flavored chicken breast salad products, such as pomelo lemon and Sichuan spicy flavor, and expand the sales market shares of each channel.

## II. 2021 Business Plan and Future Development Strategy

### 1. Operating Principles

For a long time, we have been dedicated to the agriculture, livestock, and food core business. We aggressively established a business model to integrate upper, middle, and lower stream of the industry, including feed manufacturing, livestock breeding, electric slaughtering, fresh frozen meat, meat processing food, egg products, etc. In addition, implementing our marketing strategies of brands enhancement, intensive physical e-commerce channels, procurement and R&D strategies, and also the most rigorous quality control operation, we insist on a fully control of quality and completed traceability from raw material supply chain management, processing, warehousing to products delivering in order to ensure the food safety. Our consistent business philosophy is to provide consumers with high-quality meat which is safe, hygienic, convenient, healthy, and highly qualified with reasonable price.

## 2. Sales forecast and its reference

In accordance with past performance and changes of market demand, 2021 projected sales volume illustrated as follows:

| Item                          | Unit | Projected sales volume |
|-------------------------------|------|------------------------|
| Feed and extruded ingredients | Tons | 750,000                |
| Livestock Fresh Meat          | Tons | 140,000                |
| Consumable Food               | Tons | 45,000                 |

## 3. Important Production and Marketing Policy

After joined the World Trade Organization (WTO), Taiwan lifted all bans on meat imports in 2005. Under the impact of globalization, the domestic and foreign business environment is bound to face greater challenges while the price competition is more brutal. In order to ease the pressure from price competition, we will focus on our business strategies of brand enhancement, channels operating, use of the Group's global procurement network, and innovative R&D technologies to provide consumers with differentiated, unique and competitive products that are safe, healthy, hygienic, convenient and affordable.

## III. The External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

1. After Taiwan joined the WTO, opening meat import in all-round way took its toll in 2005. Commodity trading crossed the barriers of the international regions, turning the world into single markets and inevitably resulting in more intense competition. The Group has been actively engaged in integration and utilization of intensive brand marketing, channel deep-plowing, strengthening marketing, global procurement network platform and innovative R&D resource, which have shown significant benefits in terms of lowering raw materials costs, enhancing product quality and added value, and after-sales services.
2. In recent years, food safety incidents such as plasticizers, lean meat powder, poisonous starch, poisonous soy sauce, mixed oil in edible oil, and feed oil falsely claimed to be edible oil have taken place one after another in Taiwan. Food safety becomes a serious issue across the world. In order to ensure our products meet the food safety requirements, and to provide consumers with safe, healthy, convenient, affordable, and high-quality meats, the Company has been practiced CAS, TGAP, ISO22000, HACCP, and other systems. In addition, we adopt the most rigorous quality control and completed traceability throughout the process from material supply chain management, processing, warehousing to delivering.
3. Recalling that 2020 was affected by the US-China trade war and the global spread of COVID-19 led to the severe impact of blockade policies implemented by government of countries. Due to the effective anti-epidemic measures, the impact on Taiwan's economy was much lower than other countries. Performance of export and domestic demand is stable.

Envisioning 2021, COVID-19 is expected to be alleviated after the vaccine is applied real-time, effectively, and universally. The global and Taiwan's economies will also perform better than 2020. However, it is still required to pay attention to the imbalanced and unsynchronized economic recovery of different countries in the post-epidemic era and the possibilities that US-China trade disputes will rise again or escalate.

# Company Profile

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## I. Date of Incorporation : August 22, 1977

## II. Company History

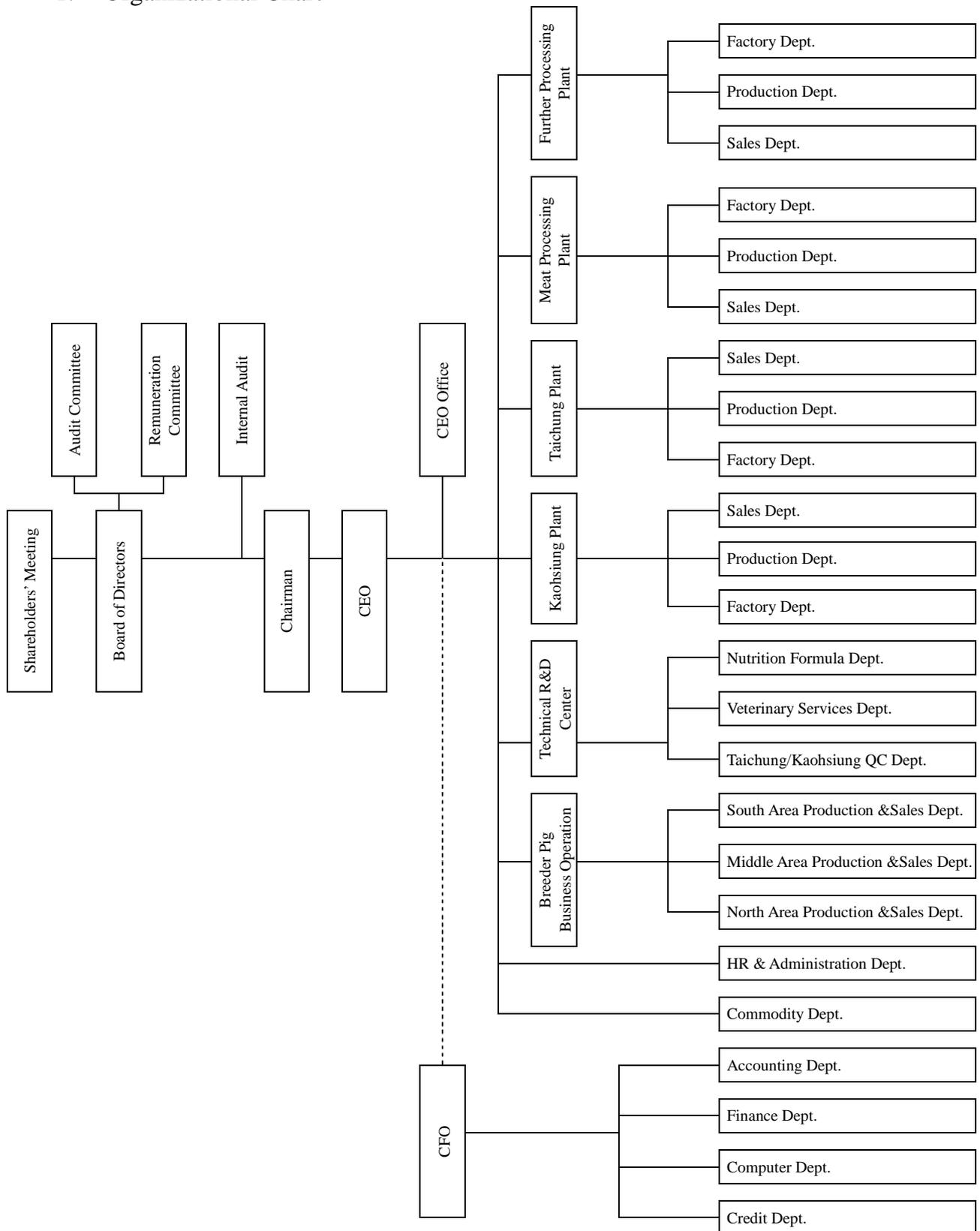
- 1977 : The Charoen Pokphand Group, encouraged by the R.O.C. Government's investment project for overseas Chinese, decided to invest the animal husbandry and feed business in Taiwan. In August, the company was incorporated as Charoen Pokphand Feedmill Co., Ltd. and founded headquarter in Taipei. Also, the Company started the construction of the first feedmill in Yongan Industrial Park, Kaohsiung. The excellent pellet feed which C.P. Taiwan introduced made the Taiwan's feed industry into a new era.
- 1984 : The Company set up Taichung Plant in Kwanlien Industrial Park, Taichung, and started operation in October.
- 1987 : The Company became a stock listed company in July.
- 1988 : The Meat Processing Plant was established in Nantou, and the Company was therefore renamed as Charoen Pokphand Enterprise (Taiwan) Co., Ltd.
- 1989 : The investment of Hong Kong Plenty Type Ltd. moves the Company step on international, multilateral and integral objective.
- 1990 : The Meat Further Processing Plant started to produce various meat products, such as sausage, ham, hot-dog, chicken nugget, etc.
- 1992 : The Company indirectly invested in China Lianyungang Chia Tai Agro-industry Development Co., Ltd.
- 1993 : The Company engaged in western franchise restaurant with the investment of Taiwan Sizzler Co., Ltd.
- 1998 : The Company joint-ventured with C.P. Thailand for the biotechnological breeder center, computerized automatic control in feedmill, modern meat & food processing plant, and marketing channels set up in Alabama State of the United States.  
In the same year, the Company invested Arbor Acres (Taiwan) Co., Ltd. and Charoen Pokphand (Taiwan) Co., Ltd. in order to establish vertically integrated business model.
- 1999 : In June, Nantou Meat Processing Plant got official verification accredited by SGS, and was further accredited ISO9001 Meat processing Plant by UKAS, the first of its like ever issued in Asia, also the first successful integrated production, QC and R&D among Taiwan's meat processing plants.
- 2000 : Taichung Feedmill and Kaohsiung Feedmill were accredited ISO9001 in January and March respectively, as Taiwan's first feedmill for such honors.
- 2002 : Nantou Meat Processing Plant was accredited Dutch RvA-HACCP in April.
- 2007 : Nantou Meat Processing Plant was accredited ISO22000 in February and TAF-Taiwan Good Agricultural Practice (TGAP) in November.
- 2011 : In response to the trend of consumers' future diet, the Company invested in Asia's most advanced frozen microwave fresh food processing plant in Nantou and constructed a plant-based feedmill in line with ISO22000, HACCP, and meat safety standards of EU, the United States, and Japan to supply livestock with feed that is purer, healthier, and from non-pharmaceutical and non-animal raw material sources.
- 2016 : In order to launch laying hen business, the Company joint-ventured with other companies to establish Rui Mu Foods Co., Ltd. and Rui Fu Foods Co., Ltd.
- 2017 : The Company acquired 53,319 square meters of land in Yunlin Technology-based Industrial Park in Douliou City, Yunlin County. The first phase of the plant construction is to build the world's most advanced AI automated non-pharmaceutical feedmill in line with international environmental protection standards, and to solve the feed cross-contamination and food safety issues.
- 2019 : In order to expand the egg market and distribution business model, the Company's subsidiary, Rui Fu Foods Co. Ltd., joint-ventured with other companies to establish Sheng Da Foods Co., Ltd.
- 2020 : In order to satisfy the demand of chicken slaughtering capacity, the Company joint-ventured with other company to establish Feng Sheng Livestock Co., Ltd.

Merger and acquisition activities, strategic investments in affiliates, corporate reorganization, transferring or otherwise changing hands of a major quantity of shares belonging to directors or shareholders with 10% or more shareholding of the Company, any change in managerial control, any material change in operating methods or type of business, and any other matters of material significance that could affect shareholders' equity for the most recent year and as of the date of publication of the Annual Report: The Company's subsidiary, Chia Tai Lianyungang Co., Ltd., sold all shares of Lianyungang Chia Tai Agro-industry Development Co., Ltd. in Jan. 2020.

# Corporate Governance Report

## I. Organization

### 1. Organizational Chart



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## 2. Major Corporate Functions

- (1) Chairman : Legal representative of the Company, in charge of the Board of Directors, and verifying and monitoring the execution of the resolution.
- (2) CEO : Planning operation strategies and goals for the Company, and executing, tracking, monitoring the resolutions of the Board of Directors.
- (3) Internal Audit : Investigate and evaluate this Company's internal control system and audit various management systems of all the departments and sections in this company.
- (4) CEO Office : System planning, establishing, and modifying. Operation analyzing, and special project improving and tracking.
- (5) Credit Department : In charge of investing clients' credibility, credit granting, and urge the payment of accounts receivable.
- (6) Computer Department : In charge of this company's data processing, program developing, and maintenance.
- (7) Finance Department : In charge of financing, banking limit control, establishing relations with banks, insurance matters, and stock affairs.
- (8) Accounting Department : In charge of accounts calculating and processing, management analyzing, budget planning.
- (9) Human Resource & Administration Department : In charge of personnel managing, general affairs and documents managing, and educational trainings.
- (10) Technical R&D Center : In charge of developing and designing of new feed products, after-services, client livestock and poultry disease diagnosing, and breeding management guiding.
- (11) Commodity Department : In charge of purchasing raw materials of feed and micromaterials and sales of import and export trade.
- (12) Purchasing Department : In charge of purchasing fresh meat, raw material, facilities and machines.
- (13) Production Department : In charge of planning and executing the production of feed, meat products, processed meat products, prepared frozen food, breeder pig and swine; management and quality control of raw materials and products, storing and maintenance of factory buildings, facilities, and machines, executing and monitoring new construction works and construction improvement.
- (14) Sales Department : In charge of sale of feed, fresh meat, processed meat products, breeder pig and swine, accounts collection, search for new market, and clients' consultation.
- (15) Factory Department : In charge of factory's personnel matters, general affairs, and financing management.

## II. Information Regarding Directors and Management Team

### 1. Directors

Apr. 26, 2021

| Title                   | Nationality/<br>Place of<br>Incorporation | Name   | Gender | Date<br>Elected     | Term<br>(Years) | Date<br>First<br>Elected | Shareholding<br>when Elected |       | Current<br>Shareholding |       | Spouse &<br>Minor<br>Shareholding |      | Sharehold-<br>ing by<br>Nominee<br>Arrangeme-<br>nt |   | Experience (Education)                                       | Other Position in the Company and other<br>companies currently   | Executives, Directors or<br>Supervisors Who are<br>Spouses or within Two<br>Degrees of Kinship |      |          | Re-<br>marks |
|-------------------------|---|--|--------|---------------------|-----------------|--------------------------|------------------------------|-------|-------------------------|-------|-----------------------------------|------|---|---|--|--|--|------|----------|--------------|
|                         |   |  |        |                     |                 |                          | Shares                       | %     | Shares                  | %     | Shares                            | %    | Shares  | % |  |  | Title  | Name | Relation |              |
| Chairman                | Bermuda                                   | Charoen Pokphand<br>(Taiwan) Investment<br>Ltd., Bermuda | -      | 2018.<br>06.<br>13. | 3               | 2006.<br>06.<br>20.      | 26,802,733                   | 10.00 | 26,802,733              | 10.00 | 0                                 | 0.00 | 0   | 0 | Honorary Doctorate<br>of Agricultural<br>Sciences, NPUST     | Director: Plenty Type Limited (Cayman<br>Islands), Charoen Pokphand (Taiwan) Corp.<br>Ltd.; Supervisor: Arbor Acres (Taiwan) Co.,<br>Ltd.  | -  | -    | -        | -            |
|                         | R.O.C.                                    | Representative :<br>Wu Yeh Cheng                         | Male   |                     |                 |                          | 6,383,019                    | 2.38  | 6,383,019               | 2.38  | 142,853                           | 0.05 | 0   | 0 |  |  |  |      |          |              |
| Director                | Bermuda                                   | Charoen Pokphand<br>(Taiwan) Investment<br>Ltd., Bermuda | -      | 2018.<br>06.<br>13. | 3               | 2006.<br>06.<br>20.      | 26,802,733                   | 10.00 | 26,802,733              | 10.00 | 0                                 | 0.00 | 0   | 0 | Vice Chairman of CP<br>Group (Thailand)                      | None   | -  | -    | -        | -            |
|                         | Thailand                                  | Representative :<br>Prasert<br>Poongkumarn               | Male   |                     |                 |                          | 0                            | 0.00  | 0                       | 0.00  | 0                                 | 0.00 | 0   | 0 |  |  |  |      |          |              |
| Director                | Bermuda                                   | Charoen Pokphand<br>(Taiwan) Investment<br>Ltd., Bermuda | -      | 2018.<br>06.<br>13. | 3               | 2006.<br>06.<br>20.      | 26,802,733                   | 10.00 | 26,802,733              | 10.00 | 0                                 | 0.00 | 0   | 0 | Bachelor of Foreign<br>Language Dept.,<br>Tamkang University | Chairman: Arbor Acres (Taiwan) Co., Ltd.,<br>Charoen Pokphand (Taiwan) Corp. Ltd.;<br>Director: Plenty Type Limited (Cayman<br>Islands)  | -  | -    | -        | -            |
|                         | R.O.C.                                    | Representative :<br>Chu Hsiung Lin                       | Male   |                     |                 |                          | 1,845,294                    | 0.69  | 1,845,294               | 0.69  | 0                                 | 0.00 | 0   | 0 |  |  |  |      |          |              |
| Director                | Bermuda                                   | Charoen Pokphand<br>(Taiwan) Investment<br>Ltd., Bermuda | -      | 2018.<br>06.<br>13. | 3               | 2006.<br>06.<br>20.      | 26,802,733                   | 10.00 | 26,802,733              | 10.00 | 0                                 | 0.00 | 0   | 0 | Vice Chairman of<br>Chia Tai (China)<br>Argro-Industry       | CPE's CEO; Director: Arbor Acres (Taiwan)<br>Co., Ltd., Charoen Pokphand (Taiwan) Co.,<br>Ltd.   | -  | -    | -        | -            |
|                         | Thailand                                  | Representative :<br>Thong Chotirat                       | Male   |                     |                 |                          | 900                          | 0.00  | 156,900                 | 0.06  | 0                                 | 0.00 | 0   | 0 |  |  |  |      |          |              |
| Director                | Bermuda                                   | Charoen Pokphand<br>(Taiwan) Investment<br>Ltd., Bermuda | -      | 2018.<br>06.<br>13. | 3               | 2006.<br>06.<br>20.      | 26,802,733                   | 10.00 | 26,802,733              | 10.00 | 0                                 | 0.00 | 0   | 0 | MBA of Kasetsart<br>University                               | CPE's CFO; Director: Plenty Type Limited<br>(Cayman Islands), Rui Mu Foods Co., Ltd., Rui<br>Fu Foods Co., Ltd., Sheng Da Foods Co., Ltd.,<br>Feng Sheng Livestock Co., Ltd.; Supervisor:<br>Charoen Pokphand (Taiwan) Corp. Ltd.;<br>Chairman: Ta Chung Investment Co., Ltd.,<br>Chun Ta Investment Co., Ltd. | -  | -    | -        | -            |
|                         | Thailand                                  | Representative :<br>Monchai Leelaharat                   | Male   |                     |                 |                          | 0                            | 0.00  | 0                       | 0.00  | 0                                 | 0.00 | 0   | 0 |  |  |  |      |          |              |
| Independent<br>Director | R.O.C.                                    | Yen Sung Li  | Male   | 2018.<br>06.<br>13. | 3               | 2015.<br>06.<br>17.      | 0                            | 0.00  | 0                       | 0.00  | 0                                 | 0.00 | 0   | 0 | Master of Accounting<br>Dept., Soochow<br>University         | Member of CPE's Remuneration Committee;<br>Independent Director: CHICONY/SNC/<br>FamilyMart  | -  | -    | -        | -            |
| Independent<br>Director | R.O.C.                                    | Chia Nan Fang  | Male   | 2018.<br>06.<br>13. | 3               | 2015.<br>06.<br>17.      | 0                            | 0.00  | 0                       | 0.00  | 0                                 | 0.00 | 0   | 0 | Bachelor of<br>Economics Dept.,<br>Soochow University        | Member of CPE's Remuneration Committee,<br>CEO of Bank of Panhsin  | -  | -    | -        | -            |
| Independent<br>Director | R.O.C.                                    | Tsu M. Ongg  | Male   | 2018.<br>06.<br>13. | 3               | 2018.<br>06.<br>13.      | 0                            | 0.00  | 0                       | 0.00  | 0                                 | 0.00 | 0   | 0 | Master of Illinois<br>Institute of<br>Technology, USA        | Member of CPE's Remuneration Committee,<br>Head of Habitech Architects, Director: Career,<br>Supervisor: Fubon Real Estate Management  | -  | -    | -        | -            |

Note 1 : CPE has established Audit Committee composed of all independent directors to takes over the duties of Supervisors on June 17, 2015.

Note 2 : Current Shareholding is shares recorded in the shareholders' roster on Record date of 2021 Annual General Shareholders' Meeting.



## 2. Management Team

Apr. 26, 2021

| Title  | Nationality | Name               | Gender | Date Effective | Shareholding |      | Spouse & Minor Shareholding |      | Shareholding by Nominee Arrangement |      | Experience ( Education )                                   | Other Position in other companies currently   | Managers who are Spouses or Within Two Degrees of Kinship |      |          | Remarks |
|--|-------------|--------------------|--------|----------------|--------------|------|-----------------------------|------|-------------------------------------|------|--|---|---|------|----------|---------|
|  |             |                    |        |                | Shares       | %    | Shares                      | %    | Shares                              | %    |  |   | Title   | Name | Relation |         |
| CEO  | Thailand    | Thong Chotirat     | Male   | 2006.06.20.    | 156,900      | 0.06 | 0                           | 0.00 | 0                                   | 0.00 | Vice Chairman of Chia Tai (China) Argro-Industry           | Director: Arbor Acres (Taiwan) Co., Ltd., Charoen Pokphand (Taiwan) Corp. Ltd.  | -   | -    | -        | -       |
| CEO Office Senior Vice President                     | R.O.C.      | Chih Cheng Liu     | Male   | 2005.06.01.    | 0            | 0.00 | 0                           | 0.00 | 0                                   | 0.00 | Master of Industrial Management Dept. NTUST                | None  | -   | -    | -        | -       |
| Taichung Plant Senior Vice President                 | R.O.C.      | Yen Chun Liu       | Male   | 2006.11.27.    | 0            | 0.00 | 0                           | 0.00 | 0                                   | 0.00 | Master of Food Science and Biotechnology Dept., NCHU       | Chairman: Rui Mu Foods Co., Ltd.  | -   | -    | -        | -       |
| Meat/Further Processing Plant Senior Vice President  | R.O.C.      | Wei Yueh Chang     | Male   | 2009.02.01.    | 4,554        | 0.00 | 0                           | 0.00 | 0                                   | 0.00 | Bachelor of Economics Dept. Tunghai University             | Supervisor: Rui Fu Foods Co., Ltd.  | -   | -    | -        | -       |
| Breeder Pig Business Operation Senior Vice President | Canada      | Ning Wang          | Male   | 2008.07.01.    | 0            | 0.00 | 210                         | 0.00 | 0                                   | 0.00 | Ph.D. of Catholic University of Leuven, Belgium            | None  | -   | -    | -        | -       |
| Kaohsiung Plant Vice President                       | R.O.C.      | Yu Ching Chen      | Male   | 2007.03.21.    | 0            | 0.00 | 0                           | 0.00 | 0                                   | 0.00 | Bachelor of Chemical and Materials Engineering Dept., NCUT | None  | -   | -    | -        | -       |
| Technical R&D Dept. Senior Vice President            | R.O.C.      | Chao Jen Chen      | Male   | 2010.09.01.    | 0            | 0.00 | 5,000                       | 0.00 | 0                                   | 0.00 | Ph.D. of Animal Nutrition Dept., NCHU                      | Chairman: Rui Fu Foods Co., Ltd. Supervisor: Rui Mu Foods Co., Ltd., Sheng Da Foods Co., Ltd.   | -   | -    | -        | -       |
| Food R&D Senior Vice President                       | R.O.C.      | Chun Lung Hsiao    | Male   | 2015.04.01.    | 0            | 0.00 | 0                           | 0.00 | 0                                   | 0.00 | Master of Animal Science Dept., NCHU                       | Supervisor: Feng Sheng Livestock Co., Ltd.  | -   | -    | -        | -       |
| CFO  | Thailand    | Monchai Leelaharat | Male   | 2014.10.01.    | 0            | 0.00 | 0                           | 0.00 | 0                                   | 0.00 | MBA of Kasetsart University                                | Director: Plenty Type Limited (Cayman Islands), Rui Mu Foods Co., Ltd., Rui Fu Foods Co., Ltd.; Sheng Da Foods Co., Ltd., Feng Sheng Livestock Co., Ltd. Supervisor: Charoen Pokphand (Taiwan) Corp. Ltd. Chairman: Ta Chung Investment Co., Ltd., Chun Ta Investment Co., Ltd. | -   | -    | -        | -       |
| Accounting Dept. Vice President                      | R.O.C.      | Su Hua Lee         | Female | 2021.01.22.    | 0            | 0.00 | 0                           | 0.00 | 0                                   | 0.00 | Master of Accounting Dept., Soochow University             | None  | -   | -    | -        | -       |

Note : Shareholding is shares recorded in the shareholders' roster on Record date of 2021 Annual General Shareholders' Meeting.

### III. Remuneration paid to Directors and Management Team for the Most Recent Year

#### 1. Remuneration paid to Directors and Management Team for the most recent year

##### (1) Remuneration of Directors and Independent Directors

Dec. 31, 2020  
Unit : NT \$ 10,000

| Title                | Name                 | Remuneration   |  |                   |  |                           |  |                |  | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) |  | Relevant Remuneration Received by Directors Who are Also Employees |  |                   |  |                           |       |      |       | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) |  | Remuneration from ventures other than subsidiaries or from the parent company. |       |      |  |
|----------------------|----------------------|--|--|-------------------|--|---------------------------|--|----------------|--|---|--|--|--|-------------------|--|---------------------------|-------|------|-------|---|--|--|-------|------|--|
|                      |                      | Base Compensation (A)  |  | Severance Pay (B) |  | Directors Compensation(C) |  | Allowances (D) |  | The Company   | Companies in the consolidated financial statements | Salary, Bonuses, and Allowances (E)                                |  | Severance Pay (F) |  | Employee Compensation (G) |       |      |       | The Company   | Companies in the consolidated financial statements |  |       |      |  |
|                      |                      | The company  | All companies in the consolidated financial statements | The Company       | Companies in the consolidated financial statements | The Company               | Companies in the consolidated financial statements | The Company    | Companies in the consolidated financial statements |   |  | The Company  | Companies in the consolidated financial statements | The Company       | Companies in the consolidated financial statements | Cash                      | Stock | Cash | Stock |   |  |  |       |      |  |
| Director             | Chairman             | Charoen Pokphand (Taiwan) Investment Ltd.<br>Representative : Wu Yeh Cheng       | 1,394  | 1,674             | 0  | 0                         | 0  | 0              | 6  | 6   | 0.84%  | 1.01%  | 0  | 0                 | 0  | 0                         | 0     | 0    | 0     | 0   | 0  | 0.84%  | 1.01% | None |  |
|                      | Director             | Charoen Pokphand (Taiwan) Investment Ltd.<br>Representative: Prasert Poongkumarn | 1,980  | 1,980             | 0  | 0                         | 0  | 0              | 6  | 6   | 1.20%  | 1.20%  | 0  | 0                 | 0  | 0                         | 0     | 0    | 0     | 0   | 0  | 1.20%  | 1.20% | None |  |
|                      | Director             | Charoen Pokphand (Taiwan) Investment Ltd.<br>Representative : Chu Hsiung Lin     |  |                   |  |                           |  |                |  |   |  |  |  |                   |  |                           |       |      |       |   |  |  |       |      |  |
|                      | Director             | Charoen Pokphand (Taiwan) Investment Ltd.<br>Representative: Thong Chotirat      | 180  | 180               | 0  | 0                         | 0  | 0              | 18   | 18  | 0.12%  | 0.12%  | 7,867  | 7,957             | 0  | 0                         | 0     | 0    | 0     | 0   | 0  | 4.87%  | 4.92% | None |  |
|                      | Director             | Charoen Pokphand (Taiwan) Investment Ltd.<br>Representative : Monchai Leelaharat |  |                   |  |                           |  |                |  |   |  |  |  |                   |  |                           |       |      |       |   |  |  |       |      |  |
| Independent Director | Independent Director | Yen Sung Li  |  |                   |  |                           |  |                |  |   |  |  |  |                   |  |                           |       |      |       |   |  |  |       |      |  |
|                      | Independent Director | Chia Nan Fang  | 180  | 180               | 0  | 0                         | 0  | 0              | 42   | 42  | 0.13%  | 0.13%  | 0  | 0                 | 0  | 0                         | 0     | 0    | 0     | 0   | 0  | 0.13%  | 0.13% | None |  |
|                      | Independent Director | Tsu M. Ongg  |  |                   |  |                           |  |                |  |   |  |  |  |                   |  |                           |       |      |       |   |  |  |       |      |  |

- Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: The remuneration for Independent Directors is taking the Company's operation performance and typical pay levels of peer companies for reference and then submitted the proposal to the Board of Directors for resolution.
- In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors: None.

## Range of Remuneration

| Range of Remuneration           | Name of Directors  |  |   |  |
|---------------------------------|--|--|---|--|
|                                 | Total of (A+B+C+D)   |  | Total of (A+B+C+D+E+F+G)                      |  |
|                                 | The Company  | Companies in the consolidated financial statements   | The Company                                   | Companies in the consolidated financial statements         |
| Under NT\$ 1,000,000            | Chu Hsiung Lin,<br>Thong Chotirat,<br>Monchai Leelaharat,<br>Yen Sung Li,<br>Chia Nan Fang,<br>Tsu M. Ongg | Chu Hsiung Lin,<br>Thong Chotirat,<br>Monchai Leelaharat,<br>Yen Sung Li,<br>Chia Nan Fang,<br>Tsu M. Ongg | Yen Sung Li,<br>Chia Nan Fang,<br>Tsu M. Ongg | Yen Sung Li,<br>Chia Nan Fang,<br>Tsu M. Ongg              |
| NT\$1,000,000 ~ NT\$1,999,999   | -  | -  | -   | -  |
| NT\$2,000,000 ~ NT\$3,499,999   | -  | -  | -   | -  |
| NT\$35,000,000 ~ NT\$4,999,999  | -  | -  | -   | -  |
| NT\$5,000,000 ~ NT\$9,999,999   | -  | -  | Chu Hsiung Lin                                | Chu Hsiung Lin   |
| NT\$10,000,000 ~ NT\$14,999,999 | Wu Yeh Cheng   | -  | Wu Yeh Cheng,                                 | -  |
| NT\$15,000,000 ~ NT\$29,999,999 | Prasert Poongkumarn  | Wu Yeh Cheng,<br>Prasert Poongkumarn   | Prasert Poongkumarn<br>Monchai Leelaharat     | Prasert Poongkumarn<br>Wu Yeh Cheng,<br>Monchai Leelaharat |
| NT\$30,000,000~ NT\$49,999,999  | -  | -  | -   | -  |
| NT\$50,000,000~ NT\$99,999,999  | -  | -  | Thong Chotirat                                | Thong Chotirat   |
| NT\$100,000,000 or over         | -  | -  | -   | -  |
| Total                           | 8 persons  | 8 persons  | 8 persons                                     | 8 persons  |

## Remuneration of Management Team

Dec. 31, 2020

Unit : NT\$ 10,000

| Title  | Name               | Salary(A)   |  | Severance Pay (B) |  | Bonuses and Allowances (C) |  | Employee Compensation (D)<br>(Note 2) |       |  |       | Ratio of total compensation (A+B+C+D) to net income (%) |  | Remuneration from ventures other than subsidiaries or from the parent company |
|--|--------------------|-------------|--|-------------------|--|----------------------------|--|---------------------------------------|-------|--|-------|---|--|---|
|  |                    | The Company | Companies in the consolidated financial statements | The Company       | Companies in the consolidated financial statements | The Company                | Companies in the consolidated financial statements | The Company                           |       | Companies in the consolidated financial statements |       | The Company   | Companies in the consolidated financial statements |   |
|  |                    |             |  |                   |  |                            |  | Cash                                  | Stock | Cash   | Stock |   |  |   |
| CEO  | Thong Chotirat     | 4,328       | 4,397  | 160               | 160  | 10,893                     | 10,938   | 26                                    | 0     | 26   | 0     | 9.30%   | 9.37%  | None  |
| Senior Executive Vice President                      | Chu Hsiung Lin     |             |  |                   |  |                            |  |                                       |       |  |       |   |  |   |
| CEO Office Senior Vice President                     | Chih Cheng Liu     |             |  |                   |  |                            |  |                                       |       |  |       |   |  |   |
| Taichung Plant Senior Vice President                 | Yen Chun Liu       |             |  |                   |  |                            |  |                                       |       |  |       |   |  |   |
| Meat/Further Processing Plant Senior Vice President  | Wei Yueh Chang     |             |  |                   |  |                            |  |                                       |       |  |       |   |  |   |
| Breeder Pig Business Operation Senior Vice President | Ning Wang          |             |  |                   |  |                            |  |                                       |       |  |       |   |  |   |
| Technical R&D Dept. Senior Vice President            | Chao Jen Chen      |             |  |                   |  |                            |  |                                       |       |  |       |   |  |   |
| Kaohsiung Plant Vice President                       | Yu Ching Chen      |             |  |                   |  |                            |  |                                       |       |  |       |   |  |   |
| Food R&D Senior Vice President                       | Chun Lung Hsiao    |             |  |                   |  |                            |  |                                       |       |  |       |   |  |   |
| CFO  | Monchai Leelaharat |             |  |                   |  |                            |  |                                       |       |  |       |   |  |   |
| Accounting Dept. Vice President (Note 3)             | Ching Yuan Yu      |             |  |                   |  |                            |  |                                       |       |  |       |   |  |   |

Note 1 : Severance Pay actually paid in 2020 was NT\$ 0. The expenditure reserved to Severance Pay was NT\$ 1.60 million.

Note 2 : Amounts stated above were managers' compensation approved by the Board of Directors in 2020.

Note3 : The Accounting Dept. Vice President, Ching Yuan Yu, was dismissed on Jan. 22, 2021 due to his retirement.

## Range of Remuneration

| Range of Remuneration           | Name of Management  |   |
|---------------------------------|---|---|
|                                 | The Company   | Companies in the consolidated financial statements  |
| Under NT\$ 1,000,000            | -   | -   |
| NT\$1,000,000 ~ NT\$1,999,999   | -   | -   |
| NT\$2,000,000 ~ NT\$3,499,999   | -   | -   |
| NT\$3,500,000 ~ NT\$4,999,999   | -   | -   |
| NT\$5,000,000 ~ NT\$9,999,999   | Ching Yuan Yu, Chao Jen Chen, Chu Hsiung Lin, Chun Lung Hsiao, Yu Ching Chen, Wei Yueh Chang, | Ching Yuan Yu, Chao Jen Chen, Chu Hsiung Lin, Chun Lung Hsiao, Yu Ching Chen, Wei Yueh Chang, |
| NT\$10,000,000 ~ NT\$14,999,999 | Yen Chun Liu, Chih Cheng Liu  | Yen Chun Liu, Chih Cheng Liu  |
| NT\$15,000,000 ~ NT\$29,999,999 | Monchai Leelaharat, Ning Wang   | Monchai Leelaharat, Ning Wang   |
| NT\$30,000,000 ~ NT\$49,999,999 | -   | -   |
| NT\$50,000,000 ~ NT\$99,999,999 | Thong Chotirat  | Thong Chotirat  |
| NT\$100,000,000 or over         | -   | -   |
| Total                           | 11 persons  | 11 persons  |

### Distribution of Employee Compensation to the management

Dec. 31, 2020  
Unit : NT\$ 10,000

|          | Title | Name            | Employee Compensation - in Stock (Fair Market Value) | Employee Compensation - in Cash | Total | Ratio of Total Amount to Net Income (%) |
|----------|-------|-----------------|--|---------------------------------|-------|---|
| Managers | SVP   | Chih Cheng Liu  | 0  | 28                              | 28    | 0.02%                                   |
|          | SVP   | Wei Yueh Chang  |  |                                 |       |   |
|          | SVP   | Yen Chun Liu    |  |                                 |       |   |
|          | SVP   | Ning Wang       |  |                                 |       |   |
|          | VP    | Yu Ching Chen   |  |                                 |       |   |
|          | SVP   | Chao Jen Chen   |  |                                 |       |   |
|          | SVP   | Chun Lung Hsiao |  |                                 |       |   |
|          | VP    | Su Hua Lee      |  |                                 |       |   |

Note : Amounts stated above were Compensation approved by the Board of Directors in 2020.

## 2. Analysis of Remuneration for Directors and Management Team in the Most Recent Two Fiscal Years.

- (1) The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors and management team of the Company, to the net income of the parent company only financial statements:

| 2020   | 2019   |
|--------|--------|
| 11.83% | 11.71% |

- (2) The payment principles of remuneration for directors and management team is accordance with the Company's Articles of Incorporation as follows: Article 31 "The remuneration for the chairman and directors is according to the individual merit for the degree of participation and contribution in the operation of the Company, in view of the standards of international and local industry, the Board of Directors is authorized to determine the aforesaid remuneration. In case that a shareholder or a director acts as a managerial officer or staff/employee of the Company, he/she shall be deemed as a general staff/employee and be paid for the salary." and Article 29-1 "When the Company has profit of the current year, at least 1% or more shall be

distributed as employees' bonuses. In case that the Company has accumulative losses, a sufficient amount shall be reserved to offset its accumulative losses in advance." The remuneration for directors and management team is highly related to the Company's operating results and performance which is determined by performance indicators (the Company's operating results is according to financial indicators (such as the achievement rates of operating revenue, profits before income tax, and profits after the income tax) and non-financial indicators (such as performance regarding the compliance of laws and regulations of belonging departments and major deficiencies in operational risk issues). The remuneration for Independent directors is determined by taking the typical pay levels of markets for reference.

## IV. Implementation of Corporate Governance

### 1. Board of Directors

A total of 6 (A) meetings of the Board of Directors were held in the previous year (2020). The attendance of directors was as follows:

| Title                | Name  | Attendance in Person (B) | By Proxy | Attendance Rate (%)<br>【B/A】 | Remarks |
|----------------------|---|--------------------------|----------|------------------------------|---------|
| Chairman             | Charoen Pokphand (Taiwan) Investment Ltd.<br>Representative : Wu Yeh Cheng        | 6                        | 0        | 100%                         |         |
| Director             | Charoen Pokphand (Taiwan) Investment Ltd.<br>Representative : Prasert Poongkumarn | 0                        | 6        | 0%                           |         |
| Director             | Charoen Pokphand (Taiwan) Investment Ltd.<br>Representative : Chu Hsiung Lin      | 6                        | 0        | 100%                         |         |
| Director             | Charoen Pokphand (Taiwan) Investment Ltd.<br>Representative : Thong Chotirat      | 6                        | 0        | 100%                         |         |
| Director             | Charoen Pokphand (Taiwan) Investment Ltd.<br>Representative : Monchai Leelaharat  | 6                        | 0        | 100%                         |         |
| Independent director | Yen Sung Li   | 6                        | 0        | 100%                         |         |
| Independent director | Chia Nan Fang   | 6                        | 0        | 100%                         |         |
| Independent director | Tsu M. Ongg   | 6                        | 0        | 100%                         |         |

#### Other mentionable items:

- If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified:
  - Matters referred to in Article 14-3 of the Securities and Exchange Act: Please refer to the paragraph of Audit Committee "Operations of the Audit Committee Meeting for Material proposals".
  - Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.
- If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

| Directors' names  | Date             | Contents of motion  | Causes for avoidance              | Voting   |
|---|------------------|---|-----------------------------------|--|
| Wu Yeh Cheng,<br>Chu Hsiung Lin,<br>Thong Chotirat,<br>Monchai Leelaharat | Jan. 20,<br>2020 | Proposal for remuneration adjustment for Directors and managers and the year-end bonus. | Avoidance of conflict of interest | The interested directors were excluded from deliberations. |
| Monchai Leelaharat  | Aug. 4,<br>2020  | Proposal for 2020 remuneration for Directors and salary adjustment for managers.        | Avoidance of conflict of interest | The interested director was excluded from deliberations.   |

- Status of Self (or Peer) Evaluation conducted by the Board of Directors : The Company has established "Regulations Governing the Board Performance Evaluation". Please refer to the following Table for the implementation status of Board Evaluations.

4. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the Board in carrying out its various duties.
- (1) The Company's Audit Committee comprises all independent directors and takes over the duties of Supervisors on Jun. 17, 2015.
  - (2) The Company's objectives to strengthen the functions of the Board of Directors are as follows:
    - A. An adequate Board structure: Including planning appropriate Board seats, the chairman shall not concurrently assume the position of CEO.
    - B. Well-defined Governing Procedure for Directors meeting and decision-making: Including the setup of Rules of Procedure for Board of Directors' Meetings, compliance with Directors' conflict of interest, and tracking and assessment of matters resolved by the Board.
    - C. Strengthening the Board's tasks: Select and supervise the business management and effectiveness of internal control, review and monitor company management decisions, financial objectives, and business plans, plan the Company's future development directions and conduct business in accordance with the regulations and the Board resolutions.
  - (3) Implementation: The actual operations of the Board of Directors are to achieve the abovementioned objectives.
5. All independent directors attended Board Meetings in Person.

**Table The implementation status of Board Evaluations.**

| Evaluation cycle | Evaluation period                   | Scope of evaluation    | Evaluation method                                  | Evaluation items   |
|------------------|-------------------------------------|------------------------|--|--|
| Once a year      | From Jan. 1, 2020 to Dec. 31, 2020. | the Board of Directors | Internal self-evaluation of the Board of Directors | A. Participation in the operation of the company;<br>B. Improvement of the quality of the board of directors' decision making;<br>C. Composition and structure of the board of directors;<br>D. Election and continuing education of the directors;<br>E. Internal control.                                      |
|                  |                                     | Individual directors   | Self-assessment by directors                       | A. Alignment of the goals and missions of the company;<br>B. Awareness of the duties of a director;<br>C. Participation in the operation of the company;<br>D. Management of internal relationship and communication;<br>E. The director's professionalism and continuing education; and<br>F. Internal control. |

## 2. Audit Committee

The Audit Committee is composed of three independent directors. The Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control of the Company, and its responsibilities are as follows:

- (1) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (2) Assessment of the effectiveness of the internal control system.
- (3) The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
- (4) Matters in which a director is an interested party.
- (5) Asset transactions or derivatives trading of a material nature.
- (6) Loans of funds, endorsements, or provision of guarantees of a material nature.
- (7) The offering, issuance, or private placement of equity-type securities.
- (8) The hiring or dismissal of a certified public accountant, or their compensation.
- (9) The appointment or discharge of a financial, accounting, or internal audit officer.
- (10) Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial officer, and accounting officer.
- (11) Other material matters as may be required by this Corporation or by the competent authority.

A total of 7 (A) Audit Committee meetings were held in the previous year (2020). The attendance of the independent directors was as follows:

| Title                | Name          | Attendance in Person (B) | By Proxy | Attendance Rate (%) <b>【B/A】</b> | Remarks |
|----------------------|---------------|--------------------------|----------|----------------------------------|---------|
| Independent director | Yen Sung Li   | 7                        | 0        | 100%                             |         |
| Independent director | Chia Nan Fang | 7                        | 0        | 100%                             |         |
| Independent director | Tsu M. Ongg   | 7                        | 0        | 100%                             |         |

**Other mentionable items:**

1. Matters referred to in Articles 14-5 of the Securities and Exchange Act and other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: Please refer to the following table “Operations of the Audit Committee Meeting for Material proposals”.
2. If there are independent directors’ avoidance of motions in conflict of interest, the directors’ names, contents of motion, causes for avoidance and voting should be specified: None
3. Communications between the independent directors, the Company’s chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.): The Independent directors regularly reviewed internal audit reports and the Company’s financial statements audited by independent auditors. The communication channel between them has been functioning well.

The main duties of the Audit Committee this year are to review the financial reports, internal control systems and related policies and procedures, and transactions of material assets, hiring of a certified public accountant, etc. Please refer to the following table for the details regarding the operations of the Audit Committee meeting for material proposals.

Table Operations of the Audit Committee meeting for material proposals

| Dates of Board Meeting  | Proposals and Resolution  | Matters referred to in §14-5 of the Securities and Exchange Act | Not approved by the Audit Committee but approved by two thirds or more of all directors |
|---|---|---|---|
| 2020<br>1st Meeting<br>Jan. 20, 2020  | Amendment to the Internal Control System  | V   | None  |
|   | Resolutions of Audit Committee (Jan. 20, 2020): Aforementioned proposals were approved by all members of the Audit Committee. |   |   |
|   | Company's actions regarding Audit Committee's opinions: Approved by all attending directors at BOD meeting.                   |   |   |
| 2020<br>2nd Meeting<br>Mar. 24, 2020  | 2019 Annual financial statements (Consolidated and Parent Company Only)   | V   | None  |
|   | 2019 Internal Control Statement   | V   | None  |
|   | Amendment to the Internal Control System  | V   | None  |
|   | Amendment to the "Rules of Procedure for Board of Directors Meetings"   | V   | None  |
|   | Amendment to the "Audit Committee Charter"  | V   | None  |
|   | Resolutions of Audit Committee (Mar. 24, 2020): Aforementioned proposals were approved by all members of the Audit Committee. |   |   |
| Company's actions regarding Audit Committee's opinions: Approved by all attending directors at BOD meeting. |   |   |   |
| 2020<br>3rd Meeting<br>May. 5, 2020   | Amendment to the Internal Control System  | V   | None  |
|   | Resolutions of Audit Committee (May. 5, 2020): Aforementioned proposals were approved by all members of the Audit Committee.  |   |   |
|   | Company's actions regarding Audit Committee's opinions: Approved by all attending directors at BOD meeting.                   |   |   |
| 2020<br>5th Meeting<br>Nov. 10, 2020  | Internal auditing proposal of year 2021.  | V   | None  |
|   | Resolutions of Audit Committee (Nov. 10, 2020): Aforementioned proposals were approved by all members of the Audit Committee. |   |   |
|   | Company's actions regarding Audit Committee's opinions: Approved by all attending directors at BOD meeting.                   |   |   |
| 2020<br>6th Meeting<br>Dec. 22, 2020  | Evaluation of disguised financing behaviors   | V   | None  |
|   | Joint-ventured with other company to establish a subsidiary.  | V   | None  |
|   | Resolutions of Audit Committee (Dec. 22, 2020): Aforementioned proposals were approved by all members of the Audit Committee. |   |   |
|   | Company's actions regarding Audit Committee's opinions: Approved by all attending directors at BOD meeting.                   |   |   |

### 3. Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

| Evaluation Item   | Implementation Status |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|--|--|
|   | Yes                   | No   |  |
|   |                       | Abstract Illustration  |  |
| 1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”? | V                     | The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and resolved by the meeting of the Board of Directors on Nov. 1, 2019 and disclosed on the Market Observation Post System and the Company’s website. | Compliant  |
| 2. The company’s shareholding structure and shareholders’ rights  |                       |  |  |
| (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?        | V                     | The spokesperson is responsible for such affairs, and the Stock Transfer Agent provides assistance.  | No material discrepancy  |
| (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?   | V                     | The Company keeps up for updating the latest list of its major shareholders as well as the ultimate owners of those shares to protect shareholders’ rights.  | Compliant  |
| (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?   | V                     | The transactions between the Company and its affiliates all follow the relevant laws and regulations. Every affiliate is an independent entity with clearly defined management rights and responsibilities.  | Compliant  |
| (4) Does the company establish internal rules against insiders trading with undisclosed information?  | V                     | The Company has established the internal rules to forbid insider trading and disclosed on the Company’s website.   | Compliant  |

| Evaluation Item   | Implementation Status |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|--|--|
|   | Yes                   | No   |  |
|   |                       |  | Abstract Illustration  |
| <p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p> | V                     | <p>The Company has developed a diversified policy for composition of the Board members in article 20 of its “Corporate Governance Best-Practice Principles”. The Company has 8 directors, including 3 independent directors. The percentage of independent directors is about 38%, the tenure of less than 3 years accounted for 33% while tenure of 3-9years accounted for 67% and there is no tenure of independent directors exceeded 9years. Regarding to nationality, the percentage of Thailand directors is about 38% while the percentage of Taiwan directors is about 62%. The Board members with diversified expertise such as industrial experience, operational management, finance, accounting, and architecture can effectively perform its monitoring and management functions. The Company pays attention to the diversity for composition of the Board members and sets the targets to maintain the current status which are the percentage of Thailand directors is above 30% and at least one director who has accounting or financial expertise. We will also continue to implement the diversified policy for composition of the Board members based on the develop requirements in the future.</p> | Compliant  |
| <p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p>                              | V                     | <p>The Company has not yet established other functional committees in addition to the Remuneration Committee and the Audit Committee. In the future, the Company may plan to set up other functional committees depending on actual needs and in accordance with the regulations.</p>  | No material discrepancy  |

| Evaluation Item  | Implementation Status |    | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons  |
|--|-----------------------|----|---|
|  | Yes                   | No |   |
|  |                       |    | Abstract Illustration   |
| (3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and reference when determining the remuneration of individual directors and nominations for reelection?  | V                     |    | The Company has established the Regulations Governing the Board Performance Evaluation and resolved by the meeting of the Board on Nov. 1, 2019. The Company will conduct the self-evaluation or peer-evaluation of the Board and individual directors for the previous year on annual base since year 2021. The evaluation results will be reported to the Board of Directors and the results shall be applied as reference for each director’s compensation and reappointment.  |
| (4) Does the company regularly evaluate the independence of CPAs? ?  | V                     |    | The Company has evaluated the independence of CPAs, and resolved by the Board on May 11, 2021. Please refer to the following Table 1.   |
| 4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)? | V                     |    | The Company has appointed the Chief Corporate Governance Officer by the Board of Directors on May 11, 2021, who is responsible for corporate governance matters, including handling of matters relating to board of directors meetings and shareholders meetings in compliance with law; preparation of minutes of the board of directors meetings and shareholders meetings; assistance in onboarding and continuing education of the directors; provision of information required for performance of duties by the directors; assistance in the directors’ compliance of law; and other matters described or established in the articles of incorporation or under contract. As of the publish date of the 2021 Annual Report, the Chief Corporate Governance Officer does not have training records yet. |

| Evaluation Item  | Implementation Status |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|--|--|
|  | Yes                   | No   |  |
|  |                       | Abstract Illustration  |  |
| 5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities? | V                     | The respective dedicated departments are responsible for communication and coordination with stakeholders (including transacting banks, creditors, employees, clients, consumers, and suppliers). The Stakeholder Area has been created on the Company’s website to appropriately respond to all the issues the stakeholders care for. | Compliant  |
| 6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?  | V                     | The Company designates CTBC Bank to deal with shareholder affairs.   | Compliant  |
| 7. Information Disclosure  |                       |  |  |
| (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?   | V                     | The Company has set up a website to disclose the Company’s financials, business and relevant information regularly.  | Compliant  |
| (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?  | V                     | The Company has assigned dedicated departments to handle the collection and disclosure of information, and implemented a spokesperson system.  | No material discrepancy  |
| (3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?                                       | V                     | The Company follows “List of Matters Required to Be Handled by Issuers of Listed Securities” to announce and report the financial statements as well as the operating status of each month.  | No material discrepancy  |

| Evaluation Item  | Implementation Status |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|---|--|
|  | Yes                   | No  |  |
|  |                       | Abstract Illustration   |  |
| 8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?  | V                     | <p>1. Employee rights related systems and measures:</p> <p>(1) Establish the Staff Welfare Committee</p> <p>(2) Set up guidelines for sexual harassment prevention</p> <p>(3) Set up a complaint mail box.</p> <p>2. The company’s Directors, attending seminars regularly, has shown sound training status. The Directors’ training records in 2020 are as shown in the following Table 2.</p> <p>3. The Company has purchased “Directors and Officers Liability Insurance” for its directors and managers since March 31, 2009 to reduce and spread the risk of major damage cause by errors or negligence.</p> <p>4. The Company has set up the guidelines for staff retirement and provided welfare measures to maintain harmonious labor relations. Also, we pay attention to consumer rights, community environmental protection, and welfare issues, and focus on social responsibility that purchasing Public accident liability insurance and product liability insurance to strengthen protection for third parties.</p> <p>5. The corporate governance situation has been disclosed in the “Corporate Governance” section of the Market Observation Post System (<a href="https://mops.twse.com.tw">https://mops.twse.com.tw</a>).</p> | No material discrepancy  |
| <p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>Improvements: The Company has appointed the Chief Corporate Governance Officer and disclosed Material Information in English.</p> <p>The priority enhancement measures: We will continuously strengthen the disclosure contents in Annual Report and on the Company’s website to enhance information transparency.</p> |                       |   |  |

Table 1

## Charoen Pokphand Enterprise (Taiwan) Co., Ltd.

## CPA and the joint accounting firm CPA belongs

## Checklist of Independence Analysis and Professional Qualifications

| Evaluation  | Yes | No | Notes |
|---|-----|----|-------|
| Has the CPA not served as a director or an independent director in the Company or its affiliated companies?   | V   |    |       |
| Has the CPA not been a shareholder of the Company or its affiliates?  | V   |    |       |
| Has the CPA not received salary from the Company or its affiliates?   | V   |    |       |
| Has the CPA not been providing the Company with audit services for seven consecutive years?   | V   |    |       |
| Has the CPA confirmed that the joint accounting firm CPA belongs has complied with relevant independence related norms?   | V   |    |       |
| Has the jointly practicing accountant of the joint accounting firm to which the CPA belongs not served as the Company's director, manager or post having a major influence on audit cases over the past year?                   | V   |    |       |
| <p>Conclusion:</p> <p>After the evaluation, the independent auditors, Yi-Fan Lin and Fu-Ming Liao, from PwC, Taiwan have met the standard of independence analysis and professional qualification.</p> <p>Date: May 3, 2021</p> |     |    |       |

Table 2

## Directors' training records in 2020

| Name                | Course   | Sponsoring Organization                                       | Training hours |
|---------------------|--|---|----------------|
| Prasert Poongkumarn | E-commerce Channel of Agro-food Business                           | C.P. Leadership Institute                                     | 4              |
|                     | Developing Broiler Integration Business                            | C.P. Leadership Institute                                     | 1.5            |
|                     | Leadership Development Program                                     | C.P. Leadership Institute                                     | 4              |
|                     | Expansion of Feed Ingredient Business                              | C.P. Leadership Institute                                     | 4              |
|                     | The Transformation of Sale Channels to End-Customer                | C.P. Leadership Institute                                     | 1.5            |
|                     | Transforming Business to Environmental-friendly Packaging          | C.P. Leadership Institute                                     | 3.5            |
|                     | Opportunities and Crisis of Covid-19                               | C.P. Leadership Institute                                     | 1.5            |
| Wu Yeh Cheng        | 18 <sup>th</sup> Session Global Views Special Topic Summit in 2020 | Global Views Commonwealth Publishing Group                    | 17.5           |
|                     | Excellent Innovation Forum of Agricultural Bio-technology in 2020  | Analysis and Promotion of Agriculture Biotechnology Office    | 7              |
|                     | Seminar of High-quality U.S. Soybean and Soybean meal in 2020      | U.S. Soybean Export Council, Taiwan Feed Industry Association | 4.5            |

| Name               | Course  | Sponsoring Organization   | Training hours |
|--------------------|---|---|----------------|
| Chu Hsiung Lin     | The situation of Northeast Asia under the U.S.-China confrontation  | Rotary Club of Taipei Tatung  | 1              |
|                    | Thailand's economic development and investment opportunities  | Rotary Club of Taipei Tatung  | 1              |
|                    | The situation of East Asia under the new Cold War between U.S. and China  | Rotary Club of Taipei Tatung  | 1              |
|                    | Issues of COVID-19  | Rotary Club of Taipei Tatung  | 1              |
|                    | The issues and strategies regarding enterprise assets   | Rotary Club of Taipei Tatung  | 1              |
|                    | Investment outlook of 2020  | Rotary Club of Taipei Tatung  | 1              |
| Thong Chotirat     | E-commerce Channel of Agro-food Business  | C.P. Leadership Institute   | 4              |
|                    | Developing Broiler Integration Business   | C.P. Leadership Institute   | 1.5            |
|                    | Leadership Development Program  | C.P. Leadership Institute   | 4              |
|                    | Expansion of Feed Ingredient Business   | C.P. Leadership Institute   | 4              |
|                    | The Transformation of Sale Channels to End-Customer   | C.P. Leadership Institute   | 1.5            |
|                    | Transforming Business to Environmental-friendly Packaging   | C.P. Leadership Institute   | 3.5            |
|                    | Opportunities and Crisis of Covid-19  | C.P. Leadership Institute   | 1.5            |
| Monchai Leelaharat | 2020 Conference for the prevention of insider trading and Insiders' Shareholdings trading.  | Securities and Futures Institute  | 3              |
|                    | Forum of Corporate Governance 3.0-Sustainable Development Roadmap   | Taiwan Stock Exchange Corporation                                       | 3              |
|                    | Seminar of intellectual property management of the Board of Directors of TWSE/TPEX listed companies.  | Science & Technology Law Institute, Institute for Information Industry, | 2.5            |
| Tsu M. Ongg        | 2020 Conference for the prevention of insider trading and Insiders' Shareholdings trading.  | Securities and Futures Institute  | 3              |
|                    | Forum of Corporate Governance 3.0-Sustainable Development Roadmap   | Taiwan Stock Exchange Corporation                                       | 3              |
|                    | Seminar of intellectual property management of the Board of Directors of TWSE/TPEX listed companies.  | Science & Technology Law Institute, Institute for Information Industry, | 2.5            |
| Yen Sung Li        | Communication between CPAs and internal audit-Analysis of Statements on Auditing Standards No. 73 and No. 44                                    | CPA Associations R.O.C. (Taiwan)  | 3              |
|                    | The analysis of the latest tax laws and practices in the first half of 2020   | CPA Associations R.O.C. (Taiwan)  | 7              |
| Chia Nan Fang      | 2020 Conference for Corporate Governance and enterprise integrity   | Taiwan Stock Exchange Corporation                                       | 3              |
|                    | Advanced Seminar for directors and supervisors- Discussion on Money Laundering Prevention and Practice of Combating the financing of terrorism. | Securities and Futures Institute  | 3              |

## 4. Composition, Responsibilities and Operations of the Remuneration Committee

### (1) Professional Qualifications and Independence Analysis of Remuneration Committee Members

| Title                | Name          | Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience   |   |   | Independence Criteria (Note) |   |   |   |   |   |   |   |   |    | Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member | Remarks |   |
|----------------------|---------------|--|---|---|------------------------------|---|---|---|---|---|---|---|---|----|---|---------|---|
|                      |               | An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university | A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company | Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company | 1                            | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |   |         |   |
| Independent director | Chia Nan Fang |  |   | ✓   | ✓                            | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓   | 0       | - |
| Independent director | Yen Sung Li   | ✓  | ✓   | ✓   | ✓                            | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓   | 3       | - |
| Independent director | Tsu M. Ongg   |  | ✓   | ✓   | ✓                            | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓   | 0       | - |

Note: Please tick "✓" the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

- Not an employee of the company or any of its affiliates.
- Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
- Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- Not been a person of any conditions defined in Article 30 of the Company Law.

(2)The Operations of the Remuneration Committee

- A. There are 3 members in the Remuneration Committee.  
 B. The term of current Remuneration Committee lasts from Jun. 26, 2018 to Jun. 12, 2021. A total of 3 (A) Remuneration Committee meetings were held in the previous year (2020). The attendance record of the Remuneration Committee members was as follows:

| Title    | Name          | Attendance in Person(B) | By Proxy | Attendance Rate (%) 【B/A】 | Remarks |
|----------|---------------|-------------------------|----------|---------------------------|---------|
| Convener | Chia Nan Fang | 3                       | 0        | 100%                      |         |
| Member   | Yen Sung Li   | 3                       | 0        | 100%                      |         |
| Member   | Tsu M. Ongg   | 3                       | 0        | 100%                      |         |

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(3)The functions of the Remuneration Committee are to professionally and objectively evaluate the policies and systems for compensation of the Company's directors and manages and to submit recommendations to the Board of Directors for its reference in decision making. The responsibilities are as follows:

- A. Periodically reviewing the Remuneration Committee Charter and making recommendations for amendments.
- B. Establishing and periodically reviewing the policies, systems, standards, and structure for the performance and compensation of the Company's directors and managers.
- C. Periodically assessing the performance and compensation of the Company's directors and managers.

2020 Operations of the Remuneration Committee Meeting

| Date   | Proposals  | Resolutions             | Company's actions regarding Remuneration Committee's opinions   |
|--|--|-------------------------|---|
| 5nd meeting of Fourth Session<br>Jan. 20, 2020 | Proposal for 2020 remuneration for Directors and salary adjustment for managers and 2019 year-end bonus. | Resolved by all members | The interested directors, Wu Yeh Cheng, Chu Hsiung Lin, Thong Chotirat, and Monchai Leelaharat, were excluded from deliberations and resolved by the three independent directors. |
| 6rd meeting of Fourth Session<br>May. 5, 2020  | 1.Amendment to the Remuneration Committee Charter<br>2.Distribution of 2019 Employees' Compensation      | Resolved by all members | Resolved by all Directors attended.   |
| 7th meeting of Fourth Session<br>Aug. 4, 2020  | Proposal for 2020 remuneration for Directors and salary adjustment for managers.                         | Resolved by all members | The interested director, Monchai Leelaharat, were excluded from deliberations, and resolved by the other seven directors.   |

5. Fulfillment of CSR and Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

| Evaluation Item   | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Abstract Explanation   |   |
| 1. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and established related risk management policies or strategies?  | V                     |    | The Company’s CSR working group is composed of six teams including corporate governance, employees care, food safety, customer service, sustainable environment and community participation. Each team continuously communicates and manages internally and externally regarding to their responsible issues, and assess and track the corporate social responsibility related risks and performance by external consultants’ assistance. Please refer to page 11-15, 19 of the 2019 CPE CSR Report for details. | Compliant   |
| 2. Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board? | V                     |    | The Company officially established the dedicated team in charge of the corporate social responsibility on Feb. 5, 2015, with the CEO serving as the convener. The dedicated team reports to the Board regarding handling situations.   | Compliant   |
| 3. Environmental Issues   |                       |    |  |   |
| (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?  | V                     |    | The Guidelines for Environmental Safety Management Operations have been set up to effectively achieve the goals of environmental safety maintenance, energy conservation, and carbon reduction in compliance with the norms.   | Compliant   |
| (2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?   | V                     |    | Environmental protection companies have been hired to crush and clean organic fertilizers and plastic packaging for recycling and re-use.  | Compliant   |
| (3) Does the Company evaluate potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?                  | V                     |    | The company finds feasible countermeasures and responding actions by identifying the risks and opportunities of climate change to lower the impacts resulted from climate change. Please refer to page 63 of the 2019 CPE CSR Report for details.  | Compliant   |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Abstract Explanation   |   |
| (4) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management? | V                     |    | The Company has compiled statistics on greenhouse gas emission, water consumption, and total weight of waste of 2018 and 2019 and formulated the environmental policy with hopes of implement of environment protection, waste reduction, and pollution prevention. Please refer to page 64-73 of the 2019 CPE CSR Report for details.   | Compliant   |
| 4. Social Issues   |                       |    |  |   |
| (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?  | V                     |    | In compliance with relevant labor laws and regulations, with respect to internationally recognized basic labor and human rights, and to safeguard the legal rights of employees and the employment policies without discrimination, appropriate management methods and procedures have been set up and implemented.  | Compliant   |
| (2) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?   | V                     |    | The Company has established Work Rules which included provisions related to salary, vacation, and other benefits. The Company makes annual adjustment of salary based on the business performance and distributes employee compensation annually. Please refer to the page 43 “Compensation of Employees, Directors and Supervisors and page 53 “Labor Relations” for details. | Compliant   |
| (3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?   | V                     |    | Employees are provided with annual health check-up, and training on health and safety is held to provide a healthy and safe working environment. Please refer to the page 53 “Labor Relations” for details.  | Compliant   |
| (4) Does the Company provide its employees with career development and training sessions?  | V                     |    | Employee trainings are regularly held to make sure employees not only perform their duties in their current positions, but also acquire skills necessary for job promotion through further education.  | Compliant   |

| Evaluation Item   | Implementation Status |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Abstract Explanation  |   |
| (5) Do the Company’s products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?   | V                     |    | <p>1. With regard to customer health and safety, customer privacy, marketing and labeling, the Company has established related procedures handbook and operation standards for personnel to follow. Please refer to page 22, 33 and 41 of the 2019 CPE CSR Report for details.</p> <p>2. In order to protect the consumers’ rights, in addition to providing high-quality products, the Company has also purchased product liability insurance.</p> <p>3. The 0800 consumer service hotline and mailbox have been set up for dedicated personnel to timely handle consumer complaint-related issues.</p>                    | Compliant   |
| (6) Does the Company establish supplier management policies, requiring suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor rights, and its implementation status?   | V                     |    | <p>According to the food sanitation regulations and quality meat certifications such as CAS, ISO9001, and IS22000, conditionally control raw materials, production line operations and equipment quality. Suppliers are also required to provide corresponding product testing certification to ensure product quality, hygiene and safety and regularly visit factories to evaluate their competency.</p> <p>The Company requires all suppliers to abide by corporate social responsibility-related policies. In case of major impacts on the environment and society, the contract shall be terminated or discharged.</p> | Compliant   |
| 5. Does the Company refer to internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?   | V                     |    | <p>The CSR report of the Company was prepared in accordance with GRI Standards of Global Reporting Initiatives, and commissioned PwC to conduct assurance in accordance with the Republic of China Assurance Standard Bulletin No. 1 “Assurance engagements other than audits or reviews of historical financial information”.</p>  | Compliant   |
| 6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: The company has not yet established corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”. |                       |    |   |   |

| Evaluation Item   | Implementation Status |    |                      | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|----------------------|---|
|   | Yes                   | No | Abstract Explanation |   |
| 7. Other useful information for explaining the status of corporate social responsibility practices: Please refer to the Company’s website “ <a href="http://www.cptwn.com.tw/cpwebsite/CPPage3.aspx?page=09">http://www.cptwn.com.tw/cpwebsite/CPPage3.aspx?page=09</a> ” for other information related to corporate social responsibility. |                       |    |                      |   |

6. Fulfillment of Ethical Corporate Management and Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

| Evaluation Item   | Implementation Status |    |  | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|-----------------------|----|--|--|
|   | Yes                   | No | Abstract Illustration  |  |
| 1. Establishment of ethical corporate management policies and programs  |                       |    |  |  |
| (1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?   | V                     |    | The Company has established the “Ethical Corporate Management Best-Practice Principles” and resolved by the Board of Directors, and clearly specify that the Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.  | Compliant  |
| (2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies? | V                     |    | The Company’s Ethical Corporate Management Best-Practice Principles has clearly specified that when establish prevention programs, the Company shall analyze business activities within their business scope which are at a higher risk of being involved in unethical conduct, and include the conducts listed in Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies. | Compliant  |

| Evaluation Item  | Implementation Status |    |   | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|---|--|
|  | Yes                   | No | Abstract Illustration   |  |
| (3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?   | V                     |    | The Company’s Ethical Corporate Management Best-Practice Principles has set up the operational procedures and guidelines, disciplinary and appeal system, etc. The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved. | Compliant  |
| 2. Fulfill operations integrity policy   |                       |    |   |  |
| (1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?   | V                     |    | The Company properly evaluates the business partners’ credibility records and requires all transactions to be in line with the credibility code of conduct.   | Compliant  |
| (2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?                                      | V                     |    | The company has establish a corporate responsibility promotion team which is supervised by the Board in charge of corporate integrity policies and program to prevent unethical conduct and monitor its implementation, and regularly reports to the Board.   | No material discrepancy  |
| (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?   | V                     |    | All employees shall comply with conflict of interest and confidentiality agreements, and a mailbox shall be set up to serve as the channel for communication.   | Compliant  |
| (4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits? | V                     |    | The Company has established effective accounting systems and internal control systems, and conduct review regularly so as to ensure that the design and enforcement of the systems are showing results. The internal auditors shall regularly check the compliance status of the relevant systems and prepare audit reports submitted to the Board of Directors.  | Compliant  |

| Evaluation Item  | Implementation Status |    |  | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|-----------------------|----|--|--|
|  | Yes                   | No | Abstract Illustration  |  |
| (5) Does the company regularly hold internal and external educational trainings on operational integrity?  | V                     |    | Various meeting advocacies are periodically held. Prior to signing contracts and transacting with external vendors, business integrity-related norms shall be noted.   | No material discrepancy  |
| 3. Operation of the integrity channel  |                       |    |  |  |
| (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?  | V                     |    | The Company has established the Whistle-blowing system and the 0800 service hotline and mailbox have been set up. In case of proven violations of business integration, punishment will be imposed according to the Company’s regulations. | Compliant  |
| (2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?  | V                     |    | The Company’s Whistle-blowing system has clearly stipulated the measures for whistle-blowing, whistle-blowers protection, etc.   | Compliant  |
| (3) Does the company provide proper whistleblower protection?  | V                     |    | In the Company’s reported matter handling process, the whistleblower is always protected and will not be penalized for reporting an offense.   | Compliant  |
| 4. Strengthening information disclosure  |                       |    |  |  |
| (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?   | V                     |    | The Company has disclosed the “Code of Business Integrity” on the company website and Market Observation Post System.  | Compliant  |
| 5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has established the ethical corporate management policies on Aug. 10, 2015. All business operations are complied with Company Act, the Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and other relevant laws and regulations related for listed company. |                       |    |  |  |
| 6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies): Adhering by the business integrity concepts of incorruptibility, transparency, responsibility, and self-discipline, all the regulations and procedures adopt relevant measures to prevent unethical conduct and implement the policy of business integrity.  |                       |    |  |  |

7. Corporate Governance Guidelines and Regulations :

- (1) Please refer to the “Corporate Governance” area on Taiwan Stock Exchange Market Observation Post System at <https://mops.twse.com.tw>
- (2) Please refer to the “Corporate Governance” area on the Company’s website at <http://www.cptwn.com.tw>

8. Other Important Information Regarding Corporate Governance : None.

9. Internal Control Systems

(1) Statement of Internal Control System

Date: March 23, 2021

Based on the findings of a self-assessment, Charoen Pokphand Enterprise (Taiwan) Co., Ltd. (CPE) states the following with regard to its internal control system during the year 2020:

1. The board of directors and management of CPE are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. The effectiveness of an internal control system may be subject to chances due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and CPE takes immediate remedial actions in response to any identified deficiencies.
3. CPE evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. CPE has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, CPE believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of CPE's annual report for the year 2020 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement was passed by the board of directors in their meeting held on March 23, 2021, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Charoen Pokphand Enterprise (Taiwan) Co., Ltd.

Chairman : Wu Yeh, Cheng

CEO : Thong Chotirat

- (2) If the company has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed: None.

10. Conviction of corporate or employees' wrongdoings, Company's punishment on employee for violation of internal control, major faults and improvements during recent fiscal period and to the publish date of the annual report: None.

11. Major Resolutions of Shareholders Meeting and Board of Directors Meeting for the most recent year and to the Publish Date of the Annual Report

- (1) Major resolutions and executions of 2020 General Shareholders Meeting:
- A. Adoption of the 2019 Business report and Financial Statements.
  - B. Adoption of the Proposal for 2019 Distribution of Surplus Earnings.  
Implementation: The Board of Directors has set up the record date on July 5, 2020 and payment date on July 24, 2020. (Cash dividend of NT\$4.00 per share)
- (2) Major Resolutions of the Board of Directors Meetings in 2020 and to the Publish Date of the Annual Report

| Date          | Major Resolution Outlines  |
|---------------|--|
| Jan. 20, 2020 | 1. Approval of amendment to the Internal Control System.<br>2. Approval of the release the prohibition on Accounting Officer from participation in competitive business during his tenure.   |
| Mar. 24, 2020 | 1. Approval of amendment to the Internal Control Systems.<br>2. Approval of amendment to the "Procedure for Board of Directors Meetings".<br>3. Approval of amendment to the "Audit Committee Charter".  |
| May. 5, 2020  | 1. Approval of amendment to "Remuneration Committee Charter".<br>2. Approval of amendment to the Internal Control Systems.   |
| Dec. 22, 2020 | 1. Approval of evaluation of disguised financing behaviors<br>2. Approval of joint-ventured with other company to establish a subsidiary.  |
| Jan. 22, 2021 | 1. Approval of dismiss of the Company's accounting officer.<br>2. Approval of appointment of the Company's accounting officer.   |
| Mar. 23, 2021 | 1. Approval of replacement of Independent Auditors<br>2. Approval of amendment to "Rules for Election of Directors"<br>3. Approval of Candidates list of Directors (including Independent directors) nominated by the Board of Directors.            |
| May 11, 2021  | 1. Approval of appointment of corporate governance officer<br>2. Approval of amendment to "Corporate Governance Best Practice Principles".<br>3. Approval of amendment to "Standard operational protocol for responding to requests from directors". |

12. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

13. Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit ,Corporate Governance and R&D:

| Title              | Name          | Date of Appointment | Date of Termination | Reasons for Resignation or Dismissal |
|--------------------|---------------|---------------------|---------------------|--------------------------------------|
| Accounting Officer | Ching Yuan Yu | Oct. 2, 2007        | Jan. 22, 2021       | Retirement at the statutory age      |

## V. Information Regarding the Company's Audit Fee

### 1. Audit Fee

| Accounting Firm                   | Name of CPA     | Period Covered by CPA's Audit | Remarks |
|-----------------------------------|-----------------|-------------------------------|---------|
| PricewaterhouseCoopers,<br>Taiwan | Weng, Shih-Jung | Jan. 1,2020~Dec. 31, 2020     | -       |
|                                   | Lin, Yi-Fan     |                               |         |

Unit: NT\$ thousand

| Fee Range | Fee Items                     | Audit Fee | Non-audit Fee | Total |
|-----------|-------------------------------|-----------|---------------|-------|
| 1         | Under NT\$ 2,000,000          |           | V             |       |
| 2         | NT\$2,000,000 ~ NT\$3,999,999 | V         |               |       |
| 3         | NT\$4,000,000 ~ NT\$5,999,999 |           |               | V     |
| 4         | NT\$6,000,000 ~ NT\$7,999,999 |           |               |       |
| 5         | NT\$8,000,000 ~ NT\$9,999,999 |           |               |       |
| 6         | NT\$10,000,000 or over        |           |               |       |

- (1) If non-audit fee paid to CPAs, their accounting firm and its affiliates are more than one-fourth of audit fees, specify the amount of audit and non-audit fees, as well as the scope of non-audit services :

Unit: NT\$ thousands

| Accounting Firm | Name of CPA        | Audit Fee | Non-audit Fee    |                      |                |        |          | Period Covered by CPA's Audit  | Remarks   |
|-----------------|--------------------|-----------|------------------|----------------------|----------------|--------|----------|--------------------------------|---|
|                 |                    |           | System of Design | Company Registration | Human Resource | Others | Subtotal |                                |   |
| PwC,<br>Taiwan  | Weng,<br>Shih-Jung | 2,792     | 0                | 0                    | 0              | 1,890  | 1,890    | Jan. 1, 2020<br>~Dec. 31, 2020 | Including CSR<br>report assurance and<br>other service fee. |
|                 | Lin, Yi-Fan        |           |                  |                      |                |        |          |                                |   |

- (2) If there is any change in the appointed independent auditors and the Company's annual auditing expenses decreased simultaneously, information regarding the amount, percentage and reasons for the decrease in auditing expenses shall be disclosed : None.
- (3) Auditing expenses decreased by 10% in comparison to the previous year, information regarding the amount, percentage and reason for the decrease in auditing expenses shall be disclosed : None.

## VI. Information Regarding the Replacement of Independent Auditors:

### 1. Regarding the former CPA

|   |  |     |                                    |
|---|--|-----|------------------------------------|
| Replacement Date  | Mar. 23, 2021  |     |                                    |
| Replacement reasons and explanations  | Due to internal adjustment of PwC, the CPAs of the Company was changed from the first quarter of 2021. |     |                                    |
| Describe whether the Company terminated or the CPA did not accept the appointment           | Parties  |     |                                    |
|   | Status   | CPA | The Company                        |
|   | Termination of appointment   | N/A | N/A                                |
|   | No longer accepted (continued) appointment   | N/A | N/A                                |
| Other issues (except for unqualified issues) in the audit reports within the last two years | N/A  |     |                                    |
| Differences with the company  | Yes  |     | Accounting principles or practices |
|   |  |     | Disclosure of Financial Statements |
|   |  |     | Audit scope or steps               |
|   |  |     | Others                             |
|   | None   | ✓   |                                    |
|   | Remarks/specify details  |     |                                    |
| Other Revealed Matters  | None   |     |                                    |

### 2. Regarding the successor CPA

|   |                                |
|---|--------------------------------|
| Name of accounting firm   | PricewaterhouseCoopers, Taiwan |
| Name of CPA   | Yi-Fan Lin, Fu-Ming Liao       |
| Date of appointment   | Mar. 23, 2021                  |
| Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement. | N/A                            |
| Succeeding CPA's written opinion of disagreement toward the former CPA  | N/A                            |

### 3. The former CPA's response regarding to the item 1 &2-3, paragraph 6, article 10 of the Regulation: N/A

## VII. Management Team Held Positions in the Company's Audit Firm or Its Affiliates: None.

## VIII. Changes in Shareholding of Directors, Management and Major Shareholders

Unit: Shares

| Title                 | Name   |                     | 2020                        |                                     | As of Apr. 26, 2021         |                                     |
|-----------------------|--|---------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
|                       |  |                     | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairman              | Representative of Charoen Pokphand (Taiwan) Investment Ltd., Bermuda | Wu Yeh Cheng        | 0                           | 0                                   | 0                           | 0                                   |
| Director              |  | Prasert Poongkumarn |                             |                                     |                             |                                     |
| Director              |  | Chu Hsiung Lin      |                             |                                     |                             |                                     |
| Director              |  | Thong Chotirat      |                             |                                     |                             |                                     |
| Director              |  | Monchai Leelaharat  |                             |                                     |                             |                                     |
| Independent Director  | Yen Sung Li  |                     | 0                           | 0                                   | 0                           | 0                                   |
| Independent Director  | Chia Nan Fang  |                     | 0                           | 0                                   | 0                           | 0                                   |
| Independent Director  | Tsu M. Ongg  |                     | 0                           | 0                                   | 0                           | 0                                   |
| CEO                   | Thong Chotirat   |                     | 21,000                      | 0                                   | 115,000                     | 0                                   |
| Senior Vice President | Chih Cheng Liu   |                     | 0                           | 0                                   | 0                           | 0                                   |
| Senior Vice President | Yen Chun Liu   |                     | 0                           | 0                                   | 0                           | 0                                   |
| Senior Vice President | Wei Yueh Chang   |                     | 0                           | 0                                   | 0                           | 0                                   |
| Senior Vice President | Ning Wang  |                     | 0                           | 0                                   | 0                           | 0                                   |
| Vice President        | Yu Ching Chen  |                     | 0                           | 0                                   | 0                           | 0                                   |
| Senior Vice President | Chao Jen Chen  |                     | 0                           | 0                                   | 0                           | 0                                   |
| Senior Vice President | Chun Lung Hsiao  |                     | 0                           | 0                                   | 0                           | 0                                   |
| CFO                   | Monchai Leelaharat   |                     | 0                           | 0                                   | 0                           | 0                                   |
| Vice President        | Su Hua Lee   |                     |                             |                                     |                             |                                     |
| Vice President        | Ching Yuan Yu (Note)   |                     | 0                           | 0                                   | 0                           | 0                                   |
| Major Shareholder     | Charoen Pokphand Foods Public Company Limited                        |                     | 0                           | 0                                   | 0                           | 0                                   |

Note : The Accounting Dept. Vice President, Ching Yuan Yu, was dismissed on Jan. 22, 2021 due to his retirement.

## IX. Relationship among the Top Ten Shareholders

Apr. 26, 2021

| Name  | Current Shareholding |        | Spouse's/minor's Shareholding |       | Shareholding by Nominee Arrangement |    | Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees |              | Remarks |
|---|----------------------|--------|-------------------------------|-------|-------------------------------------|----|--|--------------|---------|
|   | Shares               | %      | Shares                        | %     | Shares                              | %  | Name   | Relationship |         |
| Charoen Pokphand (Taiwan) Investment Ltd., Bermuda<br>Director : Paisan Chirakitcharern | 26,802,733           | 10.00% | 0                             | 0.00% | 0                                   | 0% | -  | (Note 1)     |         |
|   | 0                    | 0.00%  | 0                             | 0.00% | 0                                   | 0% | -  | -            |         |
| Bright Excel Investments Limited, BVI<br>Director : Paisan Chirakitcharern              | 24,832,500           | 9.27%  | 0                             | 0.00% | 0                                   | 0% | -  | (Note 1)     |         |
|   | 0                    | 0.00%  | 0                             | 0.00% | 0                                   | 0% | -  | -            |         |
| Giant Crown Investments Limited, BVI<br>Director : Paisan Chirakitcharern               | 16,946,479           | 6.32%  | 0                             | 0.00% | 0                                   | 0% | -  | (Note 2)     |         |
|   | 0                    | 0.00%  | 0                             | 0.00% | 0                                   | 0% | -  | -            |         |
| Chun Ta Investment Co., Ltd.<br>Chairman : Monchai Leelaharat                           | 15,176,525           | 5.66%  | 0                             | 0.00% | 0                                   | 0% | -  | (Note 1)     |         |
|   | 0                    | 0.00%  | 0                             | 0.00% | 0                                   | 0% | -  | -            |         |
| Ta Chung Investment Co., Ltd.<br>Chairman : Monchai Leelaharat                          | 12,549,362           | 4.68%  | 0                             | 0.00% | 0                                   | 0% | -  | (Note 1)     |         |
|   | 0                    | 0.00%  | 0                             | 0.00% | 0                                   | 0% | -  | -            |         |
| Taiwan Life Insurance Co., Ltd. entrusts CTBC investment (II)                           | 11,502,000           | 4.29%  | 0                             | 0.00% | 0                                   | 0% | -  | -            |         |
| New Splendid Holdings Limited, BVI<br>Director : Paisan Chirakitcharern                 | 7,488,136            | 2.79%  | 0                             | 0.00% | 0                                   | 0% | -  | (Note 1)     |         |
|   | 0                    | 0.00%  | 0                             | 0.00% | 0                                   | 0% | -  | -            |         |
| Wu Yeh Cheng  | 6,383,019            | 2.38%  | 142,853                       | 0.05% | 0                                   | 0% | -  | -            |         |
| CITI Bank in custody for Norges Bank  | 5,051,000            | 1.88%  | 0                             | 0.00% | 0                                   | 0% | -  | -            |         |
| CTBC Bank Co., Ltd.<br>Chairman : Morris Li   | 5,000,000            | 1.87%  | 0                             | 0.00% | 0                                   | 0% | -  | -            |         |
|   | 0                    | 0.00%  | 0                             | 0.00% | 0                                   | 0% | -  | -            |         |

Note : 1. Charoen Pokphand Foods Public Company Limited acquired 100% shares indirectly since Sep. 2009.

2. Charoen Pokphand Foods Public Company Limited acquired 100% shares indirectly since Jun. 2018.

## X. Ownership of Shares in Affiliated Enterprises

| Affiliated Enterprises                | Ownership by the Company |         | Direct or Indirect Ownership by Directors/Supervisors/Managers |        | Total Ownership (Mar. 31, 2020) |         |
|---------------------------------------|--------------------------|---------|--|--------|---------------------------------|---------|
|                                       | Shares                   | %       | Shares   | %      | Shares                          | %       |
| Plenty Type Limited (Cayman Islands)  | 81,218,564               | 100.00% | 0  | 0.00%  | 81,218,564                      | 100.00% |
| Charoen Pokphand (Taiwan) Corp., Ltd. | 2,443,716                | 90.00%  | 271,524  | 10.00% | 2,715,240                       | 100.00% |
| Arbor Acres (Taiwan) Co., Ltd.        | 1,600,000                | 50.00%  | 504,000  | 15.75% | 2,104,000                       | 65.75%  |
| Rui Mu Foods Co., Ltd.                | 20,400,000               | 68.00%  | 0  | 0.00%  | 20,400,000                      | 68.00%  |
| Rui Fu Foods Co., Ltd.                | 30,600,000               | 51.00%  | 0  | 0.00%  | 30,600,000                      | 51.00%  |
| Sheng Da Foods Co.,Ltd.               | 0                        | 0.00%   | 6,000,000  | 60.00% | 6,000,000                       | 60.00%  |
| Feng Sheng Livestock Co., Ltd         | 10,000,000               | 50.00%  | 0  | 0.00%  | 10,000,000                      | 50.00%  |

# Capital Overview

## I. Capital and Shares

### 1. Source of Capital

| Month/<br>Year | Par<br>Value<br>(NT\$) | Authorized Capital |                  | Paid-in Capital |                  | Sources of Capital   | Remark   |  |
|----------------|------------------------|--------------------|------------------|-----------------|------------------|--|--|--|
|                |                        | Shares             | Amount<br>(NT\$) | Shares          | Amount<br>(NT\$) |  | Capital<br>Increased by<br>Assets Other<br>than Cash | Date of Approval<br>& Approval No.   |
| May, 1987      | -                      | 28,637,999         | 286,379,990      | 28,637,999      | 286,379,990      | Cash/Profits/Surplus   | None   | Before Public Listed   |
| Jul. 1988      | 28                     | 57,275,998         | 572,759,980      | 57,275,998      | 572,759,980      | Cash   | None   | 1988/3/16 Taiwan-Finance-Securities (I) No. 00258  |
| Dec. 1988      | 10                     | 68,731,198         | 687,311,980      | 68,731,198      | 687,311,980      | Profits  | None   | 1988/10/18 Taiwan-Finance-Securities (I) No.09203  |
| Jan. 1990      | 40                     | 95,477,437         | 954,774,370      | 95,477,437      | 954,774,370      | Cash 130,000,000<br>Capital Surplus 137,462,390                      | None   | 1989/10/2 Taiwan-Finance-Securities (I) No.09078   |
| Sep. 1992      | 10                     | 137,400,000        | 1,374,000,000    | 105,979,955     | 1,059,799,550    | Capital Surplus  | None   | 1992/7/29 Taiwan-Finance-Securities (I) No.01704   |
| Oct. 1993      | 10                     | 137,400,000        | 1,374,000,000    | 116,577,950     | 1,165,779,500    | Capital Surplus  | None   | 1993/7/26 Taiwan-Finance-Securities (I) No.30830   |
| Nov. 1994      | 20                     | 184,000,000        | 1,840,000,000    | 149,057,795     | 1,490,577,950    | Cash 208,220,500<br>Capital Surplus 58,288,980<br>Profits 58,288,970 | None   | 1994/7/25 Taiwan-Finance-Securities (I) No.29034   |
| Aug. 1995      | 10                     | 184,000,000        | 1,840,000,000    | 156,510,685     | 1,565,106,850    | Capital Surplus  | None   | 1995/7/4 Taiwan-Finance-Securities (I) No.38921  |
| Sep. 1996      | 10                     | 284,000,000        | 2,840,000,000    | 165,901,326     | 1,659,013,260    | Capital Surplus  | None   | 1996/7/3 Taiwan-Finance-Securities (I) No.41052  |
| Nov. 1997      | 17.5                   | 357,900,000        | 3,579,000,000    | 202,491,458     | 2,024,914,580    | Cash 200,000,000<br>Capital Surplus 82,950,660<br>Profits 82,950,660 | None   | 1997/7/14 Taiwan-Finance-Securities (I) No.52538號  |
| Aug. 1998      | 10                     | 357,900,000        | 3,579,000,000    | 212,616,031     | 2,126,160,310    | Capital Surplus  | None   | 1998/7/4 Taiwan-Finance-Securities (I) No.57352  |
| Aug. 1999      | 10                     | 357,900,000        | 3,579,000,000    | 222,183,752     | 2,221,837,520    | Profits 29,766,240<br>Capital Surplus 65,910,970                     | None   | 1999/7/12 Taiwan-Finance-Securities (I) No.63044號  |
| Aug. 2000      | 10                     | 357,900,000        | 3,579,000,000    | 226,627,427     | 2,266,274,270    | Capital Surplus  | None   | 2000/6/23<br>Taiwan-Finance-Securities (I) No.54599  |
| Aug. 2001      | 10                     | 357,900,000        | 3,579,000,000    | 230,026,838     | 2,300,268,380    | Capital Surplus  | None   | 2001/7/6 Taiwan-Finance-Securities (I) No.143496   |
| Jul. 2003      | 5                      | 357,900,000        | 3,579,000,000    | 232,026,838     | 2,320,268,380    | Cash   | None   | 2006/10/19 Financial-Supervisory-Securities--I<br>-No. 0950148222<br>private placement securities<br>for retroactive handling of<br>public issuance procedures |
| Sep. 2014      | 10                     | 357,900,000        | 3,579,000,000    | 243,628,180     | 2,436,281,800    | Profits  | None   | 2014/7/10 Financial-Supervisory-Securities-Corporate-No.1030026256   |
| Sep. 2015      | 10                     | 357,900,000        | 3,579,000,000    | 267,990,998     | 2,679,909,980    | Profits  | None   | 2015/7/31 Financial-Supervisory-Securities-Corporate-No.1040028764   |

| Share Type   | Authorized Capital |                  |              | Remarks |
|--------------|--------------------|------------------|--------------|---------|
|              | Issued Shares      | Un-issued Shares | Total Shares |         |
| Common Stock | 267,990,998        | 89,909,002       | 357,900,000  | -       |

Note: Information for Shelf Registration: NA.

## 2. Status of Shareholders

Apr. 26 2021

| Structure<br>Number    | Government<br>Agencies | Financial<br>Institutions | Other Juridical<br>Persons | Foreign<br>Institutions &<br>Natural Persons | Domestic<br>Natural<br>Persons | Total       |
|------------------------|------------------------|---------------------------|----------------------------|--|--------------------------------|-------------|
| Number of Shareholders | 0                      | 10                        | 200                        | 154  | 57,076                         | 57,440      |
| Shareholding (shares)  | 0                      | 19,838,155                | 34,931,366                 | 112,975,419                                  | 100,246,058                    | 267,990,998 |
| Percentage             | 0.00%                  | 7.40%                     | 13.03%                     | 42.16%                                       | 37.41%                         | 100.00%     |

## 3. Shareholding Distribution Status - Common Shares

Apr. 26 2021

| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|-------------------------------------|------------------------|-----------------------|------------|
| 1 ~ 999                             | 35,202                 | 3,130,190             | 1.17%      |
| 1,000 ~ 5,000                       | 19,108                 | 35,881,859            | 13.39%     |
| 5,001 ~ 10,000                      | 1,785                  | 13,743,214            | 5.13%      |
| 10,001 ~ 15,000                     | 510                    | 6,392,087             | 2.39%      |
| 15,001 ~ 20,000                     | 250                    | 4,574,093             | 1.71%      |
| 20,001 ~ 30,000                     | 218                    | 5,458,528             | 2.04%      |
| 30,001 ~ 50,000                     | 144                    | 5,708,846             | 2.13%      |
| 50,001 ~ 100,000                    | 110                    | 7,655,022             | 2.86%      |
| 100,001 ~ 200,000                   | 49                     | 6,792,868             | 2.53%      |
| 200,001 ~ 400,000                   | 21                     | 6,114,622             | 2.28%      |
| 400,001 ~ 600,000                   | 6                      | 2,822,000             | 1.05%      |
| 600,001 ~ 800,000                   | 11                     | 7,720,763             | 2.88%      |
| 800,001 ~ 1,000,000                 | 1                      | 971,000               | 0.36%      |
| 1,000,001 or over                   | 25                     | 161,025,906           | 60.08%     |
| Total                               | 57,440                 | 267,990,998           | 100.00%    |

Note: The Company has not issued Preferred Shares.

## 4. List of Major Shareholders

| Shareholder's Name  | Shareholding<br>Shares | Percentage |
|---|------------------------|------------|
| Charoen Pokphand (Taiwan) Investment Ltd., Bermuda            | 26,802,733             | 10.00%     |
| Bright Excel Investments Limited, BVI                         | 24,832,500             | 9.27%      |
| Giant Crown Investments Limited, BVI                          | 16,946,479             | 6.32%      |
| Chun Ta Investment Co., Ltd.                                  | 15,176,525             | 5.66%      |
| Ta Chung Investment Co., Ltd.                                 | 12,549,362             | 4.68%      |
| Taiwan Life Insurance Co., Ltd. entrusts CTBC investment (II) | 11,502,000             | 4.29%      |
| New Splendid Holdings Limited, BVI                            | 7,488,136              | 2.79%      |
| Wu Yeh Cheng  | 6,383,019              | 2.38%      |
| CITI Bank in custody for Norges Bank                          | 5,051,000              | 1.88%      |
| CTBC Bank Co., Ltd.   | 5,000,000              | 1.87%      |

## 5. Market Price, Net Worth, Earnings, and Dividends Per Share

Unit: NT\$ 1

| Item                   |   | Year                             |             |                           |   |
|------------------------|---|----------------------------------|-------------|---------------------------|---|
|                        |   | 2019                             | 2020        | 01/01/2021<br>-03/31/2021 |   |
| Market Price per Share | Highest Market Price                      | 74.90                            | 76.00       | 76.80                     |   |
|                        | Lowest Market Price                       | 50.70                            | 46.50       | 70.20                     |   |
|                        | Average Market Price                      | 64.38                            | 67.60       | 73.31                     |   |
| Net Worth per Share    | Before Distribution                       | 29.56                            | 30.99       | 32.94                     |   |
|                        | After Distribution                        | 25.56                            | (Note1)     | (Note1)                   |   |
| Earnings per Share     | Weighted Average Shares (thousand shares) | 267,990,998                      | 267,990,998 | 267,990,998               |   |
|                        | Diluted Earnings Per Share                | 5.46                             | 6.18        | 1.45                      |   |
|                        | Adjusted Diluted Earnings Per Share       | 5.46                             | (Note1)     | (Note1)                   |   |
| Dividends per Share    | Cash Dividends                            | 4.00                             | (Note1)     | -                         |   |
|                        | Stock Dividends                           | Dividends from Retained Earnings | -           | -                         | - |
|                        |   | Dividends from Capital Surplus   | -           | -                         | - |
|                        | Accumulated Undistributed Dividends       | -                                | -           | -                         |   |
| Return on Investment   | Price / Earnings Ratio (Note 2)           | 11.45                            | 10.86       | -                         |   |
|                        | Price / Dividend Ratio (Note 3)           | 15.64                            | (Note1)     | -                         |   |
|                        | Cash Dividend Yield Rate (Note 4)         | 0.06                             | (Note1)     | -                         |   |

Note 1 : The Proposal for Distribution of 2020 Profits is not yet resolved by the general shareholders' meeting.

Note 2 : Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3 : Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4 : Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

## 6. Dividend Policy and Implementation Status

### (1) Dividend policy under Articles of Incorporation :

The Company is in the stage of stable growth, considering the capital demand of the Company and the cash inflow that the shareholders desire, while the Company has profit as a result of the annual final accounting, after the Company paid all taxes, dues and offset its accumulated losses, shall first set aside 10% of such profits as legal reserve, then set aside or reverse special reserve in accordance with the laws and regulations requested by the competent authority. The remaining surplus profits along with the un-appropriated retained earnings of the previous years shall be distributed as shareholders' dividends in accordance with the resolution of shareholders' meeting. Cash dividends shall not be less than 10% of the total distributed dividends. While the cash dividends per share is less than NT\$0.1, the cash dividends shall be distributed in the form of stock dividends.

(2) The Board of Directors considered the capital demand and the cash inflow that the shareholders desire, the Company plans to distribute more than 30% of Profit for the current year as shareholders' dividends.

(3) The Proposal for Distribution of 2020 Profits: The distribution of 2020 cash dividends was resolved at the meeting of the Board of Directors that cash dividend NT\$4.5 per share will be distributed and reported to the Annual General Shareholders' Meeting.

## 7. Impacts of Stock Dividends on Operation Results and EPS : NA.

## 8. Compensation of Employees, Directors and Supervisors

(1) Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation : When the Company has profit of the current year, at least 1% or more shall be distributed as employees' bonuses. In case that the Company has accumulative losses, a sufficient amount shall be reserved to offset its accumulative losses in advance. In addition, the Company doesn't distribute Directors' Compensation.

- (2) The basis for estimating the amount of employees' compensation, for calculating the number of shares to be distributed as employees' compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The basis for estimating the amount of the employees' compensation is in accordance with Article 29-1 of the Company's Articles of Incorporation. If the amount resolved by the Board differs from the previously estimated, the difference will be handled based on the accounting estimation, which will be recognized as the 2021 annual profit (loss).

- (3) Distribution of Compensation for 2020 Resolved in the Board of Directors Meeting

A. Distribution of Compensation of Employees in Cash or Stock:

The 2020 employees' compensation is NT\$20,889,300 which was approved by the Board of Directors on May 11, 2021, and totally distributed in cash.

The amount of 2020 employees' compensation resolved by the Board increased by NT\$ 178,300 compared to the estimated amount of NT\$20,711,000 in the 2020 financial report. The amount difference is mainly due to an estimation difference and shall be handled based on the accounting estimation, which will be recognized as the 2021 annual profit (loss).

B. The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports for the current period and total employee compensation: NA.

- (4) Information regarding the Distribution of Compensation of Employees, Directors and Supervisors for the previous year: 2020 Distribution of Employees' Compensation was NT\$ 17,643,400 while the distribution of Directors' remuneration was NT\$ 0. The above-mentioned actual distribution of compensation of employees, directors and supervisors was in line with the resolution of the Board of Directors.

9. Buyback of Treasury Stock: None.

II. Bonds : None.

III. Preferred Shares : None.

IV. Global Depository Receipts : None.

V. 1. Employee Stock Options : None.

2. New Restricted Employee Shares : None.

VI. Status of New Shares Issuance in Connection with Mergers and Acquisitions : None.

VII. Financing Plans and Implementation

1. Finance Plans

For each uncompleted public issue or private placement of securities, and for such issues and placements that were completed in the most recent three years but have not yet fully yielded the planned benefits: None.

2. Implementation

Capital received from previously-issued corporate bonds has been fully executed according to the required procedures: NA.

# Operational Highlights

## I. Business Activities

### 1. Business Scope

#### (i) Main activities of business operations

- (1) Operation of Livestock Farm
- (2) Animal Husbandry
- (3) Livestock Farming
- (4) Slaughter
- (5) Canned, Frozen, Dehydrated Food Manufacturing
- (6) Instant Food Manufacturing
- (7) Other Food Manufacturing Not Elsewhere Classified
- (8) Prepared Animal Feeds Manufacture
- (9) Wholesale of Animal Husbandry, Aquatic Products, Food and Grocery, Animal Feeds
- (10) Retail sale of Husbandry Products, Aquatic Products, Animal Feeds, Food and Grocery
- (11) International Trade
- (12) Agriculture, Forestry, Fishing, Animal Husbandry Consultancy, Food Consultancy, and Management Consulting Services
- (13) Biotechnology Services
- (14) Restaurants
- (15) Other Eating and Drinking Places Not Elsewhere Classified

#### (ii) Product Items and the percentage

- |   |       |
|---|-------|
| – Feed and Extruded ingredients   | 34.1% |
| – Livestock Fresh Meat  | 43.8% |
| – Various Consumer Foods:   | 22.1% |
| Chicken floss, ginseng chicken, ham, chicken nugget, chicken chop, fried chicken, chicken sticks, roasted chicken, pickled meat, etc. |       |

#### (iii) New products scheduled for developing

- (1) Continuously develop Chinese-style cuisine and exotic cuisine, such as soups, three-cup chicken, etc., to provide consumers more choices of delicious dishes.
- (2) Strengthen the development of snack products made by chicken, pork and duck.
- (3) Continuously develop and improve the manufacturing technology of clean label products.

### 2. Industry Overview

Relationship with up-stream, middle-stream and down-stream among the industry are feed, feathered chicken slaughter, fresh chicken/pork/duck, processed meat, and products-channel.

#### (1) Feed Industry

The variances in Taiwan's overall feed production quantity is adjusted based on the raising quantity of husbandry industry in Taiwan (including pigs, white broilers, colored chickens, ducks, bulls, etc.) as well as aquatic industry. In accordance with the 2019 Taiwan feed production survey report of the Council of Agriculture, Executive Yuan, there are 115 feed mills in Taiwan and the total annual feed production is 5.82 million tons. In 2020, Taiwan chicken slaughter quantity was about equal to 2019 while the pig slaughter quantity increased by about 3% compared to 2019. The overall feed production quantity in 2020 was estimated to increase by 2%.

#### (2) White Broiler Fresh Meat

According to the data of the Poultry Association Republic of China, the chick prices from the peak of NT\$31 each decreased to NT\$19 each while the feathered chicken prices decreased from NT\$ 29.8 to NT\$26.5 per 600 grams in 2020. Additionally, the import quantity of 251,353 tons in 2020 reached the historical high again after the quantity of 213,528 tons in 2018.

### (3) White Broiler Processed Foods

From the standpoint of nutrition, white meat has lower fat content and higher unsaturated fatty acids, which effectively reduce human cholesterol. Therefore, consuming more “healthy white meat” has become the main health diet concept of the people, and chicken happens to be in line with such a health-oriented diet trend. This year, the upward trend of consuming the ready-to-eat chicken breast products proved the domestic population’s desire toward the demand of health and drove the increasing sales of the overall white chicken processed food.

## 3. Research and Development

(1) In the latest year and to the publish date of the annual report, the R&D expenditure was NT\$15 million, of which 80% were invested on manpower and time spent on successfully developed products.

(2) Successfully Developed Products:

- A. Develop a variety of Chinese and exotic cuisines, such as Garlic chicken soup, Thai-style basil pork rice, Cantonese-style basmati fried rice, etc., for consumers to enjoy delicious meal anytime anywhere in a more convenient and simple way.
- B. Targeting the needs and trends for high-protein diets, further develop more flavored chicken breast salad products, such as pomelo lemon and Sichuan spicy flavor, and expand the sales market shares of each channel.

## 4. Long-term and Short-term Development

(1) Short-term Development:

- A. To support the government’s technologization and modernization development policy for agriculture and livestock industry, the Company will construct the world’s most advanced AI automated non-pharmaceutical feedmill in Douliou City, Yunlin County, the agriculture capital of Taiwan, in order to meet the international environmental protection standards and solve feed cross-contamination and food safety issues.
- B. Introducing the world’s most advanced cooling pad system and equipment and raising and breeding technology, the Company thereby set the milestone for Taiwan’s duck raising industry heading towards high-tech automation.
- C. Introduce one-stop egg hen management to ensure sufficiency in egg supply.

(2) Long-term Development:

- A. By introducing the Group’s world-class technologies and the most advanced equipment, the Company’s technology level of breeding, livestock breeding, feed, and meat processing will be expected to improve.
- B. Adhering to the philosophy of “No biological safety, No food safety”, the Company insists on rigorous quality control and completed traceability from raw material supply chain management, processing, warehousing to products delivering in order to ensure the food safety and provide consumers the highest quality meat which is safe, healthy, convenient, hygienic, and affordable.
- C. Continue to strengthen the existing intensive brand marketing, deep-plow channel marketing strategies, and develop new e-commerce channels.

## II. Market and Sales Overview

### 1. Sales Region and Market Share (%)

The Company's main products are feed, white broiler fresh meat and processed chicken products, which are mainly for domestic sales. The sales regions are nationwide. The major product market overview is summarized as follows:

- (1) Feed: The Company's 2020 feed production was approximately 840,000 tons, which mainly consist of chicken, pig and duck feed products, accounting for about 16% of the overall market. The targets of sales are privately-operated breeders, contract breeders and self-owned farms. The main market area is Central Taiwan, accounting for 55%, while Southern and Northern Taiwan are accounting for 35% and 10% respectively. In response to the environmental protection and health trends, the Company provides the domestic breeding industry with feed products free of safety concerns. The Company invested in a feed mill with a monthly capacity of 20,000 tons in Douliou City, Yunlin County, which is expected to commence production in the second quarter of 2021.
- (2) White Broiler Fresh Meat: The Company is the first vendor to have white broiler electric slaughter equipment in Taiwan. After years of efforts, the Company adopts the vertical integration business strategy, from feed, meat chicken, chicken contract raising to white broiler slaughter in order to strictly control quality and reduce production costs. Currently, the daily slaughter capacity is 160,000. The overall electric slaughter capacity in 2020 was 42.91 million. The market distribution comprises Northern Taiwan (37%), Central Taiwan (41%), and Southern Taiwan (22%), accounting for about 17.31% of the overall white broiler market.
- (3) Processed Chicken Products: With the people's enhanced health awareness in recent years, white meat sales have also gradually increased. The Company has actively engaged in the R&D and sales of chicken meat product over years, which spread across the breakfast industry, catering industry, supermarkets, convenience stores, and other markets. At present, the monthly production is about 2,000 tons, making the brand the leading brand in the market. The market distribution comprises Northern Taiwan (40%), Central Taiwan (32%), and Southern Taiwan (28%), accounting for about 20% of the overall processed white broiler products.

### 2. Supply, Demand and Growth in Prospective Markets

- (1) Last year (2020), two major issues which are the continuous outbreak of the COVID-19 in Europe and the United States and China continuously purchased grain from the United States have led the commodity industry full of challenges.

In the first half of 2020, the global economy fell into a downturn due to the global epidemic, but in the second half of the year, the Chicago futures rose due to strong US grain exports to China. Chicago corn futures have increased by 50.4% from September 1, 2020 to March 4, 2021, and Chicago soybean futures have increased by 56.4% from August 3, 2020 to March 04, 2021. In addition, due to a serious shortage of containers from the fourth quarter of 2020 to before the Lunar New Year of 2021, domestic grain shortages have been severe and the cost has continued rising resulted from replenishment. Fortunately, CP arranged well and passed the storm of shortage.

Taiwan officially allowed imports of U.S. pork containing ractopamine since Jan. 2021. Many Citizens' doubts have been relieved with the following three strategies:

- A. Mandatory marking of the place of origin of meat products to enhance the confidence of Citizens;

- B. Domestic pig raising insists on not using ractopamine and actively explores overseas markets;
  - C. Establish a ten billion fund for raising pigs to upgrade overall pig-raising industry from the roots.
- (2) China's strong demand has led to a record low of the percentage of U.S. grain inventory. Coupled with the increasing effectiveness of the development of COVID-19 vaccines, countries around the world have high expectations for economic recovery in 2021 and the economic recovery will drive demand prosperity.
- As a result of the Chicago futures fluctuated in a narrow range at high-end and no signs of a bearish reversal have been seen, petroleum and ocean shipment freight are also at a relatively high level. In conclusion, it is foreseeable that the operations of feed mills will face a severe challenge due to the cost of raw material of feed mills will remain high in 2021.
- (3) Although the revenue, profit, and EPS of 2020 all hit record highs and performed brilliantly, CPE did not dare to slacken when facing the challenge of 2021. This year, CPE will focus more on layer farms, egg-washing plants, poultry slaughterhouses, further processing food plants, etc., as well as the 1.3 billion Yunlin AI-automatic feed mill. The automatic stereoscopic storage facility is expected to save manpower more than 50%, improve feed quality, increase production efficiency and reduce the storage costs. Production is expected to be commenced in the second quarter of 2021 and will be helpful to increase the market share of CPE feed to more than 20%.

### 3. Advantages in Competition

- (1) Taiwan joined WTO in January 2002. The Company has been proactively establishing the business model for the upstream, middle-stream and downstream vertical integration of feed, feathered chicken slaughter, fresh chicken/pork/duck, processed meat, and products-channel integration has significantly gained a competitive niche.
- (2) The operation of existing global international products purchasing information online system previously established has make the best use of our advantage in materials.
- (3) For a long time, the Company has continuously invested heavily on strengthening the upstream and downstream agriculture and livestock supply chain layout, introduced the world's most advanced equipment featuring both environmental protection and safety into the Company, and enhanced the Company's standard of breeding, livestock breeding, feed, meat processing, and egg technology, which have one after another shown a competitive niche in terms of operating performance growth momentum.

### 4. Favorable and Unfavorable Factors in the Long Term and Countermeasure

- (1) Favorable Factors:
- A. With the solid foundation of vertical integration, product costs and quality can be easily controlled to enhance competitiveness.
  - B. Affordable and high-quality products coupled with after-sales services and continuous R&D are the niches of future market competitiveness.
  - C. Products are necessities to public. By providing consumers with safe, healthy, convenient, affordable, and high-quality products that gain consumers' recognition, the Company's image as the leading brand can be established.

(2) Unfavorable Factors:

- A. Limited of land. Land, as symbol of wealth instead of production tools, is high in cost.
- B. The investment costs increase due to the soaring environmental protection standards.
- C. After Taiwan joined the WTO, it is bound to be subject to the external pressure of product competitiveness.

(3) Countermeasure:

In order to recreate the corporate, the C.P. Taiwan must strengthen itself by transforming from the traditional business of the past into an internationalized, commercialized, technologized, and eco-friendly consuming business group in order to take on internationalized and liberalized challenges of the future world trade and ensure the Company's steady growth and sustainable operation.

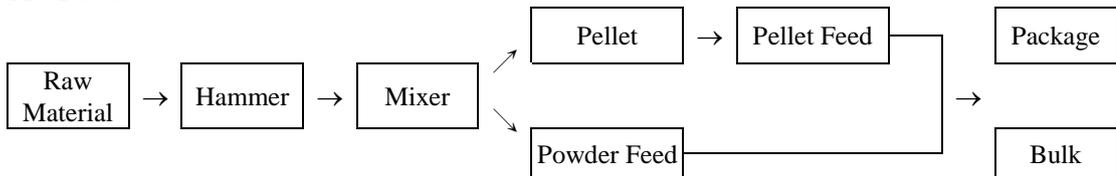
5. Important application and production Procedures of Major Products

- (1) 100% of the chicken, duck, pig feed is to provide the domestic suppliers. Fresh chicken meat, pork and processing products are manufactured for all Taiwan areas.

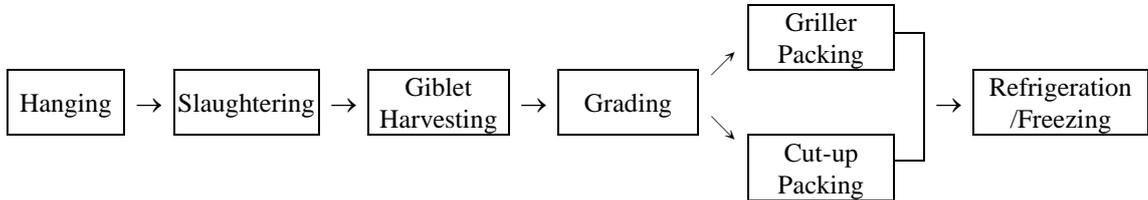
(2)

Production Processes of Major Products :

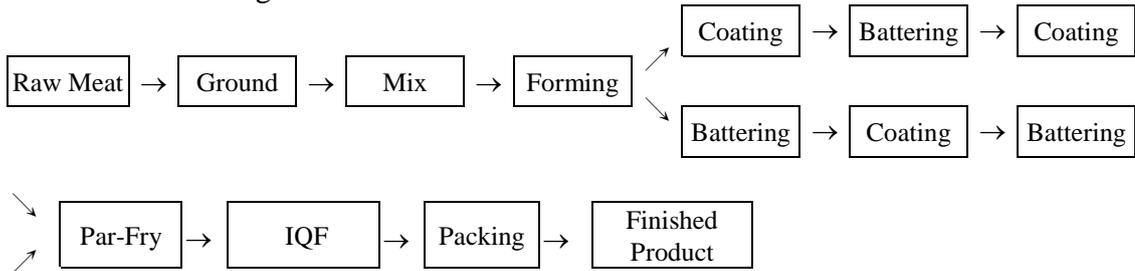
A. Feed:



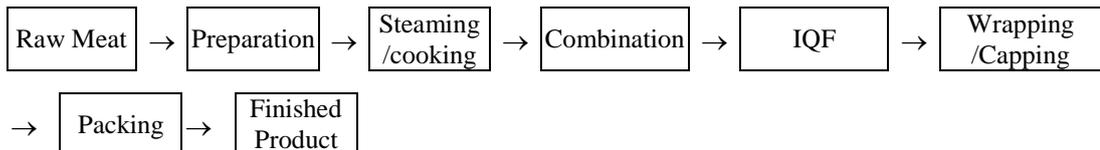
B. Fresh Chicken Meat:



C. Meat Processing Products:



D. Processed Food :



## 6. Supply Status of Main Materials

### (1) Feed:

The transnational group has set up a professional management team to share rich experiences and information network, make accurate predictions in facing climate change, and provide the procurement strategy in response to market situations. Based on the regional characteristics, assistance has been offered in equipment upgrade, productivity enhancement, and R&D and innovation to increase added value. The cooperation mode with farmers has also been reinforced not only to reduce the risk of agricultural product price fluctuations but also to ensure breeding efficiency and quality, thereby successfully expanding breeding scale, maintaining productivity, and enhancing quality stability.

### (2) Fresh Chicken Meat:

The Company, cooperating with farmers based on different breeding contract, is provided with high-quality, hygienic and safe feathered chickens, which are the raw material sources of high-quality meat.

### (3) Meat Processed Products and Prepared Food:

The meat is purchased from self-operated electric slaughter plants or domestic and foreign markets in order to cater to fresh meat to the processed chicken, pork, local-raised chicken and duck foods.

## 7. Major Suppliers and Clients

### (1) Major Suppliers in the Last Two Years

Unit: NT\$ thousand

| Item | 2019               |            |           |                           | 2020               |            |           |                           | 2021 (As of March 31) |           |           |                           |
|------|--------------------|------------|-----------|---------------------------|--------------------|------------|-----------|---------------------------|-----------------------|-----------|-----------|---------------------------|
|      | Name               | Amount     | Percent % | Relation with the Company | Name               | Amount     | Percent % | Relation with the Company | Name                  | Amount    | Percent % | Relation with the Company |
| 1    | A(note1)           | 1,593,357  | 10.17     | None                      | --                 | 0          | 0.00      | None                      | B(note1)              | 549,631   | 12.29     | None                      |
| 2    | -                  | 0          | 0.00      |                           | --                 | 0          | 0.00      |                           | C(note1)              | 455,172   | 10.17     |                           |
|      | Others             | 14,066,767 | 89.83     |                           | Others             | 15,329,998 | 100.00    |                           | Others                | 3,469,114 | 77.54     |                           |
|      | Net Total Supplies | 15,660,124 | 100.00    |                           | Net Total Supplies | 15,329,998 | 100.00    |                           | Net Total Supplies    | 4,473,917 | 100.00    |                           |

Note: 1. A represents GLENCORE AGRICULTURE B.V., B represents UNIVERSAL FOOD CORPORATION, and C represents C&D (USA) INC.

2.Explanation of increase or decrease: Purchasing from the most competitive suppliers of the year led decentralized procurement from various suppliers in 2020.

### (2) Major Clients in the Last Two Years

Unit: NT\$ thousand

| Item | 2019      |            |           |                           | 2020      |            |           |                           | 2021 (As of March 31) |           |           |                           |
|------|-----------|------------|-----------|---------------------------|-----------|------------|-----------|---------------------------|-----------------------|-----------|-----------|---------------------------|
|      | Name      | Amount     | Percent % | Relation with the Company | Name      | Amount     | Percent % | Relation with the Company | Name                  | Amount    | Percent % | Relation with the Company |
|      | Others    | 21,173,634 | 100.00    |                           | Others    | 22,189,635 | 100.00    |                           | Others                | 5,718,985 | 100.00    |                           |
|      | Net Sales | 21,173,634 | 100.00    |                           | Net Sales | 22,189,635 | 100.00    |                           | Net Sales             | 5,718,985 | 100.00    |                           |

Note: There's no client commanding 10%-plus share of annual net sales.

## 8. Production in the Last Two Years

Unit: (1)MT (2)NT\$ thousands

| Production<br>Major Products | Year | 2019     |           |            | 2020     |           |            |
|------------------------------|------|----------|-----------|------------|----------|-----------|------------|
|                              |      | Capacity | Quantity  | Amount     | Capacity | Quantity  | Amount     |
| Feed                         |      | 917,500  | 851,243   | 10,054,836 | 917,700  | 846,434   | 9,698,194  |
| Commodity                    |      | -        | 169,693   | 1,520,392  | -        | 152,988   | 1,417,511  |
| Livestock Fresh Meat         |      | 175,350  | 164,990   | 8,921,154  | 180,022  | 171,481   | 9,330,188  |
| Consumable Food              |      | 45,438   | 39,118    | 3,805,693  | 44,954   | 43,259    | 4,423,420  |
| Total                        |      |          | 1,225,044 | 24,302,075 |          | 1,214,162 | 24,869,313 |

Note: Production capacity refers to the volume of production that can be produced by a company using existing production equipment and under normal operation, after taking into consideration factors such as necessary downtime, holiday, etc.

## 9. Sales and Quantity in the Last Two Years

Unit: (1)MT (2)NT\$ thousands

| Sales<br>Major Products    | Year | 2019     |            |          |        | 2020     |            |          |        |
|----------------------------|------|----------|------------|----------|--------|----------|------------|----------|--------|
|                            |      | Local    |            | Export   |        | Local    |            | Export   |        |
|                            |      | Quantity | Amount     | Quantity | Amount | Quantity | Amount     | Quantity | Amount |
| Feed, Extruded Ingredients |      | 666,228  | 7,903,787  | 0        | 0      | 637,518  | 7,572,206  | 0        | 0      |
| Livestock Fresh Meat       |      | 129,507  | 8,940,030  | 0        | 0      | 133,135  | 9,718,538  | 0        | 0      |
| Consumable Food            |      | 37,962   | 4,329,817  | 0        | 0      | 42,696   | 4,898,891  | 0        | 0      |
| Total                      |      | 833,697  | 21,173,634 | 0        | 0      | 813,349  | 22,189,635 | 0        | 0      |

## III. Human Resources

| Year                     |                          | 2019  | 2020  | As of<br>Apr. 30, 2021 |
|--------------------------|--------------------------|-------|-------|------------------------|
| Number of<br>Employees   | Administrative staff     | 183   | 194   | 211                    |
|                          | Sales staff              | 291   | 322   | 340                    |
|                          | Production staff         | 1,742 | 1,893 | 1,996                  |
|                          | Total                    | 2,216 | 2,409 | 2,547                  |
| Average Age              |                          | 39.00 | 39.00 | 40.00                  |
| Average Years of Service |                          | 6.00  | 6.00  | 6.87                   |
| Education                | Ph.D.                    | 0.2%  | 0.2%  | 0.2%                   |
|                          | Masters                  | 3.0%  | 3.2%  | 4.0%                   |
|                          | Bachelor's Degree        | 33.0% | 33.0% | 36.0%                  |
|                          | Senior High School       | 30.0% | 30.0% | 29.4%                  |
|                          | Below Senior High School | 33.8% | 33.6% | 30.4%                  |

## IV. Environmental Protection Expenditure

1. Environmental Protection Policy: The Company has been supporting the government's policy to protect environment. We have installed the cyclone (dust collection system) in Taichung and Kaohsiung plants and also have the dedicated personnel to be responsible for the waste material treatment in order to protect the environment of the factories and the surroundings. In addition, we have also employed some persons to be responsible for the waste water and the deodorized treatment from Nantou Poultry slaughtering plant and meat-further processing plant. Those persons follow the related criterion to pump waste water into the waste water treatment center in industrial district, besides, to hire the cleaning companies to help treating those waste materials. The above measures are confirmed by the local Environmental Protection Bureau.

2. Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection) and countermeasures: Penalties for air, water and waste pollution is around NT\$ 830 thousand.

| Disposition dates            | Disposition reference numbers        | Articles of law violated                                       | Substance of the legal violations  | Content of the dispositions   |
|------------------------------|--------------------------------------|--|--|---|
| Jan. 2, 2020 ~ Jan. 4, 2021  | No.1080323458, No. 1093617047, etc.  | Water Pollution Control Act: Article 7, 14, 18, 28, 40 and 51. | Exceeded effluent standards, Water pollution control measure and the using not complied with regulations, not complied with wastewater quality standards, leakage of wastewater, etc.  | Penalties amounted to NT\$411,953 and attending environmental seminars. |
| Mar. 2, 2020 ~ Feb. 18, 2021 | No. 1090021479, No. 1100003229, etc. | Waste Disposal Act: Article 31, 36, 27 and related regulations | Leakage of food processing sludge, the output volume of slaughtering leftovers and the general industrial waste exceeded 10% of the max production volume stated in the industrial waste disposal plan, etc.                               | Penalties amounted to NT\$18,000 and attending environmental seminars.  |
| Jul. 30 2020~ Mar. 10, 2021  | No. 1090167680, etc.                 | Air Pollution Control Act: Article 20 and 24.                  | The concentration of air pollutants of poultry smell exceeded emission standards, the material used exceeded the max limit of permit contents, other equipment is not complied with permit standard, and not add chlorine for a long time. | Penalties amounted to NT\$400,000 and attending environmental seminars. |

3. The measures and estimated expenditure in the future:

2021

Anti-pollution equipment to be purchased

The waste water treatment equipment and dust collection equipment

Expected improvement situation

Improve the working environment

Amount

50 million

4. The impact of the improvement: Enhance the image of the Company, and improve the working environment.
5. Products have not yet been sold to EU countries. Therefore, the implementation of the “Restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS)” has no impact on the Group’s finance and business.

## V. Labor Relations

1. The Implementation of Employee Welfare, Education, Training, Retirement Policy, as well as the Agreements between Employer and Employees and Employees' Rights Protection Measures:

Since meetings among the Company, departments and plants have created a good communication channel, followed by labor law and relevant law to protect employees' rights, so as to pay much attention to various kinds of employees' welfare, the relationship between employer and employees is good.

- (1)The Employee Welfare Committee holds various employee welfare activities. In addition to the welfare fund distributed monthly by law, fund shortage will be subsidized by the Company.
- (2)The Company Working Environment and Employee Safety Protection Measures:
  - A. Formulate a Safety and Health Manual that stipulates safety management matters for employees to follow
  - B. Strengthen equipment safety and improve environment hygiene.
  - C. Regularly check firefighting safety in November every year, and conduct fire drills twice a year.
- (3)The employees' compensation includes monthly salary and bonus. The standard of the employees' salary is decided according to the duties, education and experiences, professional knowledge and market values. The initial salary and bonus is followed the Act of Gender Equality in Employment and will not be different because of the gender, religion, Politian party, and marital status which is followed the Act of Gender Equality in Employment. The budget of yearly salary adjustment is about 2% up ( the Company's operating performance is according to financial indicators (such as the achievement rates of operating revenue, profits before income tax, and profits after the income tax) and non-financial indicators (such as the performance such as the compliance of laws and regulations of belonging departments and major deficiencies in operational risk issues.)) The adjustment of salary is to ensure the employees' salary is corresponded with the market level and principles of fairness. As of the employees' bonus, it is determined by the duties and performance to encourage them. Employees are community of life with the Company and willing to share and grow with the Company to achieve the sustainable operation of the Company.
- (4)The Company has defined retirement pension plans in accordance with the Labor Standards Act for the employees recruited before July 1, 2005. The retirement pension for employees is based on their number of working years. The Company contributes monthly an amount equal to specific percentage of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. When employees retire, the pension is directly paid by the fund. For the employees hired after July 1, 2005 or existing employees choosing to go with the new pension plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance.

(5)The annual training program is shown in the following table:

| Category               | Audience   | Training Content   | Hours |
|------------------------|--|--|-------|
| 1. Management Skills   | 1. Senior Executives (CEO, Vice President, etc.)   | Globalized trend of agriculture and livestock food industry, CP Group's vision and business strategy, E-management advantages, Enterprise Resource Planning (ERP) integration.   | 36    |
|                        | 2. Middle-rank supervisors (Managers, Division heads, etc.)  | CP Group vision and business strategy, ERP integration, Operating processes and Importation of electronic form management system.  | 36    |
|                        | 3. Grassroots supervisors (Section heads, management trainee)  | T.W.C quality management, Project management, Cost control management, and Electronized Standard Operating Procedure (SOP) management.   | 72    |
|                        | 4. Salesmen/ Planning staff  | CP Group vision and business strategy, Electronized business management (visit plans, customer development, analysis of accounts receivable and sales, and relevant real-time information), Credit management, and Sales management.               | 72    |
|                        | 5. Finance, Accounting, Personnel, Procurement, Credit, Computer, Production, Quality control, and other personnel | Policies, Operating processes, and Establishment and importation of electronic form management system.   | 72    |
| 2. Professional Skills | 1. Senior Executives (CEO, Vice President, etc.)   | Economy cycle and trend of Taiwan's agriculture and husbandry products, Industrial competitiveness strategic analysis (prices/products/channels/promotions), Electronic real-time information website, and Establishment of online learning system | 96    |
|                        | 2. Middle-rank supervisors (Managers, Division heads, etc.)  | Establishment and use of related professional knowledge for scope of work responsibilities (production, marketing, personnel, R&D, finance, accounting, computer)  | 96    |
|                        | 3. Grassroots supervisors (Section heads, management trainee)  | Related professional knowledge for scope of work responsibilities (production, marketing, personnel, R&D, finance, accounting, computer)   | 72    |
|                        | 4. Salesmen/ Planning staff  | Related professional knowledge, such as marketing proposal planning, product FABE, sales skills, business regulations, etc.  | 72    |
|                        | 5. Finance, Accounting, Personnel, Procurement, Credit, Computer, Production, Quality control, and other personnel | Related professional knowledge for the dedicated Dept.   | 72    |

2. Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including labor inspection results found in violation of the Labor Standards Act) :

| Disposition dates | Disposition reference numbers | Articles of law violated                      | Substance of the legal violations  | Content of the dispositions |
|-------------------|-------------------------------|---|--|-----------------------------|
| Dec. 29, 2020     | No. 1090306167                | Labor Standards Act, Article 24.              | Not using the regulated basis to pay worker overtime wages when required to work on the rest days. | Penalty of NT\$20,000.      |
| Jan. 5, 2021      | No. 1100006801                | Labor Standards Act, Article 32, Paragraph 2. | Total number of overtime exceeded forty-six hours a month.   | Penalty of NT\$20,000.      |

## VI. Important Contracts

| Agreement                     | Counterparty                     | Period   | Major Contents   | Restrictions              |
|-------------------------------|----------------------------------|--|--|---------------------------|
| Technical service agreement   | Charoen Pokphand Group Co., Ltd. | 1996/01~the date any of two parties intend to end the agreement. | Consulting for feed manufacturing, livestock raising, etc. | Non-disclosure of technic |
| Technical service agreement   | Charoen Pokphand Group Co., Ltd. | The year-end of 2020 ~effective for 5years                       | Consulting for livestock raising                           | Non-disclosure of technic |
| Trademark licensing agreement | Charoen Pokphand Group Co., Ltd. | The year-end of 2020 ~effective for 5years                       | Authorizing to use Trademark "CP"                          |                           |
| Medium and long term loan     | Taiwan Cooperative Bank          | 2017/10~2030/12  | Medium and long term mortgage loan                         |                           |
| Medium and long term loan     | Chang Hwa Bank                   | 2019/04~2026/04  | Medium and long term mortgage loan                         |                           |
| Medium and long term loan     | Agricultural Bank of Taiwan      | 2020/09~2025/09  | Medium and long term mortgage loan                         |                           |
| Medium and long term loan     | Bank of Taiwan                   | 2020/11~2030/10  | Medium and long term mortgage loan                         |                           |
| Medium and long term loan     | CTBC Bank                        | 2021/04~2031/04  | Medium and long term mortgage loan                         |                           |

# Financial Information

## I. Five-Year Financial Summary

### 1. Condensed Balance Sheet

#### Consolidated Condensed Balance Sheet

Unit: NT\$1,000

| Item  | Year              | Financial Summary for The Last Five Years (Note1) |            |            |            |            | As of March 31, 2021 (Note2) |
|---|-------------------|---|------------|------------|------------|------------|------------------------------|
|   |                   | 2016  | 2017       | 2018       | 2019       | 2020       |                              |
| Current Assets                              |                   | 4,654,788   | 5,169,541  | 5,837,148  | 6,846,284  | 5,688,632  | 6,078,585                    |
| Property, Plant and Equipment               |                   | 4,306,954   | 6,515,162  | 7,617,265  | 8,767,246  | 10,896,118 | 11,399,598                   |
| Intangible Assets                           |                   | 15,625  | 15,108     | 15,059     | 13,833     | 174        | 122                          |
| Other Assets                                |                   | 2,209,811   | 2,186,311  | 2,320,692  | 3,022,998  | 2,961,425  | 3,152,302                    |
| Total Assets                                |                   | 11,187,178  | 13,886,122 | 15,790,164 | 18,650,361 | 19,546,349 | 20,630,607                   |
| Current Liabilities                         | Before Allocation | 4,081,285   | 5,143,742  | 6,384,425  | 6,450,161  | 5,840,107  | 6,904,801                    |
|   | After Allocation  | 4,885,258   | 5,947,715  | 7,188,398  | 7,522,125  | (Note3)    | (Note3)                      |
| Non-current Liabilities                     |                   | 497,156   | 1,784,866  | 2,149,054  | 3,573,206  | 4,972,756  | 4,428,476                    |
| Total Liabilities                           | Before Allocation | 4,578,441   | 6,928,608  | 8,533,479  | 10,023,367 | 10,812,863 | 11,333,277                   |
|   | After Allocation  | 5,382,414   | 7,732,581  | 9,337,452  | 11,095,331 | (Note3)    | (Note3)                      |
| Equity attributable to owners of the parent |                   | 6,406,070   | 6,677,498  | 6,931,976  | 7,922,332  | 8,304,986  | 8,828,287                    |
| Common Stock                                |                   | 2,679,910   | 2,679,910  | 2,679,910  | 2,679,910  | 2,679,910  | 2,679,910                    |
| Capital Surplus                             |                   | 967   | 1,145      | 1,652      | 2,137      | 3,957      | 3,949                        |
| Retained Earnings                           | Before Allocation | 2,223,021   | 2,831,268  | 2,980,267  | 3,641,000  | 4,212,921  | 4,600,158                    |
|   | After Allocation  | 1,419,048   | 2,027,295  | 2,176,294  | 2,569,036  | (Note3)    | (Note3)                      |
| Other Equity                                |                   | 1,502,172   | 1,165,175  | 1,270,147  | 1,599,285  | 1,408,198  | 1,544,270                    |
| Treasury Shares                             |                   | 0   | 0          | 0          | 0          | 0          | 0                            |
| Non-controlling interest                    |                   | 202,667   | 280,016    | 324,709    | 704,662    | 428,500    | 469,043                      |
| Total Equity                                | Before Allocation | 6,608,737   | 6,957,514  | 7,256,685  | 8,626,994  | 8,733,486  | 9,297,330                    |
|   | After Allocation  | 5,804,764   | 6,153,541  | 6,452,712  | 7,555,030  | (Note3)    | (Note3)                      |

Note1: The Company's parent company only condensed balance sheet for the last five years is prepared as follows.

Note2: Financial information regarding the first quarter of 2021 has been verified by independent auditors.

Note3: The Proposal of Distribution of 2020 Profits has not resolved yet by Annual General Shareholders' Meeting.

## Parent Company Only Condensed Balance Sheet

Unit: NT\$1,000

| Item  | Year              | Financial Summary for The Last Five Years (Note1) |            |            |            |            | As of<br>March,<br>31,<br>2021 |
|---|-------------------|---|------------|------------|------------|------------|--------------------------------|
|   |                   | 2016  | 2017       | 2018       | 2019       | 2020       |                                |
| Current Assets                              |                   | 3,952,278   | 4,216,923  | 4,765,343  | 5,030,282  | 5,002,348  | NA                             |
| Property, Plant and Equipment               |                   | 4,111,935   | 6,109,595  | 6,988,772  | 7,752,623  | 9,237,343  |                                |
| Intangible Assets                           |                   | 1,229   | 2,047      | 1,564      | 592        | 171        |                                |
| Other Assets                                |                   | 2,614,487   | 2,680,285  | 2,803,622  | 3,943,793  | 3,529,896  |                                |
| Total Assets                                |                   | 10,679,929  | 13,008,850 | 14,559,301 | 16,727,290 | 17,769,758 |                                |
| Current Liabilities                         | Before Allocation | 3,812,483   | 4,607,091  | 5,562,630  | 5,603,223  | 5,051,226  |                                |
|   | After Allocation  | 4,616,456   | 5,411,064  | 6,366,603  | 6,675,187  | (Note1)    |                                |
| Non-current Liabilities                     |                   | 461,376   | 1,724,261  | 2,064,695  | 3,201,735  | 4,413,546  |                                |
| Total Liabilities                           | Before Allocation | 4,273,859   | 6,331,352  | 7,627,325  | 8,804,958  | 9,464,772  |                                |
|   | After Allocation  | 5,077,832   | 7,135,325  | 8,431,298  | 9,876,922  | (Note1)    |                                |
| Equity attributable to owners of the parent |                   | 6,406,070   | 6,677,498  | 6,931,976  | 7,922,332  | 8,304,986  |                                |
| Common Stock                                |                   | 2,679,910   | 2,679,910  | 2,679,910  | 2,679,910  | 2,679,910  |                                |
| Capital Surplus                             |                   | 967   | 1,145      | 1,652      | 2,137      | 3,957      |                                |
| Retained Earnings                           | Before Allocation | 2,223,021   | 2,831,268  | 2,980,267  | 3,641,000  | 4,212,921  |                                |
|   | After Allocation  | 1,419,048   | 2,027,295  | 2,176,294  | 2,569,036  | (Note1)    |                                |
| Other Equity                                |                   | 1,502,172   | 1,165,175  | 1,270,147  | 1,599,285  | 1,408,198  |                                |
| Treasury Shares                             |                   | 0   | 0          | 0          | 0          | 0          |                                |
| Non-controlling interest                    |                   | 0   | 0          | 0          | 0          | 0          |                                |
| Total Equity                                | Before Allocation | 6,406,070   | 6,677,498  | 6,931,976  | 7,922,332  | 8,304,986  |                                |
|   | After Allocation  | 5,602,097   | 5,873,525  | 6,128,003  | 6,850,368  | (Note1)    |                                |

Note1: The Proposal of Distribution of 2020 Profits has not resolved yet by Annual General Shareholders' Meeting.

## 2. Statements of Comprehensive Income

### Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$1,000

| Item   | Year               | Financial Summary of the Last Five Years (Note1) |            |            |            |            | As of March 31, 2021 (Note2) |
|--|--------------------|--|------------|------------|------------|------------|------------------------------|
|  |                    | 2016   | 2017       | 2018       | 2019       | 2020       |                              |
| Operating Revenue  |                    | 18,172,909                                       | 19,865,000 | 18,947,659 | 21,173,634 | 22,189,635 | 5,718,985                    |
| Net Operating Margin   |                    | 2,820,416  | 3,327,986  | 2,686,148  | 3,022,377  | 3,524,723  | 904,726                      |
| Operating Profit   |                    | 1,531,636  | 1,746,963  | 1,260,649  | 1,459,297  | 1,898,598  | 468,590                      |
| Non-operating Income and Expenses                              |                    | 49,285   | 88,325     | 5,566      | 743,733    | 150,601    | 431                          |
| Profit before Income Tax                                       |                    | 1,580,921  | 1,835,288  | 1,266,215  | 2,203,030  | 2,049,199  | 469,021                      |
| Profit from Continuing Operations                              |                    | 1,289,405  | 1,477,381  | 964,645    | 1,822,607  | 1,642,126  | 378,780                      |
| Profit from Discontinued Operations                            |                    | 0  | 0          | 30,415     | 776        | (2,250)    | 0                            |
| Profit for the period  |                    | 1,289,405  | 1,477,381  | 995,060    | 1,823,383  | 1,639,876  | 378,780                      |
| Other Comprehensive Income (Loss) for the period               |                    | 616,912  | (359,808)  | 105,558    | 328,484    | (204,431)  | 136,072                      |
| Comprehensive Income for the period                            |                    | 1,906,317  | 1,117,573  | 1,100,618  | 2,151,867  | 1,435,445  | 514,852                      |
| Profit, attributable to owners of parent                       |                    | 1,261,795  | 1,433,070  | 950,727    | 1,463,926  | 1,657,082  | 387,237                      |
| Profit, attributable to non-controlling interest               |                    | 27,610   | 44,311     | 44,333     | 359,457    | (17,206)   | (8,457)                      |
| Comprehensive Income, attributable to owners of parent         |                    | 1,884,908  | 1,075,223  | 1,057,944  | 1,793,844  | 1,452,798  | 523,309                      |
| Comprehensive Income, attributable to non-controlling interest |                    | 21,409   | 42,350     | 42,674     | 358,023    | (17,353)   | (8,457)                      |
| Earnings per Share (NT\$) (Note3)                              | Before Retroactive | 4.71   | 5.35       | 3.55       | 5.46       | 6.18       | 1.45                         |
|  | After Retroactive  | 4.71   | 5.35       | 3.55       | 5.46       | (Note4)    | (Note4)                      |

Note1: The Company's parent company only condensed balance sheet for the last five years is prepared as follows.

Note2: Financial information regarding the first quarter of 2021 has been verified by independent auditors.

Note3: Based on weighted average number of outstanding shares after considering capital increase out of earnings or capital surplus during each year.

Note4: The Proposal of Distribution of 2020 Profits has not resolved yet by Annual General Shareholders' Meeting.

**Parent Company Only Condensed Statement of Comprehensive Income**

Unit: NT\$1,000

| Item   | Year               | Financial Summary of the Last Five Years |            |            |            |            | As of<br>March 31,<br>2021 |
|--|--------------------|--|------------|------------|------------|------------|----------------------------|
|  |                    | 2016                                     | 2017       | 2018       | 2019       | 2020       |                            |
| Operating Revenue  |                    | 16,347,426                               | 17,379,603 | 18,170,438 | 20,173,520 | 21,160,706 | NA                         |
| Net Operating Margin   |                    | 2,539,353                                | 2,941,655  | 2,459,155  | 2,820,707  | 3,394,442  |                            |
| Operating Profit   |                    | 1,484,122                                | 1,640,894  | 1,169,368  | 1,423,849  | 1,948,668  |                            |
| Non-operating Income and Expenses                              |                    | 39,860                                   | 118,046    | 57,787     | 317,375    | 117,863    |                            |
| Profit before Income Tax                                       |                    | 1,523,982                                | 1,758,940  | 1,227,155  | 1,741,224  | 2,066,531  |                            |
| Profit from Continuing Operations                              |                    | 1,261,795                                | 1,433,070  | 950,727    | 1,463,926  | 1,657,082  |                            |
| Profit from Discontinued Operations                            |                    | 0  | 0          | 0          | 0          | 0          |                            |
| Profit for the period  |                    | 1,261,795                                | 1,433,070  | 950,727    | 1,463,926  | 1,657,082  |                            |
| Other Comprehensive Income (Loss) for the period               |                    | 623,113                                  | (357,847)  | 107,217    | 329,918    | (204,284)  |                            |
| Comprehensive Income for the period                            |                    | 1,884,908                                | 1,075,223  | 1,057,944  | 1,793,844  | 1,452,798  |                            |
| Profit, attributable to owners of parent                       |                    | 1,261,795                                | 1,433,070  | 950,727    | 1,463,926  | 1,657,082  |                            |
| Profit, attributable to non-controlling interest               |                    | -  | -          | -          | -          | -          |                            |
| Comprehensive Income, attributable to owners of parent         |                    | 1,884,908                                | 1,075,223  | 1,057,944  | 1,793,844  | 1,452,798  |                            |
| Comprehensive Income, attributable to non-controlling interest |                    | -  | -          | -          | -          | -          |                            |
| Earnings per Share<br>(NT\$) (Note1)                           | Before Retroactive | 4.71                                     | 5.35       | 3.55       | 5.46       | 6.18       |                            |
|  | After Retroactive  | 4.71                                     | 5.35       | 3.55       | 5.46       | (Note2)    |                            |

Note1: Based on weighted average number of outstanding shares after considering capital increase out of earnings or capital surplus during each year.

Note2: The Proposal of Distribution of 2020 Profits has not resolved yet by Annual General Shareholders' Meeting.

**3. Auditors' Name and Opinions from 2016 to 2020**

| Year | CPA              |                  | Audit Opinions            |
|------|------------------|------------------|---------------------------|
| 2020 | Shih-Jung Weng   | Yi-Fan Lin       | With Unqualified Opinions |
| 2019 | Shih-Jung Weng   | Yi-Fan Lin       | With Unqualified Opinions |
| 2018 | Shih-Jung Weng   | Yi-Fan Lin       | With Unqualified Opinions |
| 2017 | Chih-Cheng Hsieh | Shih-Jung Weng   | With Unqualified Opinions |
| 2016 | Huei-Shyang Wang | Chih-Cheng Hsieh | With Unqualified Opinions |

## II. Five-Year Financial Analysis

### Consolidated Financial Analysis

| Analysis Item   |   | Year               | Financial Analysis of the Last Five Years |        |        |        |        | As of March 31, 2021 (Note1) |         |
|---|---|--------------------|---|--------|--------|--------|--------|------------------------------|---------|
|   |   |                    | 2016                                      | 2017   | 2018   | 2019   | 2020   |                              |         |
| Financial Structure (%)   | Debt Ratio  |                    | 40.93                                     | 49.90  | 54.04  | 53.74  | 55.32  | 54.93                        |         |
|   | Ratio of long-term capital to property, plant and equipment |                    | 164.99                                    | 134.19 | 123.48 | 139.16 | 125.79 | 120.41                       |         |
| Solvency (%)  | Current ratio   |                    | 114.05                                    | 100.50 | 91.43  | 106.14 | 97.41  | 88.03                        |         |
|   | Quick ratio   |                    | 79.05                                     | 68.40  | 61.70  | 77.46  | 67.25  | 59.51                        |         |
|   | Interest earned ratio                                       |                    | 50.38                                     | 42.46  | 20.41  | 26.98  | 24.64  | 21.89                        |         |
| Operating Performance   | Accounts receivable turnover (times)                        |                    | 9.97                                      | 9.46   | 9.04   | 9.10   | 10.25  | 10.19                        |         |
|   | Average collection period                                   |                    | 37  | 39     | 40     | 40     | 36     | 36                           |         |
|   | Inventory turnover (times)                                  |                    | 12.08                                     | 13.86  | 14.50  | 12.48  | 12.75  | 12.66                        |         |
|   | Accounts payable turnover (times)                           |                    | 17.08                                     | 14.69  | 14.09  | 14.18  | 14.91  | 15.02                        |         |
|   | Average days in sales                                       |                    | 30  | 26     | 25     | 29     | 29     | 29                           |         |
|   | Property, plant and equipment turnover (times)              |                    | 4.62                                      | 3.67   | 3.01   | 2.58   | 2.26   | 2.05                         |         |
|   | Total assets turnover (times)                               |                    | 1.74                                      | 1.58   | 1.43   | 1.23   | 1.16   | 1.14                         |         |
| Profitability   | Return on total assets (%)                                  |                    | 12.61                                     | 12.05  | 7.05   | 10.96  | 8.91   | 1.96                         |         |
|   | Return on owners' equity (%)                                |                    | 21.87                                     | 21.78  | 14.00  | 22.96  | 18.89  | 4.20                         |         |
|   | Ratio of profit before income tax to paid-in capital (%)    |                    | 58.99                                     | 68.48  | 48.80  | 82.21  | 76.47  | 17.50                        |         |
|   | Profit margin (%)   |                    | 7.10                                      | 7.44   | 4.69   | 8.61   | 7.39   | 6.62                         |         |
|   | Earnings per share (NT\$)(Note2)                            | Before Retroactive |   | 4.71   | 5.35   | 3.55   | 5.46   | 6.18                         | 1.44    |
|   |   | After Retroactive  |   | 4.71   | 5.35   | 3.55   | 5.46   | (Note3)                      | (Note3) |
| Cash Flows  | Cash flow ratio (%)   |                    | 41.87                                     | 33.38  | 15.59  | 30.39  | 40.95  | (Note 9)                     |         |
|   | Cash flow adequacy ratio (%)                                |                    | 95.51                                     | 77.89  | 59.27  | 55.70  | 57.62  | 36.79                        |         |
|   | Cash reinvestment ratio (%)                                 |                    | 11.16                                     | 7.42   | 1.44   | 7.35   | 7.44   | (Note 9)                     |         |
| Leverage  | Operating leverage  |                    | 2.21                                      | 2.31   | 2.98   | 2.67   | 2.53   | 2.63                         |         |
|   | Financial leverage  |                    | 1.02                                      | 1.02   | 1.05   | 1.05   | 1.04   | 1.04                         |         |
| <p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)</p> <p>Cash flow ratio increased due to increase in Net cash inflows from operating activities and decrease in Current Liabilities. The steady growth of the Group's 2020 Operating revenue and efficient control and management of inventory resulted in a significant increase in Net cash inflows from operating activities. In addition, the current liabilities decreased due to increasing long-term loans to decrease short-term loans to improve the financial structure.</p> |   |                    |   |        |        |        |        |                              |         |

### Parent Company Only Financial Analysis

| Analysis Item  |   | Year               | Financial Analysis of the Last Five Years |        |        |        |        | As of<br>March 31,<br>2021<br>(Note1) |         |
|--|---|--------------------|---|--------|--------|--------|--------|---------------------------------------|---------|
|  |   |                    | 2016                                      | 2017   | 2018   | 2019   | 2020   |                                       |         |
| Financial Structure (%)  | Debt ratio  |                    | 40.02                                     | 48.67  | 52.39  | 52.64  | 53.26  | NA                                    |         |
|  | Ratio of long-term capital to property, plant and equipment |                    | 167.01                                    | 137.52 | 128.73 | 143.49 | 137.69 |                                       |         |
| Solvency (%)   | Current ratio   |                    | 103.67                                    | 91.53  | 85.67  | 89.77  | 99.03  |                                       |         |
|  | Quick ratio   |                    | 72.08                                     | 63.32  | 57.28  | 59.40  | 67.34  |                                       |         |
|  | Interest earned ratio                                       |                    | 51.50                                     | 41.98  | 20.26  | 23.49  | 28.40  |                                       |         |
| Operating Performance  | Accounts receivable turnover (times)                        |                    | 9.62                                      | 9.37   | 9.46   | 10.02  | 10.47  |                                       |         |
|  | Average collection period                                   |                    | 38  | 39     | 39     | 36     | 35     |                                       |         |
|  | Inventory turnover (times)                                  |                    | 12.48                                     | 15.06  | 15.63  | 13.60  | 13.20  |                                       |         |
|  | Accounts payable turnover (times)                           |                    | 16.92                                     | 15.43  | 15.92  | 16.19  | 15.08  |                                       |         |
|  | Average days in sales                                       |                    | 29  | 24     | 23     | 27     | 28     |                                       |         |
|  | Property, plant and equipment turnover (times)              |                    | 4.39                                      | 3.40   | 2.77   | 2.74   | 2.49   |                                       |         |
|  | Total assets turnover (times)                               |                    | 1.64                                      | 1.47   | 1.32   | 1.29   | 1.23   |                                       |         |
| Profitability  | Return on total assets(%)                                   |                    | 12.92                                     | 12.37  | 7.24   | 9.74   | 9.93   |                                       |         |
|  | Return on owners' equity(%)                                 |                    | 22.01                                     | 21.91  | 13.97  | 19.71  | 20.42  |                                       |         |
|  | Ratio of profit before income tax to paid-in capital(%)     |                    | 56.87                                     | 65.63  | 45.79  | 64.97  | 77.11  |                                       |         |
|  | Profit margin (%)   |                    | 7.72                                      | 8.25   | 5.23   | 7.26   | 7.83   |                                       |         |
|  | Earnings per share (NT\$)(Note2)                            | Before Retroactive |   | 4.71   | 5.35   | 3.55   | 5.46   |                                       | 6.18    |
|  |   | After Retroactive  |   | 4.71   | 5.35   | 3.55   | 5.46   |                                       | (Note3) |
| Cash Flows   | Cash flow ratio (%)   |                    | 46.70                                     | 37.25  | 16.98  | 29.36  | 49.73  |                                       |         |
|  | Cash flow adequacy ratio (%)                                |                    | 85.60                                     | 76.14  | 58.94  | 55.93  | 62.70  |                                       |         |
|  | Cash reinvestment ratio (%)                                 |                    | 12.75                                     | 7.98   | 1.14   | 5.80   | 8.69   |                                       |         |
| Leverage   | Operating leverage  |                    | 2.06                                      | 2.18   | 2.86   | 2.69   | 2.32   |                                       |         |
|  | Financial leverage  |                    | 1.02                                      | 1.02   | 1.05   | 1.06   | 1.04   |                                       |         |
| <p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)</p> <ol style="list-style-type: none"> <li>Interest earned ratio increased due to increase in Profit before Income Tax of 2020. The steady growth of Operating Revenue, Net Operating Margin and Profit before Income Tax are resulted from the production and sales of the Group's primary products continue to expand and also through research and development of new products and adjustment of bundled products.</li> <li>Cash flow ratio and cash reinvestment ratio increased due to increase in net cash inflows from operating activities due to increase in profit of the year 2020 resulted from continuously improving existing plant equipment and increase in capital expenditures, such as acquisition of the plant and automatic equipment, to expand existing capacity of production lines and increase market shares.</li> </ol> |   |                    |   |        |        |        |        |                                       |         |

Note1: Financial information regarding the first quarter of 2019 has been verified by independent auditors.

Note2: Based on weighted average number of outstanding shares after considering capital increase out of earnings or capital surplus during each year.

Note3: The Proposal of Distribution of 2019 Profits has not resolved yet by Annual General Shareholders' Meeting.

Note4: 1. Financial Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Ratio of Long-term Capital to Property, Plant and Equipment = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Solvency Analysis

(1) Current ratio = Current Assets / Current Liabilities

(2) Quick ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Interest earned ratio = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Accounts receivable turnover (including accounts receivable and notes receivable related to operations) = Net Sales / Average Accounts Receivable (including accounts receivables and notes receivables related to operations).

(2) Average collection period = 365 / Accounts receivable Turnover

(3) Inventory turnover = Cost of Sales / Average Inventory

(4) Accounts payable turnover (including accounts payable and notes payable related to operations) = Cost of Sales / Average Accounts Payables (including accounts payable and notes payable related to operations).

(5) Average days in sales = 365 / Inventory Turnover

(6) Property, plant and equipment turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total assets turnover (times) = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on total assets = (Net Income + Interest Expenses \* (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on owners' equity = Net Income / Average Total Equity

(3) Profit margin = Net Income / Net Sales

(4) Earnings per share = (Profits Attributable to Owners of Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note5)

5. Cash Flows Analysis

(1) Cash flow ratio = Cash Flows from Operating Activities / Current Liabilities

(2) Cash flow adequacy ratio = Five-year Sum of Net Cash Flows from Operating Activities / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash reinvestment ratio = (Net Cash Flows from Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capita) (Note6)

6. Leverage Analysis

(1) Operating leverage = (Net Sales - Variable Cost) / Operating Profit (Note7)

(2) Financial leverage = Operating Profits / (Operating Profits - Interest Expenses)

Note 5: The following shall be noted when using the above formula for earnings per share:

(1) It should be based on the weighted average number of shares of common stock rather than the number of issued shares at the end of the year.

(2) When there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.

(3) In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.

(4) If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from net profit after tax, or added to net loss after tax. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from net profit after tax; no adjustment is required in case of loss.

Note 6: Special attention should be paid to the following matters when carrying out cash flow analysis:

(1) Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.

(2) Capital expenditures refer to the cash outflows for annual capital investment.

(3) The increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it is counted as zero.

(4) Cash dividend includes cash dividends from common stocks and preferred stocks.

(5) Gross property, plant and equipment value refers to the total value of property, plant and equipment before subtracting accumulated depreciation.

Note 7: The issuer shall classify the operating costs and operating expenses as fixed or variable according to their nature. If it involves estimation or subjective judgment, attention should be paid to its reasonableness and consistency.

Note 8: Where company shares have no par value or where the par value per share is not NT\$ 10, any calculations that involve paid-up capital ratio shall be replaced with the equity ratio attributable to the owners of the parent company as stated in the balance sheet.

Note 9: Due to the net cash outflows generated from operating activities for this period, "Cash flow ratio" and "Cash reinvestment ratio" are not listed.

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### III. Audit Committee's Report for the Most Recent Year

Charoen Pokphand Enterprise (Taiwan) Co., Ltd.

#### Audit Committee's Review Report

The Board of Directors has submitted the Company's Business Report, Financial Statements and Proposal for Distribution of Surplus Earnings for the year 2020 to Audit Committee. The CPA firm of PricewaterhouseCoopers, Taiwan had audited the Financial Statements and issued the Audit Report. The aforementioned Business Report, Financial Statements and Proposal for Distribution of Surplus Earnings had been reviewed by the Audit Committee and deemed that it is complied with the Company Act, related laws and regulations. In accordance with the Article 14-4 of the Securities and Exchange Act and the Article 219 of the Company Act, we hereby submit the report.

To:

The 2021 Annual General Shareholders' Meeting of the Company

Convener of Audit Committee: Li, Yen Sung

Date: May 11, 2021

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- IV. Consolidated Financial Statements for the Years Ended December 31, 2020, and Independent Auditors' Report : Please refer to page 65-138.
- V. Parent Company Only Financial Statements for the Years Ended December 31, 2020, and Independent Auditors' Report: Please refer to page 139-193.
- VI. Financial Difficulties of the Company and its Affiliates during the most recent year and as of the date of publication of the annual report: None.

**INDEPENDENT AUDITORS' REPORT**

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

***Opinion***

We have audited the accompanying consolidated balance sheets of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

**Evaluation of net realisable value of inventories**

Description

Refer to Note 4(12) for accounting policies adopted for the valuation of inventories, Note 5(2) for uncertainty of accounting estimates and assumptions of valuation of inventories, and Note 6(4) for details of inventories. As at December 31, 2020, the carrying amount of inventories and allowance for inventory valuation losses amounted to NT\$1,328,153 thousand and NT\$11,761 thousand, respectively.

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

How our audit addressed the matter

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

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

## Measurement of biological assets

### Description

Refer to Note 4(14) for accounting policies adopted for biological assets, Note 5(2) for uncertainty of accounting estimates and assumptions in measuring fair value of biological assets, and Note 6(5) for details of biological assets. As at December 31, 2020, the carrying amount of biological assets amounted to NT\$1,833,155 thousand.

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

### How our audit addressed the matter

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

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

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

We have audited and expressed an unqualified opinion on the parent company only financial statements of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. as at and for the years ended December 31, 2020 and 2019.

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

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

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

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

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

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from

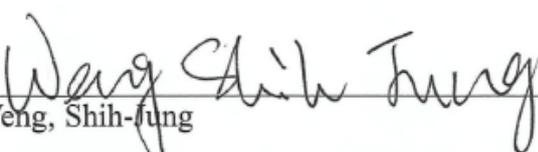
fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

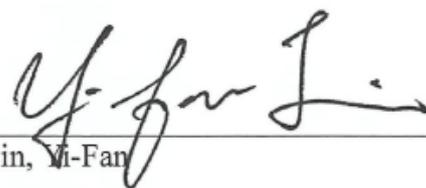
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies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

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

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

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

  
Wang, Shih-fung

  
Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2021

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

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

| ASSETS   | December 31, 2020    |            | December 31, 2019    |            |
|--|----------------------|------------|----------------------|------------|
|  | AMOUNT               | %          | AMOUNT               | %          |
| <b>Current assets</b>                              |                      |            |                      |            |
| Cash and cash equivalents                          | \$ 247,679           | 1          | \$ 873,651           | 5          |
| Notes receivable, net                              | 280,767              | 2          | 315,760              | 2          |
| Accounts receivable, net                           | 1,903,391            | 10         | 1,822,619            | 10         |
| Other receivables                                  | 13,495               | -          | 9,978                | -          |
| Inventories, net                                   | 1,316,392            | 7          | 1,537,630            | 8          |
| Biological assets - current                        | 1,434,043            | 7          | 1,295,872            | 7          |
| Prepayments  | 444,931              | 2          | 312,616              | 2          |
| Non-current assets or disposal groups classified   |                      |            |                      |            |
| as held for sale, net                              | -                    | -          | 670,458              | 3          |
| Other current assets                               | 47,934               | -          | 7,700                | -          |
| <b>Total current assets</b>                        | <b>5,688,632</b>     | <b>29</b>  | <b>6,846,284</b>     | <b>37</b>  |
| <b>Non-current assets</b>                          |                      |            |                      |            |
| Non-current financial assets at fair value through |                      |            |                      |            |
| other comprehensive income                         | 1,925,872            | 10         | 2,119,249            | 11         |
| Investments accounted for using equity method      | 99,880               | -          | -                    | -          |
| Property, plant and equipment, net                 | 10,896,118           | 56         | 8,767,246            | 47         |
| Right-of-use assets                                | 345,915              | 2          | 346,074              | 2          |
| Intangible assets                                  | 174                  | -          | 13,833               | -          |
| Biological assets - non-current                    | 399,112              | 2          | 386,143              | 2          |
| Deferred income tax assets                         | 82,496               | -          | 74,908               | -          |
| Other non-current assets                           | 108,150              | 1          | 96,624               | 1          |
| <b>Total non-current assets</b>                    | <b>13,857,717</b>    | <b>71</b>  | <b>11,804,077</b>    | <b>63</b>  |
| <b>Total assets</b>                                | <b>\$ 19,546,349</b> | <b>100</b> | <b>\$ 18,650,361</b> | <b>100</b> |

(Continued)

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

| LIABILITIES AND EQUITY   | December 31, 2020    |            | December 31, 2019    |            |
|--|----------------------|------------|----------------------|------------|
|  | AMOUNT               | %          | AMOUNT               | %          |
| <b>Current liabilities</b>   |                      |            |                      |            |
| Short-term borrowings  | \$ 2,659,715         | 14         | \$ 2,343,488         | 13         |
| Short-term notes and bills payable   | 599,426              | 3          | 978,659              | 5          |
| Notes payable  | 600,078              | 3          | 473,913              | 3          |
| Accounts payable   | 746,284              | 4          | 676,744              | 4          |
| Accounts payable - related parties   | 1,273                | -          | 5,621                | -          |
| Other payables   | 738,247              | 4          | 706,865              | 4          |
| Other payables - related parties   | 7,348                | -          | 22,750               | -          |
| Current income tax liabilities   | 249,670              | 1          | 170,531              | 1          |
| Liabilities related to non-current assets or disposal groups classified as held for sale | -                    | -          | 457,523              | 2          |
| Current lease liabilities  | 24,816               | -          | 20,817               | -          |
| Other current liabilities  | 213,250              | 1          | 593,250              | 3          |
| <b>Total current liabilities</b>   | <b>5,840,107</b>     | <b>30</b>  | <b>6,450,161</b>     | <b>35</b>  |
| <b>Non-current liabilities</b>   |                      |            |                      |            |
| Long-term borrowings   | 4,515,250            | 23         | 3,096,500            | 16         |
| Deferred income tax liabilities  | 19,351               | -          | 21,499               | -          |
| Non-current lease liabilities  | 296,281              | 1          | 310,490              | 2          |
| Other non-current liabilities  | 141,874              | 1          | 144,717              | 1          |
| <b>Total non-current liabilities</b>   | <b>4,972,756</b>     | <b>25</b>  | <b>3,573,206</b>     | <b>19</b>  |
| <b>Total liabilities</b>   | <b>10,812,863</b>    | <b>55</b>  | <b>10,023,367</b>    | <b>54</b>  |
| <b>Equity attributable to owners of parent</b>   |                      |            |                      |            |
| Share capital  |                      |            |                      |            |
| Common stock   | 2,679,910            | 14         | 2,679,910            | 14         |
| Capital surplus  |                      |            |                      |            |
| Capital surplus  | 3,957                | -          | 2,137                | -          |
| Retained earnings  |                      |            |                      |            |
| Legal reserve  | 880,252              | 5          | 733,781              | 4          |
| Unappropriated retained earnings   | 3,332,669            | 17         | 2,907,219            | 15         |
| Other equity interest  |                      |            |                      |            |
| Other equity interest  | 1,408,198            | 7          | 1,599,285            | 9          |
| <b>Equity attributable to owners of the parent</b>                                       | <b>8,304,986</b>     | <b>43</b>  | <b>7,922,332</b>     | <b>42</b>  |
| Non-controlling interest   | 428,500              | 2          | 704,662              | 4          |
| <b>Total equity</b>  | <b>8,733,486</b>     | <b>45</b>  | <b>8,626,994</b>     | <b>46</b>  |
| Significant contingent liabilities and unrecognised contract commitments                 |                      |            |                      |            |
| Significant events after the balance sheet date  |                      |            |                      |            |
| <b>Total liabilities and equity</b>  | <b>\$ 19,546,349</b> | <b>100</b> | <b>\$ 18,650,361</b> | <b>100</b> |

The accompanying notes are an integral part of these consolidated financial statements.  
Chairman: Wu Yeh, Cheng      CEO: Thong Chotirat      Chief Accountant: Su Hua Lee

**CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

| Items  | Year ended December 31 |       |               |       |
|--|------------------------|-------|---------------|-------|
|  | 2020                   |       | 2019          |       |
|  | AMOUNT                 | %     | AMOUNT        | %     |
| Operating revenue  | \$ 22,189,635          | 100   | \$ 21,173,634 | 100   |
| Operating costs  | ( 18,664,912)          | ( 84) | ( 18,151,257) | ( 86) |
| Net operating margin   | 3,524,723              | 16    | 3,022,377     | 14    |
| Operating expenses   |                        |       |               |       |
| Selling and marketing expenses   | ( 998,409)             | ( 5)  | ( 1,002,686)  | ( 5)  |
| General and administrative expenses  | ( 649,031)             | ( 3)  | ( 547,961)    | ( 2)  |
| Expected credit impairment loss  | ( 5,528)               | -     | ( 22)         | -     |
| Total operating expenses   | ( 1,652,968)           | ( 8)  | ( 1,550,669)  | ( 7)  |
| Other income and expenses, net   | 26,843                 | -     | ( 12,411)     | -     |
| Operating profit   | 1,898,598              | 8     | 1,459,297     | 7     |
| Non-operating income and expenses  |                        |       |               |       |
| Interest income  | 902                    | -     | 3,017         | -     |
| Other income   | 65,806                 | -     | 52,208        | -     |
| Other gains and losses   | 160,802                | 1     | 768,455       | 4     |
| Finance costs  | ( 76,789)              | -     | ( 79,947)     | -     |
| Share of loss of associates and joint ventures accounted for using equity method | ( 120)                 | -     | -             | -     |
| Total non-operating income and expenses  | 150,601                | 1     | 743,733       | 4     |
| <b>Profit before income tax</b>  | 2,049,199              | 9     | 2,203,030     | 11    |
| Income tax expense   | ( 407,073)             | ( 2)  | ( 380,423)    | ( 2)  |
| <b>Profit for the year from continuing operations</b>                            | 1,642,126              | 7     | 1,822,607     | 9     |
| (Loss) profit from discontinued operations                                       | ( 2,250)               | -     | 776           | -     |
| <b>Profit for the year</b>   | \$ 1,639,876           | 7     | \$ 1,823,383  | 9     |

(Continued)

**CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

| Items  | Year ended December 31 |       |              |       |
|--|------------------------|-------|--------------|-------|
|  | 2020                   |       | 2019         |       |
|  | AMOUNT                 | %     | AMOUNT       | %     |
| <b>Other comprehensive income</b>  |                        |       |              |       |
| <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                |                        |       |              |       |
| Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans                      | (\$ 16,311)            | -     | \$ 1,589     | -     |
| Unrealised gain or loss on financial assets at fair value through other comprehensive income                   | ( 75,598)              | -     | 373,810      | 1     |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 3,262                  | -     | ( 318)       | -     |
| Other comprehensive (loss) income that will not be reclassified to profit or loss                              | ( 88,647)              | -     | 375,081      | 1     |
| <b>Components of other comprehensive income that will be reclassified to profit or loss</b>                    |                        |       |              |       |
| Currency translation differences of foreign operations   | ( 115,784)             | ( 1)  | ( 46,597)    | -     |
| Other comprehensive loss that will be reclassified to profit or loss   | ( 115,784)             | ( 1)  | ( 46,597)    | -     |
| <b>Total other comprehensive (loss) income for the year</b>  | (\$ 204,431)           | ( 1)  | \$ 328,484   | 1     |
| <b>Total comprehensive income for the year</b>   | \$ 1,435,445           | 6     | \$ 2,151,867 | 10    |
| Profit (loss) attributable to:   |                        |       |              |       |
| Owners of the parent   | \$ 1,657,082           | 7     | \$ 1,463,926 | 7     |
| Non-controlling interest   | ( 17,206)              | -     | 359,457      | 2     |
|  | \$ 1,639,876           | 7     | \$ 1,823,383 | 9     |
| Comprehensive income (loss) attributable to:   |                        |       |              |       |
| Owners of the parent   | \$ 1,452,798           | 6     | \$ 1,793,844 | 8     |
| Non-controlling interest   | ( 17,353)              | -     | 358,023      | 2     |
|  | \$ 1,435,445           | 6     | \$ 2,151,867 | 10    |
| <b>Earnings per share (in dollars)</b>   |                        |       |              |       |
| Basic earnings per share from continuing operations  | \$                     | 6.19  | \$           | 5.45  |
| Basic earnings (loss) per share from discontinued operations   | (                      | 0.01) | (            | 0.01) |
| Total basic earnings per share   | \$                     | 6.18  | \$           | 5.46  |
| Diluted earnings per share from continuing operations  | \$                     | 6.18  | \$           | 5.45  |
| Diluted earnings (loss) per share from discontinued operations   | (                      | 0.01) | (            | 0.01) |
| Total diluted earnings per share   | \$                     | 6.17  | \$           | 5.46  |

The accompanying notes are an integral part of these consolidated financial statements.  
Chairman: Wu Yeh, Cheng      CEO: Thong Chotirat      Chief Accountant: Su Hua Lee

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

|   | Equity attributable to owners of the parent |                 |               |                                  |  |   | Total         | Non-controlling interest | Total equity  |
|---|---|-----------------|---------------|----------------------------------|--|---|---------------|--------------------------|---------------|
|   | Retained earnings                           |                 |               | Other equity interest            |  |   |               |                          |               |
|   | Share capital - common stock                | Capital surplus | Legal reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income |               |                          |               |
| <b>2019</b>   |   |                 |               |                                  |  |   |               |                          |               |
| Balance at January 1, 2019  | \$ 2,679,910                                | \$ 1,652        | \$ 638,708    | \$ 2,341,559                     | \$ 27,240  | \$ 1,242,907  | \$ 6,931,976  | \$ 324,709               | \$ 7,256,685  |
| Profit for the year   | -   | -               | -             | 1,463,926                        | -  | -   | 1,463,926     | 359,457                  | 1,823,383     |
| Other comprehensive income (loss)   | -   | -               | -             | 780                              | ( 44,672 )   | 373,810   | 329,918       | ( 1,434 )                | 328,484       |
| Total comprehensive income  | -   | -               | -             | 1,464,706                        | ( 44,672 )   | 373,810   | 1,793,844     | 358,023                  | 2,151,867     |
| Appropriations of 2018 earnings   |   |                 |               |                                  |  |   |               |                          |               |
| Legal reserve   | -   | -               | 95,073        | ( 95,073 )                       | -  | -   | -             | -                        | -             |
| Cash dividends to shareholders  | -   | -               | -             | ( 803,973 )                      | -  | -   | ( 803,973 )   | -                        | ( 803,973 )   |
| Capital surplus-dividends not received by shareholders                                      | -   | 485             | -             | -                                | -  | -   | 485           | -                        | 485           |
| Cash dividends to non-controlling interest  | -   | -               | -             | -                                | -  | -   | -             | ( 41,710 )               | ( 41,710 )    |
| Cash receipt from non-controlling interest of a subsidiary through capital increase in cash | -   | -               | -             | -                                | -  | -   | -             | 63,640                   | 63,640        |
| Balance at December 31, 2019  | \$ 2,679,910                                | \$ 2,137        | \$ 733,781    | \$ 2,907,219                     | ( \$ 17,432 )  | \$ 1,616,717  | \$ 7,922,332  | \$ 704,662               | \$ 8,626,994  |
| <b>2020</b>   |   |                 |               |                                  |  |   |               |                          |               |
| Balance at January 1, 2020  | \$ 2,679,910                                | \$ 2,137        | \$ 733,781    | \$ 2,907,219                     | ( \$ 17,432 )  | \$ 1,616,717  | \$ 7,922,332  | \$ 704,662               | \$ 8,626,994  |
| Profit for the year   | -   | -               | -             | 1,657,082                        | -  | -   | 1,657,082     | ( 17,206 )               | 1,639,876     |
| Other comprehensive loss  | -   | -               | -             | ( 13,197 )                       | ( 115,489 )  | ( 75,598 )  | ( 204,284 )   | ( 147 )                  | ( 204,431 )   |
| Total comprehensive income (loss)   | -   | -               | -             | 1,643,885                        | ( 115,489 )  | ( 75,598 )  | 1,452,798     | ( 17,353 )               | 1,435,445     |
| Appropriations of 2019 earnings   |   |                 |               |                                  |  |   |               |                          |               |
| Legal reserve   | -   | -               | 146,471       | ( 146,471 )                      | -  | -   | -             | -                        | -             |
| Cash dividends to shareholders  | -   | -               | -             | ( 1,071,964 )                    | -  | -   | ( 1,071,964 ) | -                        | ( 1,071,964 ) |
| Capital surplus-dividends not received by shareholders                                      | -   | 591             | -             | -                                | -  | -   | 591           | -                        | 591           |
| Cash dividends to non-controlling interest  | -   | -               | -             | -                                | -  | -   | -             | ( 332,670 )              | ( 332,670 )   |
| Capital surplus-Change in ownership interests in subsidiaries                               | -   | 1,229           | -             | -                                | -  | -   | 1,229         | ( 1,229 )                | -             |
| Cash receipt from non-controlling interest of a subsidiary through capital increase in cash | -   | -               | -             | -                                | -  | -   | -             | 138,000                  | 138,000       |
| Change in non-controlling interests   | -   | -               | -             | -                                | -  | -   | -             | ( 62,910 )               | ( 62,910 )    |
| Balance at December 31, 2020  | \$ 2,679,910                                | \$ 3,957        | \$ 880,252    | \$ 3,332,669                     | ( \$ 132,921 )   | \$ 1,541,119  | \$ 8,304,986  | \$ 428,500               | \$ 8,733,486  |

The accompanying notes are an integral part of these consolidated financial statements.  
Chairman: Wu Yeh, Cheng      CEO: Thong Chotirat      Chief Accountant: Su Hua Lee

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

|  | Year ended December 31 |              |
|--|------------------------|--------------|
|  | 2020                   | 2019         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                |                        |              |
| Profit from continuing operations before tax                               | \$ 2,049,199           | \$ 2,203,030 |
| (Loss) profit from discontinued operations before tax                      | ( 3,000 )              | 2,216        |
| Profit before tax  | 2,046,199              | 2,205,246    |
| Adjustments  |                        |              |
| Adjustments to reconcile profit (loss)                                     |                        |              |
| Expected credit impairment loss  | 5,528                  | 22           |
| Depreciation   | 686,549                | 630,539      |
| Depreciation of right-of-use assets  | 43,566                 | 38,109       |
| Amortization   | 4,137                  | 4,509        |
| Interest income  | ( 1,159 )              | ( 17,543 )   |
| Interest expense   | 76,789                 | 80,567       |
| Dividend income  | ( 57,589 )             | ( 45,737 )   |
| (Gain on reversal of) Provision for loss on inventory market price decline | ( 49,248 )             | 45,910       |
| Change in fair value less cost to sell of biological assets                | ( 26,843 )             | 12,411       |
| Investment loss recognised under equity method                             | 120                    | -            |
| Gain on disposal of property, plant and equipment                          | ( 13,846 )             | ( 787,311 )  |
| Gain arising from lease modifications                                      | ( 2 )                  | ( 15 )       |
| Impairment loss of non-financial assets                                    | 13,331                 | -            |
| Gain on disposal of investment   | ( 84,145 )             | -            |
| Changes in operating assets and liabilities                                |                        |              |
| Changes in operating assets  |                        |              |
| Notes receivable   | 35,433                 | 40,760       |
| Accounts receivable  | ( 86,300 )             | ( 44,268 )   |
| Accounts receivable - related parties                                      | ( 11,913 )             | 309,568      |
| Other receivables  | ( 10,658 )             | 10,365       |
| Other receivables - related parties  | ( 2,813 )              | ( 3,681 )    |
| Inventories  | 242,543                | ( 429,969 )  |
| Biological assets  | ( 123,225 )            | ( 94,854 )   |
| Prepayments  | ( 125,208 )            | 277,518      |
| Changes in operating liabilities   |                        |              |
| Notes payable  | 126,165                | 79,803       |
| Accounts payable   | 94,812                 | ( 30,536 )   |
| Accounts payable - related parties   | ( 58,908 )             | ( 86,912 )   |
| Other payables   | 37,295                 | 215,921      |
| Other payables - related parties   | ( 15,402 )             | 1,320        |
| Net defined benefit liability  | ( 19,154 )             | ( 18,557 )   |
| Cash inflow generated from operations                                      | 2,726,054              | 2,393,185    |
| Cash paid for income tax   | ( 334,408 )            | ( 432,868 )  |
| Net cash flows from operating activities                                   | 2,391,646              | 1,960,317    |

(Continued)

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

|   | Year ended December 31 |               |
|---|------------------------|---------------|
|   | 2020                   | 2019          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                        |               |
| Acquisition of investments accounted for using equity method                                      | (\$ 100,000 )          | \$ -          |
| Increase in other current assets  | ( 40,234 )             | ( 250 )       |
| Acquisition of property, plant and equipment  | ( 2,816,141 )          | ( 1,950,446 ) |
| Proceeds from disposal of property, plant and equipment   | 40,007                 | 792,995       |
| Acquisition of intangible assets  | ( 83 )                 | -             |
| (Increase) decrease in other non-current assets   | ( 15,108 )             | 22,459        |
| Cash receipt of interest  | 1,295                  | 17,407        |
| Cash receipt of dividends   | 57,589                 | 45,737        |
| Loss of control in subsidiaries   | ( 257,374 )            | -             |
| Proceeds from disposal of subsidiaries  | 246,654                | -             |
| Net cash flows used in investing activities   | ( 2,883,395 )          | ( 1,072,098 ) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                        |               |
| Increase (decrease) in short-term borrowings  | 316,227                | ( 424,523 )   |
| (Decrease) increase in short-term notes and bills payable   | ( 379,233 )            | 359,389       |
| Proceeds from long-term borrowings  | 6,364,000              | 5,070,000     |
| Payment of long-term borrowings   | ( 5,325,250 )          | ( 3,933,250 ) |
| Payment of lease liabilities  | ( 53,615 )             | ( 52,970 )    |
| Cash payment for interest   | ( 76,182 )             | ( 82,971 )    |
| Cash dividends paid to owners of parent   | ( 1,071,964 )          | ( 803,973 )   |
| Cash receipt from non-controlling interest of a subsidiary through capital increase establishment | 138,000                | 63,640        |
| Cash dividends paid to non-controlling interest   | ( 332,670 )            | ( 41,710 )    |
| Capital surplus - dividends not received by shareholders  | 591                    | 485           |
| Net cash flows (used in) from financing activities  | ( 420,096 )            | 154,117       |
| Effects of changes in foreign exchange rate   | ( 13,225 )             | ( 4,467 )     |
| Net (decrease) increase in cash and cash equivalents  | ( 925,070 )            | 1,037,869     |
| Cash and cash equivalents at beginning of year  | 1,172,749              | 134,880       |
| Cash and cash equivalents at end of year  | \$ 247,679             | \$ 1,172,749  |
| <b>The components of cash and cash equivalents</b>  |                        |               |
| Cash and cash equivalents reported in the statement of financial position                         | \$ 247,679             | \$ 873,651    |
| Cash and cash equivalents classified as (non-current) assets (or disposal group) held for sale    | -                      | 299,098       |
| Cash and cash equivalents at end of reporting period  | \$ 247,679             | \$ 1,172,749  |

The accompanying notes are an integral part of these consolidated financial statements.  
Chairman: Wu Yeh, Cheng      CEO: Thong Chotirat      Chief Accountant: Su Hua Lee

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

**1. HISTORY AND ORGANISATION**

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 23, 2021.

**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 2020 are as follows:

| <u>New Standards, Interpretations and Amendments</u>                          | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’ | January 1, 2020   |
| Amendments to IFRS 3, ‘Definition of a business’                              | January 1, 2020   |
| Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’     | January 1, 2020   |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions’                     | June 1, 2020 (Note)   |

Note: Earlier application from January 1, 2020 is allowed by the FSC.

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

(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 2021 are as follows:

| <u>New Standards, Interpretations and Amendments</u>  | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'                   | January 1, 2021   |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2' | 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.

(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 3, 'Reference to the conceptual framework'   | January 1, 2022   |
| 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, 2023   |
| Amendments to IFRS 17, 'Insurance contracts'  | January 1, 2023   |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current'  | January 1, 2023   |
| Amendments to IAS 1, 'Disclosure of accounting policies'  | January 1, 2023   |
| Amendments to IAS 8, 'Definition of accounting estimates'   | January 1, 2023   |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'                                       | January 1, 2022   |
| Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'   | January 1, 2022   |
| Annual improvements to IFRS Standards 2018–2020   | January 1, 2022   |

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

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

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

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

##### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

| Name of investor                     | Name of subsidiary                                       | Main business activities   | Ownership (%)     |                   | Note   |
|--------------------------------------|--|--|-------------------|-------------------|--------|
|                                      |  |  | December 31, 2020 | December 31, 2019 |        |
| The Company                          | Plenty Type Limited (Cayman Islands)                     | Management of producing and non-producing business investments                 | 100.00            | 100.00            | Note 5 |
| The Company                          | Charoen Pokphand (Taiwan) Corp., Ltd.                    | Management of importing and exporting business                                 | 90.00             | 90.00             |        |
| The Company                          | Arbor Acres Taiwan Co., Ltd.                             | Husbandry, management of chickens to produce breeder chicken and daily chicken | 50.00             | 50.00             | Note 1 |
| The Company                          | Rui Mu Foods Co., Ltd.                                   | Management of layers and related business                                      | 68.00             | 52.00             | Note 4 |
| The Company                          | Rui Fu Foods Co., Ltd.                                   | Management of layers and related business                                      | 51.00             | 51.00             |        |
| Plenty Type Limited (Cayman Islands) | Chia Tai Lianyungang Co., Ltd.                           | Management of producing and non-producing business investments                 | 99.99             | 99.99             |        |
| Chia Tai Lianyungang Co., Ltd.       | Lianyungang Chia Tai Agro-industry Development Co., Ltd. | Feeds producing, poultry raising, processing and sales                         | 0.00              | 70.00             | Note 2 |
| Rui Fu Foods Co., Ltd.               | Sheng Da Foods Co., Ltd.                                 | Management of layers and related business                                      | 60.00             | 100.00            | Note 3 |

Note 1: The Company's direct or indirect shareholding ratio does not exceed 50%. However, the Company holds more than half of the seats of the Board of Directors. Thus, the subsidiary was included in the consolidation.

Note 2: On January 22, 2020, Chia Tai Lianyungang Co., Ltd. completed the disposal of its 70% equity interest in Lianyungang Chia Tai Agro-industry Development Co., Ltd., refer to Note 6(6) for more details.

Note 3: In December 2019, the Board of Directors of Rui Fu Foods Co., Ltd. resolved to invest in the establishment of Sheng Da Foods Co., Ltd. which was wholly owned by Rui Fu Foods Co., Ltd. Additionally, in February 2020 and December 2020, Sheng Da Foods Co., Ltd. increased its capital by cash and the 2 million preferred shares were fully subscribed by Jih Ching Egg Co., Ltd. and Li - Chun Farm Product Co., Ltd., respectively, in line with the joint venture agreement entered into between Rui Fu Foods Co., Ltd. and Jih Ching Egg Co., Ltd. as well as Li - Chun Farm Product Co., Ltd. Therefore, the shareholding ratio of Rui Fu Foods Co., Ltd. decreased to 60% from 100%. On December 28, 2020, Jih Ching Egg Co., Ltd. and Li - Chun Farm Product Co., Ltd. converted all preferred shares to ordinary shares totalling 4,000,000 shares.

Note 4: In April 2020, Rui Mu Foods Co., Ltd. increased its capital by cash and the 10 million ordinary shares were fully subscribed by the Company. Therefore, the shareholding ratio of the Company increased to 68% from 52%.

Note 5: In October 2020, the Board of Directors of Plenty Type Limited (Cayman Islands) resolved to decrease its capital and the number of shares reduced was 15,151,515 shares, totalling NT\$99,978.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

#### (4) Foreign currency translation

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

##### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

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

#### B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

#### (5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value.

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

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) Operating leases (lessor)

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

(12) Inventories

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

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

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

(14) Biological assets

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

(15) Investment accounted for using equity method - joint ventures

The Group accounts for its interest in a joint venture using equity method. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

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

|                          |            |
|--------------------------|------------|
| Land improvements        | 3~30 years |
| Buildings and structures | 3~60 years |
| Machinery and equipment  | 2~20 years |
| Transportation equipment | 6 years    |
| Leasehold improvements   | 3~20 years |
| Other equipment          | 3~20 years |

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

- 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.

(18) Intangible assets

- A. Computer software

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

- B. Goodwill

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

(19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired from a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(20) Borrowings

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

(21) Notes and accounts payable

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

(22) Derecognition of financial liabilities

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

(23) Employee benefits

- A. Short-term employee benefits

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

## B. Pensions

### (a) Defined contribution plans

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

### (b) Defined benefit plans

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

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

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

## (24) Income tax

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

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

(25) Share capital

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

(26) Dividends

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

## (27) Revenue recognition

### A. Sales of goods

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

### B. Financing components

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

## (28) Operating segments

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

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

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

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

None.

### (2) Critical accounting estimates and assumptions

#### A. Evaluation of inventories

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

As of December 31, 2020, the carrying amount of inventories was \$1,316,392.

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

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

As of December 31, 2020, the carrying amount of biological assets was \$1,833,155.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Cash on hand and revolving funds       | \$ 4,363                 | \$ 7,955                 |
| Checking accounts                      | 4,262                    | 3,125                    |
| Demand deposits                        | 239,054                  | 606,669                  |
| Time deposits                          | <u>-</u>                 | <u>555,000</u>           |
| Total                                  | 247,679                  | 1,172,749                |
| Less: Non-current assets held for sale | <u>-</u>                 | <u>(299,098)</u>         |
|  | <u>\$ 247,679</u>        | <u>\$ 873,651</u>        |

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. On December 31, 2020, the Group has restricted cash and cash equivalents pledged as collateral totalling \$8,200, classified as other financial assets and shown as ‘other current assets’. Please refer to Note 8 for details.
- C. On December 31, 2020, the Group has restricted cash and cash equivalents under the Regulations Governing the Management, Utilisation, and Taxation of Repatriated Offshore Funds totalling \$39,734, classified as other current financial assets and shown as ‘other current assets’.

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

| <u>Items</u>         | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|----------------------|--------------------------|--------------------------|
| Non-current items:   |                          |                          |
| Equity instruments   |                          |                          |
| Listed stocks        | \$ 471,176               | \$ 499,320               |
| Valuation adjustment | <u>1,454,696</u>         | <u>1,619,929</u>         |
|                      | <u>\$ 1,925,872</u>      | <u>\$ 2,119,249</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>2020</u>         | <u>2019</u>       |
|--|---------------------|-------------------|
| <u>Equity instruments at fair value through other comprehensive income</u> |                     |                   |
| Fair value change recognised in other comprehensive income                 | (\$ <u>75,598</u> ) | \$ <u>373,810</u> |
| Dividend income recognised in profit or loss held at end of period         | <u>\$ 57,589</u>    | <u>\$ 45,737</u>  |

- B. The subsidiary, Plenty Type Limited (Cayman Islands), holds CPF’s shares, which are traded on the Thailand Stock Exchange. CPF is the ultimate parent company of the Group.

(3) Notes and accounts receivable

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Notes receivable                           | \$ 280,767               | \$ 318,337               |
| Less: Non-current assets held for sale     | <u>-</u>                 | <u>( 2,577)</u>          |
|  | <u>\$ 280,767</u>        | <u>\$ 315,760</u>        |
| <br>                                       |                          |                          |
| Accounts receivable                        | \$ 1,910,619             | \$ 1,824,319             |
| Less: Allowance for uncollectible accounts | <u>( 7,228)</u>          | <u>( 1,700)</u>          |
|  | <u>\$ 1,903,391</u>      | <u>\$ 1,822,619</u>      |

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

|                | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|----------------|--------------------------|--------------------------|
| Current        | \$ 1,863,893             | \$ 1,768,228             |
| Up to 120 days | 42,342                   | 52,675                   |
| Over 120 days  | 3,253                    | 3,107                    |
| Over one year  | <u>1,131</u>             | <u>309</u>               |
|                | <u>\$ 1,910,619</u>      | <u>\$ 1,824,319</u>      |

The above ageing analysis was based on past due date.

- B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of accounts receivable and notes receivable from contracts with customers amounted to \$2,137,470.
- C. As of December 31, 2020 and 2019, all the Group's notes receivable were not past due.
- D. The credit quality of accounts receivable was in the following category based on the Group's Credit Quality Control Policy:

|                   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------|--------------------------|--------------------------|
| With guarantee    | \$ 130,299               | \$ 126,159               |
| Without guarantee | <u>1,780,320</u>         | <u>1,698,160</u>         |
|                   | <u>\$ 1,910,619</u>      | <u>\$ 1,824,319</u>      |

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

- E. As at December 31, 2020 and 2019, 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 \$280,767 and \$318,337, respectively, while the amount that best represents the Group's accounts receivable was \$1,903,391 and \$1,822,619, respectively.
- F. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).

#### (4) Inventories

|                      | December 31, 2020   |                                 |                     |
|----------------------|---------------------|---------------------------------|---------------------|
|                      | Cost                | Allowance for<br>valuation loss | Book value          |
| Raw materials        | \$ 747,851          | (\$ 238)                        | \$ 747,613          |
| Packing supplies     | 33,402              | ( 995)                          | 32,407              |
| Work in progress     | 29,550              | -                               | 29,550              |
| Finished goods       | 454,351             | ( 9,250)                        | 445,101             |
| General merchandise  | 54,127              | ( 1,278)                        | 52,849              |
| Inventory in transit | 8,872               | -                               | 8,872               |
|                      | <u>\$ 1,328,153</u> | <u>(\$ 11,761)</u>              | <u>\$ 1,316,392</u> |

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

The cost of inventories recognised as expense for the period:

|  | 2020                 | 2019                 |
|--|----------------------|----------------------|
| Cost of goods sold                                       | \$ 18,799,712        | \$ 19,360,999        |
| (Gain on reversal of) loss on decline in market<br>value | ( 49,248)            | 45,910               |
| Others   | ( 7,013)             | 1,537                |
| Less: Operating costs from discontinued<br>operations    | ( 78,539)            | ( 1,257,189)         |
|  | <u>\$ 18,664,912</u> | <u>\$ 18,151,257</u> |

- A. The cost of goods sold includes the cost of selling biological assets.
- B. Others pertain mainly to gain and loss on physical inventory count and income from disposal of leftover and scraps.
- C. The Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of the increase in market prices of certain finished goods.

(5) Biological assets

A. Biological assets

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Biological assets - current:  |                          |                          |
| Consumable biological assets  | \$ 1,075,447             | \$ 1,044,691             |
| Consumable biological assets - changes in fair value less costs to sell | 50,967                   | 24,124                   |
| Bearer biological assets  | 667,659                  | 540,583                  |
| Bearer biological assets - accumulated depreciation                     | ( 360,030)               | ( 312,454)               |
|   | <u>1,434,043</u>         | <u>1,296,944</u>         |
| Less: Non-current assets held for sale                                  | -                        | ( 1,072)                 |
|   | <u>\$ 1,434,043</u>      | <u>\$ 1,295,872</u>      |
| Biological assets-non-current:  |                          |                          |
| Bearer biological assets  | \$ 488,466               | \$ 470,609               |
| Bearer biological assets - accumulated depreciation                     | ( 89,354)                | ( 84,466)                |
|   | <u>\$ 399,112</u>        | <u>\$ 386,143</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 are as follows:

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| At January 1   | \$ 1,683,087        | \$ 1,600,644        |
| Purchases  | 1,051,702           | 992,150             |
| Costs and expenses input                                   | 6,960,769           | 6,923,411           |
| Sales  | ( 3,104,690)        | ( 3,039,630)        |
| Gains (losses) on changes in fair value less costs to sell | 26,843              | ( 12,411)           |
| Transferred to inventories                                 | ( 4,781,387)        | ( 4,774,263)        |
| Others   | ( 3,169)            | ( 6,814)            |
| At December 31   | <u>1,833,155</u>    | <u>1,683,087</u>    |
| Less: Non-current assets held for sale                     | -                   | ( 1,072)            |
|  | <u>\$ 1,833,155</u> | <u>\$ 1,682,015</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 costs of new-born animals, feeds, and other farm costs. Bearer biological assets are depreciated using the straight-line method through the productive period of each biological asset. The productive period of breeder swine is approximately 24 ~ 36 months; the productive period of breeder chickens is approximately 30 weeks ~ 1 year. For the years ended December 31, 2020 and 2019, depreciation expense on biological assets amounted to \$397,312 and \$378,635, respectively.

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

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Livestock production:                           |                          |                          |
| Estimates of physical quantities (Units: heads) | <u>5,681,548</u>         | <u>5,667,851</u>         |
| Aquatic production:                             |                          |                          |
| Estimates of physical quantities (Units: heads) | <u>-</u>                 | <u>4,000,000</u>         |

E. Financial risk management policies

The Group is exposed to commodity risks arising from changes in market prices of 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 predictions of 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 amounted to CNY 61,768 thousand and the actual proceeds received amounted to CNY 57,725 thousand after deducting the withholding tax of CNY 4,043 thousand in accordance with the Enterprise Income Tax Law of the People's Republic of China. The transaction procedures were completed in January 2020. The gain on disposal of the shares in Lianyungang Chia Tai Agro-industry Development Co., Ltd. amounted to \$84,145.

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

|                            | <u>2020</u>        | <u>2019</u>       |
|----------------------------|--------------------|-------------------|
| Operating cash flows       | (\$ 40,567)        | \$ 346,546        |
| Investing cash flows       | ( 794)             | ( 7,444)          |
| Financing cash flows       | -                  | ( 53,710)         |
| Effect of foreign exchange | ( 363)             | -                 |
| Total cash flows           | <u>(\$ 41,724)</u> | <u>\$ 285,392</u> |

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

|                                       | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash and cash equivalents             | \$ -                     | \$ 299,098               |
| Notes receivable                      | -                        | 2,577                    |
| Accounts receivable - related parties | -                        | 61,152                   |
| Other receivables                     | -                        | 865                      |
| Other receivables - related parties   | -                        | 17,836                   |
| Inventories                           | -                        | 140,452                  |
| Biological assets - current           | -                        | 1,072                    |
| Prepayments                           | -                        | 15,921                   |
| Property, plant and equipment         | -                        | 121,060                  |
| Deferred income tax assets            | -                        | 7,193                    |
| Other non-current assets              | -                        | 3,232                    |
|                                       | <u>\$ -</u>              | <u>\$ 670,458</u>        |

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

|                                     | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------------------|--------------------------|--------------------------|
| Accounts payable                    | \$ -                     | \$ 31,841                |
| Accounts payable to related parties | -                        | 178,029                  |
| Other payables                      | -                        | 246,534                  |
| Current income tax liabilities      | -                        | 1,119                    |
|                                     | <u>\$ -</u>              | <u>\$ 457,523</u>        |

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

|   | <u>2020</u>       | <u>2019</u>   |
|---|-------------------|---------------|
| Operating revenue                                     | \$ 86,391         | \$ 1,366,272  |
| Operating costs                                       | ( 78,539)         | ( 1,257,189)  |
| Operating expenses                                    | ( 10,393)         | ( 121,593)    |
| Total non-operating income and expenses               | ( 459)            | 14,726        |
| (Loss) profit before tax from discontinued operations | ( 3,000)          | 2,216         |
| Income tax benefit (expense)                          | 750               | ( 1,440)      |
| (Loss) profit after tax from discontinued operations  | <u>(\$ 2,250)</u> | <u>\$ 776</u> |
| Attributable to:                                      |                   |               |
| Discontinued operations of parent company             | (\$ 1,575)        | \$ 543        |
| Non-controlling interest                              | ( 675)            | 233           |
| (Loss) profit after tax from discontinued operations  | <u>(\$ 2,250)</u> | <u>\$ 776</u> |

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

F. For the profit from continuing and discontinued operations attributable to owners of the parent, please refer to Note 6(28) Earnings per share for the details.

(7) Investment accounted for using equity method – joint ventures

The carrying amount of the Group's interests in all individually immaterial joint ventures and the Group's share of the operating results are summarised below:

As of December 31, 2020 and 2019, the carrying amount of the Group's individually immaterial joint ventures amounted to \$99,880 and \$0, respectively.

|  | <u>2020</u>     | <u>2019</u> |
|--|-----------------|-------------|
| Loss for the period from continuing operations | (\$ 120)        | \$ -        |
| Other comprehensive income, net of tax         | -               | -           |
| Total comprehensive loss                       | <u>(\$ 120)</u> | <u>\$ -</u> |

The Company jointly established a joint venture, Feng Sheng Livestock Co., Ltd., with a joint venture party on July 20, 2020. The authorised capital was \$600,000. As of December 31, 2020, the paid-in capital was \$200,000, equivalent to 20 million shares of common stock. Both the Company and the joint venture party invested in the joint venture in the amount of \$100,000 and each held 50% equity interest in the joint venture.

(8) 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, 2020</u>                          |                     |                   |                          |                         |                          |                        |                   |  |                      |
| Cost   | \$ 2,377,957        | \$ 160,084        | \$ 3,782,534             | \$ 4,035,713            | \$ 299,461               | \$ 987,956             | \$ 947,640        | \$ 1,066,646   | \$ 13,657,991        |
| Accumulated depreciation                           | -                   | ( 45,681)         | ( 1,347,834)             | ( 2,305,232)            | ( 178,436)               | ( 530,653)             | ( 361,849)        | -  | ( 4,769,685)         |
|  | \$ 2,377,957        | \$ 114,403        | \$ 2,434,700             | \$ 1,730,481            | \$ 121,025               | \$ 457,303             | \$ 585,791        | \$ 1,066,646   | \$ 8,888,306         |
| Less: Transferred non-current assets held for sale | -                   | -                 | ( 34,474)                | ( 76,664)               | ( 2,934)                 | -                      | ( 6,988)          | -  | ( 121,060)           |
|  | <u>\$ 2,377,957</u> | <u>\$ 114,403</u> | <u>\$ 2,400,226</u>      | <u>\$ 1,653,817</u>     | <u>\$ 118,091</u>        | <u>\$ 457,303</u>      | <u>\$ 578,803</u> | <u>\$ 1,066,646</u>                                    | <u>\$ 8,767,246</u>  |
| <u>2020</u>  |                     |                   |                          |                         |                          |                        |                   |  |                      |
| Opening net book amount as at January 1            | \$ 2,377,957        | \$ 114,403        | \$ 2,434,700             | \$ 1,730,481            | \$ 121,025               | \$ 457,303             | \$ 585,791        | \$ 1,066,646   | \$ 8,888,306         |
| Additions  | 18,330              | 17,978            | 122,801                  | 102,386                 | 78,094                   | 34,752                 | 64,595            | 2,402,630  | 2,841,566            |
| Disposals  | ( 22,964)           | -                 | -                        | ( 860)                  | ( 2,337)                 | -                      | -                 | -  | ( 26,161)            |
| Reclassifications                                  | 327,647             | 9,384             | 222,094                  | 184,652                 | 45,194                   | 5,974                  | 39,618            | ( 834,563)   | -                    |
| Depreciation                                       | -                   | ( 15,699)         | ( 192,838)               | ( 262,138)              | ( 43,924)                | ( 89,626)              | ( 82,324)         | -  | ( 686,549)           |
| Loss of control in subsidiaries                    | -                   | -                 | ( 34,129)                | ( 75,580)               | ( 2,866)                 | -                      | ( 6,855)          | ( 1,042)   | ( 120,472)           |
| Net exchange differences                           | -                   | -                 | ( 161)                   | ( 355)                  | ( 13)                    | -                      | ( 34)             | ( 9)   | ( 572)               |
| Closing net book amount as at December 31          | <u>\$ 2,700,970</u> | <u>\$ 126,066</u> | <u>\$ 2,552,467</u>      | <u>\$ 1,678,586</u>     | <u>\$ 195,173</u>        | <u>\$ 408,403</u>      | <u>\$ 600,791</u> | <u>\$ 2,633,662</u>                                    | <u>\$ 10,896,118</u> |
| <u>At December 31, 2020</u>                        |                     |                   |                          |                         |                          |                        |                   |  |                      |
| Cost   | \$ 2,700,970        | \$ 185,876        | \$ 3,948,001             | \$ 3,891,542            | \$ 358,829               | \$ 1,018,486           | \$ 1,016,864      | \$ 2,633,662   | \$ 15,754,230        |
| Accumulated depreciation                           | -                   | ( 59,810)         | ( 1,395,534)             | ( 2,212,956)            | ( 163,656)               | ( 610,083)             | ( 416,073)        | -  | ( 4,858,112)         |
|  | <u>\$ 2,700,970</u> | <u>\$ 126,066</u> | <u>\$ 2,552,467</u>      | <u>\$ 1,678,586</u>     | <u>\$ 195,173</u>        | <u>\$ 408,403</u>      | <u>\$ 600,791</u> | <u>\$ 2,633,662</u>                                    | <u>\$ 10,896,118</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, 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                           | -                   | ( 34,726)         | ( 1,242,450)             | ( 2,137,433)            | ( 166,031)               | ( 444,698)             | ( 306,002)        | -  | ( 4,331,340)        |
|  | <u>\$ 2,131,816</u> | <u>\$ 62,202</u>  | <u>\$ 2,034,064</u>      | <u>\$ 1,668,626</u>     | <u>\$ 107,222</u>        | <u>\$ 521,103</u>      | <u>\$ 486,430</u> | <u>\$ 593,269</u>                                      | <u>\$ 7,604,732</u> |
| <u>2019</u>  |                     |                   |                          |                         |                          |                        |                   |  |                     |
| Opening net book amount                            |                     |                   |                          |                         |                          |                        |                   |  |                     |
| as at January 1                                    | \$ 2,131,816        | \$ 62,202         | \$ 2,034,064             | \$ 1,668,626            | \$ 107,222               | \$ 521,103             | \$ 486,430        | \$ 593,269   | \$ 7,604,732        |
| Additions  | 52,500              | 34,854            | 299,170                  | 129,947                 | 46,353                   | 10,943                 | 94,353            | 1,255,882  | 1,924,002           |
| Disposals  | ( 977)              | -                 | -                        | ( 39)                   | ( 4,665)                 | -                      | ( 3)              | -  | ( 5,684)            |
| Reclassifications                                  | 194,618             | 28,302            | 282,197                  | 174,593                 | 8,811                    | 15,225                 | 78,751            | ( 782,497)   | -                   |
| Depreciation                                       | -                   | ( 10,955)         | ( 179,527)               | ( 240,034)              | ( 36,598)                | ( 89,968)              | ( 73,457)         | -  | ( 630,539)          |
| Net exchange differences                           | -                   | -                 | ( 1,204)                 | ( 2,612)                | ( 98)                    | -                      | ( 283)            | ( 8)   | ( 4,205)            |
| Closing net book amount as at December 31          | <u>\$ 2,377,957</u> | <u>\$ 114,403</u> | <u>\$ 2,434,700</u>      | <u>\$ 1,730,481</u>     | <u>\$ 121,025</u>        | <u>\$ 457,303</u>      | <u>\$ 585,791</u> | <u>\$ 1,066,646</u>                                    | <u>\$ 8,888,306</u> |
| <u>At December 31, 2019</u>                        |                     |                   |                          |                         |                          |                        |                   |  |                     |
| Cost   | \$ 2,377,957        | \$ 160,084        | \$ 3,782,534             | \$ 4,035,713            | \$ 299,461               | \$ 987,956             | \$ 947,640        | \$ 1,066,646   | \$ 13,657,991       |
| Accumulated depreciation                           | -                   | ( 45,681)         | ( 1,347,834)             | ( 2,305,232)            | ( 178,436)               | ( 530,653)             | ( 361,849)        | -  | ( 4,769,685)        |
|  | \$ 2,377,957        | \$ 114,403        | \$ 2,434,700             | \$ 1,730,481            | \$ 121,025               | \$ 457,303             | \$ 585,791        | \$ 1,066,646   | \$ 8,888,306        |
| Less: Transferred non-current assets held for sale |                     |                   |                          |                         |                          |                        |                   |  |                     |
|  | -                   | -                 | ( 34,474)                | ( 76,664)               | ( 2,934)                 | -                      | ( 6,988)          | -  | ( 121,060)          |
|  | <u>\$ 2,377,957</u> | <u>\$ 114,403</u> | <u>\$ 2,400,226</u>      | <u>\$ 1,653,817</u>     | <u>\$ 118,091</u>        | <u>\$ 457,303</u>      | <u>\$ 578,803</u> | <u>\$ 1,066,646</u>                                    | <u>\$ 8,767,246</u> |

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

|                     | <u>2020</u> | <u>2019</u> |
|---------------------|-------------|-------------|
| Amount capitalised  | \$ 9,502    | \$ 4,662    |
| Interest rate range | 0.99%~1.56% | 1.12%~1.63% |

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

C. As of December 31, 2020 and 2019, the Group held 208 parcels and 179 parcels of agricultural land, respectively. The carrying amounts of land registered under the title of others amounted to \$1,046,317 and \$877,771, respectively. The titles of these parcels of land are registered under the title of individuals, however, the Group has agreements with those individuals to pledge these agricultural land to the Group.

(9) Leasing arrangements - lessee

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

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

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
|  | <u>Carrying amount</u>   | <u>Carrying amount</u>   |
| Land                                   | \$ 298,184               | \$ 322,018               |
| Buildings                              | 16,061                   | 10,619                   |
| Transportation equipment (Cargo truck) | 22,047                   | 2,697                    |
| Other equipment                        | 9,623                    | 10,740                   |
|  | <u>\$ 345,915</u>        | <u>\$ 346,074</u>        |

|  | <u>2020</u>                | <u>2019</u>                |
|--|----------------------------|----------------------------|
|  | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Land                                   | \$ 26,357                  | \$ 25,839                  |
| Buildings                              | 7,291                      | 4,051                      |
| Transportation equipment (Cargo truck) | 2,868                      | 2,808                      |
| Other equipment                        | 7,050                      | 5,411                      |
|  | <u>\$ 43,566</u>           | <u>\$ 38,109</u>           |

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$43,533 and \$24,984, respectively.

D. The Group has no significant profit or loss in relation to lease contracts for the years ended December 31, 2020 and 2019.

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$53,615 and \$52,970, respectively.

(10) Intangible assets

|   | <u>Software</u> | <u>Goodwill</u>  | <u>Total</u>     |
|---|-----------------|------------------|------------------|
| <u>At January 1, 2020</u>               |                 |                  |                  |
| Cost                                    | \$ 10,568       | \$ 13,208        | \$ 23,776        |
| Accumulated amortisation and impairment | ( 9,943)        | -                | ( 9,943)         |
|   | <u>\$ 625</u>   | <u>\$ 13,208</u> | <u>\$ 13,833</u> |
| <u>2020</u>                             |                 |                  |                  |
| At January 1                            | \$ 625          | \$ 13,208        | \$ 13,833        |
| Additions                               | 83              | -                | 83               |
| Amortisation                            | ( 534)          | -                | ( 534)           |
| Impairment loss                         | -               | ( 13,331)        | ( 13,331)        |
| Net exchange differences                | -               | 123              | 123              |
| At December 31                          | <u>\$ 174</u>   | <u>\$ -</u>      | <u>\$ 174</u>    |
| <u>At December 31, 2020</u>             |                 |                  |                  |
| Cost                                    | \$ 10,651       | \$ -             | \$ 10,651        |
| Accumulated amortisation and impairment | ( 10,477)       | -                | ( 10,477)        |
|   | <u>\$ 174</u>   | <u>\$ -</u>      | <u>\$ 174</u>    |

|   | <u>Software</u> | <u>Goodwill</u>  | <u>Total</u>     |
|---|-----------------|------------------|------------------|
| <u>At January 1, 2019</u>               |                 |                  |                  |
| Cost                                    | \$ 10,568       | \$ 13,430        | \$ 23,998        |
| Accumulated amortisation and impairment | ( 8,939)        | -                | ( 8,939)         |
|   | <u>\$ 1,629</u> | <u>\$ 13,430</u> | <u>\$ 15,059</u> |
| <u>2019</u>                             |                 |                  |                  |
| At January 1                            | \$ 1,629        | \$ 13,430        | \$ 15,059        |
| Amortisation                            | ( 1,004)        | -                | ( 1,004)         |
| Net exchange differences                | -               | ( 222)           | ( 222)           |
| At December 31                          | <u>\$ 625</u>   | <u>\$ 13,208</u> | <u>\$ 13,833</u> |
| <u>At December 31, 2019</u>             |                 |                  |                  |
| Cost                                    | \$ 10,568       | \$ 13,208        | 23,776           |
| Accumulated amortisation and impairment | ( 9,943)        | -                | ( 9,943)         |
|   | <u>\$ 625</u>   | <u>\$ 13,208</u> | <u>\$ 13,833</u> |

(11) Short-term borrowings

| <u>Type of borrowings</u> | <u>December 31, 2020</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Unsecured borrowings      | \$ 2,497,000             | 0.95%~1.58%                | None              |
| Letters of credit         | 162,715                  | 0.64%~1.16%                | None              |
|                           | <u>\$ 2,659,715</u>      |                            |                   |
| <u>Type of borrowings</u> | <u>December 31, 2019</u> | <u>Interest rate range</u> | <u>Collateral</u> |
| Unsecured borrowings      | \$ 2,294,000             | 1.04%~1.75%                | None              |
| Letters of credit         | 49,488                   | 0.74%                      | None              |
|                           | <u>\$ 2,343,488</u>      |                            |                   |

(12) Short-term notes and bills payable

|                             | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------------|--------------------------|--------------------------|
| Commercial paper payable    | \$ 600,000               | \$ 980,000               |
| Less: Unamortised discounts | ( 574)                   | ( 1,341)                 |
|                             | <u>\$ 599,426</u>        | <u>\$ 978,659</u>        |
| Interest rate range         | 0.28%~0.89%              | 0.34%~0.93%              |

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

(13) Other payables

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Accrued salary  | \$ 417,022               | \$ 397,088               |
| Payables for machinery and equipment                                      | 61,144                   | 35,719                   |
| Contract liabilities  | -                        | 182,161                  |
| Others  | <u>260,081</u>           | <u>338,431</u>           |
|   | 738,247                  | 953,399                  |
| Less: Liabilities directly related to non-current<br>assets held for sale | -                        | ( 246,534)               |
|   | <u>\$ 738,247</u>        | <u>\$ 706,865</u>        |

(14) Long-term borrowings

| <u>Type of borrowings</u>                                    | <u>Borrowing period</u> | <u>Interest rate<br/>range</u> | <u>December 31, 2020</u> |
|--|-------------------------|--------------------------------|--------------------------|
| Secured loans  | 2017.10.5~2020.12.15    | 0.1%-1.4%                      | \$ 1,198,500             |
| Unsecured credit loans                                       | 2017.9.6~2023.12.31     | 0.79%-1.35%                    | <u>3,530,000</u>         |
|  |                         |                                | 4,728,500                |
| Less: Current portion (shown as 'Other current liabilities') |                         |                                | ( 213,250)               |
|  |                         |                                | <u>\$ 4,515,250</u>      |

| <u>Type of borrowings</u>                                    | <u>Borrowing period</u> | <u>Interest rate<br/>range</u> | <u>December 31, 2019</u> |
|--|-------------------------|--------------------------------|--------------------------|
| Secured loans  | 2019.1.5~2026.4.3       | 1.42%-1.63%                    | \$ 614,750               |
| Unsecured credit loans                                       | 2017.9.6~2022.10.27     | 1.03%-1.50%                    | <u>3,075,000</u>         |
|  |                         |                                | 3,689,750                |
| Less: Current portion (shown as 'Other current liabilities') |                         |                                | ( 593,250)               |
|  |                         |                                | <u>\$ 3,096,500</u>      |

Information on collaterals pledged for long-term borrowings is provided in Note 8.

(15) Pensions

A. Defined benefit plans

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

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

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | (\$ 448,438)             | (\$ 463,700)             |
| Fair value of plan assets                    | <u>306,564</u>           | <u>318,983</u>           |
| Net defined benefit liability                | <u>(\$ 141,874)</u>      | <u>(\$ 144,717)</u>      |

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

|   | Present value<br>of defined<br>benefit obligations | Fair value of<br>plan assets | Net defined<br>benefit liability |
|---|--|------------------------------|----------------------------------|
| <u>2020</u>   |  |                              |                                  |
| Balance at January 1  | (\$ 463,700)                                       | \$ 318,983                   | (\$ 144,717)                     |
| Current service cost  | ( 2,560)   | -                            | ( 2,560)                         |
| Interest (expense) income   | ( 2,917)   | 2,033                        | ( 884)                           |
|   | <u>( 469,177)</u>                                  | <u>321,016</u>               | <u>( 148,161)</u>                |
| Remeasurements:   |  |                              |                                  |
| Return on plan assets<br>(excluding amounts<br>included in interest<br>income or expense) | -  | 10,701                       | 10,701                           |
| Change in demographic<br>assumptions  | ( 60)  | -                            | ( 60)                            |
| Change in financial<br>assumptions  | ( 11,997)  | -                            | ( 11,997)                        |
| Experience adjustments  | ( 14,956)  | -                            | ( 14,956)                        |
|   | <u>( 27,013)</u>                                   | <u>10,701</u>                | <u>( 16,312)</u>                 |
| Pension fund contribution   | -  | 22,599                       | 22,599                           |
| Paid pension  | 47,752   | ( 47,752)                    | -                                |
| Balance at December 31  | <u><u>(\$ 448,438)</u></u>                         | <u><u>\$ 306,564</u></u>     | <u><u>(\$ 141,874)</u></u>       |

|   | Present value<br>of defined<br>benefit obligations | Fair value of<br>plan assets | Net defined<br>benefit liability |
|---|--|------------------------------|----------------------------------|
| <u>2019</u>   |  |                              |                                  |
| Balance at January 1  | (\$ 471,408)                                       | \$ 306,545                   | (\$ 164,863)                     |
| Current service cost  | ( 3,394)   | -                            | ( 3,394)                         |
| Interest (expense) income   | ( 3,467)   | 2,297                        | ( 1,170)                         |
|   | <u>( 478,269)</u>                                  | <u>308,842</u>               | <u>( 169,427)</u>                |
| Remeasurements:   |  |                              |                                  |
| Return on plan assets<br>(excluding amounts<br>included in interest<br>income or expense) | -  | 11,915                       | 11,915                           |
| Change in demographic<br>assumptions  | ( 148)   | -                            | ( 148)                           |
| Change in financial<br>assumptions  | ( 3,713)   | -                            | ( 3,713)                         |
| Experience adjustments  | ( 6,466)   | -                            | ( 6,466)                         |
|   | <u>( 10,327)</u>                                   | <u>11,915</u>                | <u>1,588</u>                     |
| Pension fund contribution   | -  | 23,122                       | 23,122                           |
| Paid pension  | 24,896   | ( 24,896)                    | -                                |
| Balance at December 31  | <u>(\$ 463,700)</u>                                | <u>\$ 318,983</u>            | <u>(\$ 144,717)</u>              |

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labour Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

|                         | <u>2020</u> | <u>2019</u> |
|-------------------------|-------------|-------------|
| Discount rate           | 0.30%       | 0.65%       |
| Future salary increases | 2.00%       | 2.00%       |

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

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

|   | <u>Discount rate</u> |                    | <u>Future salary increases</u> |                    |
|---|----------------------|--------------------|--------------------------------|--------------------|
|   | <u>Increase 1%</u>   | <u>Decrease 1%</u> | <u>Increase 1%</u>             | <u>Decrease 1%</u> |
| <u>2020</u>   |                      |                    |                                |                    |
| Effect on present value of defined benefit obligation | (\$ 32,953)          | \$ 37,366          | \$ 36,324                      | (\$ 32,739)        |
|   |                      |                    |                                |                    |
|   | <u>Discount rate</u> |                    | <u>Future salary increases</u> |                    |
|   | <u>Increase 1%</u>   | <u>Decrease 1%</u> | <u>Increase 1%</u>             | <u>Decrease 1%</u> |
| <u>2019</u>   |                      |                    |                                |                    |
| Effect on present value of defined benefit obligation | (\$ 35,097)          | \$ 39,947          | \$ 38,975                      | (\$ 34,982)        |

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

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

- (f) Expected contributions to the defined benefit pension plans of the Company and domestic subsidiaries for the year ending December 31, 2021 amount to \$17,045.
- (g) As of December 31, 2020, the weighted average duration of the retirement plan is 4~8 years.

## B. Defined contribution plans

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs for the aforementioned defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$51,400 and \$45,188, 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 20% for the four-month period ended April 30, 2019. Other than the monthly contributions, the Group has no further obligations. The pension costs for the aforementioned defined contribution pension plan of this subsidiary for the years ended December 31, 2020 and 2019 were \$451 and \$6,562, respectively.

### (16) Share capital - common stock

As of December 31, 2020, the Company’s authorised capital was \$3,579,000, consisting of 357,900 thousand shares of common stock, and the paid-in capital was \$2,679,910, consisting of 267,991 thousand shares of common stock with a par value of \$10 (in dollars) per share. All proceeds from shares issuance have been collected.

For the years ended December 31, 2020 and 2019, 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 regulations by the 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 distributed 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 2019 and 2018 have been resolved at the shareholders' meeting on June 23, 2020 and June 26, 2019, respectively, as follows:

|                | 2019       |                                  | 2018      |                                  |
|----------------|------------|----------------------------------|-----------|----------------------------------|
|                | Amount     | Dividends per share (in dollars) | Amount    | Dividends per share (in dollars) |
| Legal reserve  | \$ 146,471 |                                  | \$ 95,073 |                                  |
| Cash dividends | 1,071,964  | \$ 4                             | 803,973   | \$ 3                             |

The effective dates for the above distribution of cash dividends were July 5, 2020 and July 21, 2019, respectively.

- E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(26).

(19) Operating revenue

|  | 2020                 | 2019                 |
|--|----------------------|----------------------|
| Revenue from contracts with customers                | \$ 22,276,026        | \$ 22,539,906        |
| Less: Operating revenue from discontinued operations | ( 86,391)            | ( 1,366,272)         |
|  | <u>\$ 22,189,635</u> | <u>\$ 21,173,634</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>2020</u>  | <u>Domestic</u>      | <u>Asia</u>         | <u>Total</u>         |
|--|----------------------|---------------------|----------------------|
| Total segment revenue                                | \$ 22,620,853        | \$ 86,391           | \$ 22,707,244        |
| Inter-segment revenue                                | ( 431,218)           | -                   | ( 431,218)           |
| Revenue from external customer contracts             | <u>\$ 22,189,635</u> | <u>\$ 86,391</u>    | <u>\$ 22,276,026</u> |
| Timing of revenue recognition                        |                      |                     |                      |
| At a point in time                                   | \$ 22,189,635        | \$ 86,391           | \$ 22,276,026        |
| Less: Operating revenue from discontinued operations | -                    | ( 86,391)           | ( 86,391)            |
|  | <u>\$ 22,189,635</u> | <u>\$ -</u>         | <u>\$ 22,189,635</u> |
| <br>   |                      |                     |                      |
| <u>2019</u>  | <u>Domestic</u>      | <u>Asia</u>         | <u>Total</u>         |
| Total segment revenue                                | \$ 21,583,665        | \$ 1,366,272        | \$ 22,949,937        |
| Inter-segment revenue                                | ( 410,031)           | -                   | ( 410,031)           |
| Revenue from external customer contracts             | <u>\$ 21,173,634</u> | <u>\$ 1,366,272</u> | <u>\$ 22,539,906</u> |
| Timing of revenue recognition                        |                      |                     |                      |
| At a point in time                                   | \$ 21,173,634        | \$ 1,366,272        | \$ 22,539,906        |
| Less: Operating revenue from discontinued operations | -                    | ( 1,366,272)        | ( 1,366,272)         |
|  | <u>\$ 21,173,634</u> | <u>\$ -</u>         | <u>\$ 21,173,634</u> |

B. Contract liabilities

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

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Contract liabilities:  |                          |                          |
| Contract liabilities - advance receipts  | \$ -                     | \$ 182,161               |
| Less: Transferred liabilities directly related to non-current assets held for sale | -                        | ( 182,065)               |
|  | <u>\$ -</u>              | <u>\$ 96</u>             |

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

(20) Other income and expenses, net

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

|                                | <u>2020</u> | <u>2019</u> |
|--------------------------------|-------------|-------------|
| Other income and expenses, net | \$ 26,843   | (\$ 12,411) |

(21) Interest income

|  | <u>2020</u>   | <u>2019</u>     |
|--|---------------|-----------------|
| Interest income from bank deposits                 | \$ 1,159      | \$ 17,543       |
| Less: Interest income from discontinued operations | ( 257)        | ( 14,526)       |
|  | <u>\$ 902</u> | <u>\$ 3,017</u> |

(22) Other income

|                 | <u>2020</u>      | <u>2019</u>      |
|-----------------|------------------|------------------|
| Rental income   | \$ 8,217         | \$ 6,471         |
| Dividend income | 57,589           | 45,737           |
|                 | <u>\$ 65,806</u> | <u>\$ 52,208</u> |

(23) Other gains and losses

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| Gain on disposal of property, plant and equipment         | \$ 13,846         | \$ 787,311        |
| Gain on disposal of investment                            | 84,145            | -                 |
| Impairment loss on non-financial assets                   | ( 13,331)         | -                 |
| Foreign exchange gains                                    | 23,713            | 8,978             |
| Other gains and losses                                    | 51,713            | ( 27,014)         |
| Less: Other gains and losses from discontinued operations | 716               | ( 820)            |
|   | <u>\$ 160,802</u> | <u>\$ 768,455</u> |

(24) Finance costs

|  | <u>2020</u>      | <u>2019</u>      |
|--|------------------|------------------|
| Interest expense:                                |                  |                  |
| Bank borrowings                                  | \$ 76,789        | \$ 80,567        |
| Less: Finance costs from discontinued operations | -                | ( 620)           |
|  | <u>\$ 76,789</u> | <u>\$ 79,947</u> |

(25) Expenses by nature (Including discontinued operations)

|  | 2020                |                       |                     |
|--|---------------------|-----------------------|---------------------|
|  | Operating<br>cost   | Operating<br>expenses | Total               |
| Employee benefit<br>expense                      | \$ 1,362,544        | \$ 726,118            | \$ 2,088,662        |
| Depreciation on property,<br>plant and equipment | 632,581             | 53,968                | 686,549             |
| Depreciation on right-of-<br>use assets          | 34,184              | 9,382                 | 43,566              |
| Amortisation                                     | 3,460               | 677                   | 4,137               |
|  | <u>\$ 2,032,769</u> | <u>\$ 790,145</u>     | <u>\$ 2,822,914</u> |
|  | 2019                |                       |                     |
|  | Operating<br>cost   | Operating<br>expenses | Total               |
| Employee benefit<br>expense                      | \$ 1,267,875        | \$ 694,067            | \$ 1,961,942        |
| Depreciation on property,<br>plant and equipment | 590,018             | 40,521                | 630,539             |
| Depreciation on right-of-<br>use assets          | 31,230              | 6,879                 | 38,109              |
| Amortisation                                     | 3,152               | 1,357                 | 4,509               |
|  | <u>\$ 1,892,275</u> | <u>\$ 742,824</u>     | <u>\$ 2,635,099</u> |

(26) Employee benefit expense (Including discontinued operations)

|                            | 2020                |                    |                     |
|----------------------------|---------------------|--------------------|---------------------|
|                            | Operating cost      | Operating expenses | Total               |
| Wages and salaries         | \$ 1,147,045        | \$ 657,062         | \$ 1,804,107        |
| Labor and health insurance | 114,322             | 39,928             | 154,250             |
| Pension costs              | 35,031              | 20,264             | 55,295              |
| Other personnel expenses   | 66,146              | 8,864              | 75,010              |
|                            | <u>\$ 1,362,544</u> | <u>\$ 726,118</u>  | <u>\$ 2,088,662</u> |

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

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

- A. According to the Articles of Incorporation of the Company, an amount equal to at least 1% of the Company's distributable profit of the current year should be appropriated as employees' compensation expense. If the Company has an accumulated deficit, earnings should be reserved to cover the accumulated losses in advance.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$20,711 and \$17,365, respectively. The aforementioned amounts were recognised in wages and salaries expense.

For the year ended December 31, 2020, 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 2019, the difference of \$278 between employees' compensation of \$17,643 resolved by the Board of Directors and the amount of \$17,365 recognised in the 2019 financial statements, mainly resulting from a variance in estimation, will be adjusted in profit or loss for 2020. The employees' compensation in 2019 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.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| Current tax:  |                   |                   |
| Current tax on profits for the period                     | \$ 400,985        | \$ 394,229        |
| Tax on undistributed surplus earnings                     | 12,333            | 2,696             |
| Prior year income tax underestimation<br>(overestimation) | <u>229</u>        | <u>(109)</u>      |
| Total current tax   | <u>413,547</u>    | <u>396,816</u>    |
| Deferred tax:   |                   |                   |
| Origination and reversal of temporary<br>differences      | <u>(7,224)</u>    | <u>(14,953)</u>   |
| Total deferred tax  | <u>(7,224)</u>    | <u>(14,953)</u>   |
| Income tax expense  | 406,323           | 381,863           |
| Less: Income tax expense from<br>discontinued operations  | <u>750</u>        | <u>(1,440)</u>    |
| Income tax expense  | <u>\$ 407,073</u> | <u>\$ 380,423</u> |

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

|   | <u>2020</u>       | <u>2019</u>   |
|---|-------------------|---------------|
| Remeasurement of defined benefit<br>obligations | <u>(\$ 3,262)</u> | <u>\$ 318</u> |

B. Reconciliation between income tax expense and accounting profit

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| Tax calculated based on profit before<br>tax and statutory tax rate (Note)    | \$ 396,752        | \$ 437,146        |
| Tax exempt income by tax regulation/<br>Expenses disallowed by tax regulation | <u>(17,340)</u>   | <u>(145,745)</u>  |
| Change in assessment of realisation of<br>deferred tax assets                 | 1,101             | -                 |
| Tax on undistributed surplus earnings   | 12,333            | 2,696             |
| Prior year income tax (over) under<br>estimation                              | 229               | <u>(109)</u>      |
| Separate taxation (Repatriated Offshore<br>Funds)                             | 13,248            | -                 |
| Land value increment tax from sales of land                                   | -                 | 87,875            |
| Less: Income tax expense of discontinued<br>operations                        | <u>750</u>        | <u>(1,440)</u>    |
| Income tax expense  | <u>\$ 407,073</u> | <u>\$ 380,423</u> |

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

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

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Temporary differences:   |                          |                          |
| Accrued sales discounts  | \$ 18,908                | \$ 22,033                |
| Provision for loss on spare parts  | 3,784                    | 3,318                    |
| Pension expense in excess of the limit for tax purpose                               | 28,375                   | 28,943                   |
| Provision for inventory valuation loss and change in fair value of biological assets | ( 7,841)                 | 7,377                    |
| Unrealised foreign investment income   | ( 7,073)                 | ( 17,015)                |
| Unrealised exchange gain   | ( 43)                    | ( 172)                   |
| Loss carryforward  | 27,067                   | 5,737                    |
| Others   | ( 32)                    | 10,381                   |
| Less: Temporary differences of discontinued operations                               | -                        | ( 7,193)                 |
|  | <u>\$ 63,145</u>         | <u>\$ 53,409</u>         |

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Deferred tax assets                                  | \$ 82,495                | \$ 82,101                |
| Deferred tax liabilities                             | ( 19,350)                | ( 21,499)                |
| Less: Deferred tax assets of discontinued operations | -                        | ( 7,193)                 |
|  | <u>\$ 63,145</u>         | <u>\$ 53,409</u>         |

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

|   | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Recognised in profit or loss                    | \$ 6,474    | \$ 7,430    |
| Recognised in other comprehensive income (loss) | \$ 3,262    | (\$ 318)    |

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

| December 31, 2020 |                           |                   |  |             |
|-------------------|---------------------------|-------------------|--|-------------|
| Year incurred     | Amount filed/<br>assessed | Unused<br>amount  | Unrecognised<br>deferred tax<br>assets | Expiry year |
| 2017              | \$ 14,351                 | \$ 3,808          | \$ -                                   | 2027        |
| 2019              | 24,842                    | 24,842            | -                                      | 2029        |
| 2020              | 106,684                   | 106,684           | -                                      | 2030        |
|                   | <u>\$ 145,877</u>         | <u>\$ 135,334</u> | <u>\$ -</u>                            |             |

| December 31, 2019 |                           |                  |  |             |
|-------------------|---------------------------|------------------|--|-------------|
| Year incurred     | Amount filed/<br>assessed | Unused<br>amount | Unrecognised<br>deferred tax<br>assets | Expiry year |
| 2017              | \$ 14,351                 | \$ 3,808         | \$ -                                   | 2027        |
| 2019              | 24,878                    | 24,878           | -                                      | 2029        |
|                   | <u>\$ 39,229</u>          | <u>\$ 28,686</u> | <u>\$ -</u>                            |             |

E. The income tax returns through 2018 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. The income tax returns of the subsidiary - Sheng Da Foods Co., Ltd. have not yet been assessed and approved by the Tax Authority.

(28) Earnings per share

|   | 2020                    |   |  |
|---|-------------------------|---|--|
|   | <u>Amount after tax</u> | <u>Weighted average<br/>number of ordinary<br/>shares outstanding<br/>(shares in thousands)</u> | <u>Earnings per share<br/>(in dollars)</u> |
| <u>Basic earnings per share</u>   |                         |   |  |
| Profit from continuing operations attributable to ordinary shareholders   | \$ 1,658,657            | <u>267,991</u>  | \$ 6.19                                    |
| Loss from discontinued operations   | ( 1,575)                |   | ( 0.01)                                    |
| Profit attributable to ordinary shareholders  | <u>\$ 1,657,082</u>     |   | <u>\$ 6.18</u>                             |
| <u>Diluted earnings per share</u>   |                         |   |  |
| Profit from continuing operations attributable to ordinary shareholders   | \$ 1,658,657            | 267,991   |  |
| Assumed conversion of all dilutive potential ordinary shares - employees' compensation  | <u>-</u>                | <u>379</u>  |  |
| Profit from continuing operations attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | 1,658,657               | <u>268,370</u>  | \$ 6.18                                    |
| Loss from discontinued operations   | ( 1,575)                |   | ( 0.01)                                    |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares                            | <u>\$ 1,657,082</u>     | <u>268,370</u>  | <u>\$ 6.17</u>                             |

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

(29) Supplemental cash flow information

Investing activities with partial cash payment are as follows:

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| Acquisition of property, plant and equipment | \$ 2,841,566        | \$ 1,924,002        |
| Add: Opening balance of payable on equipment | 35,719              | 62,163              |
| Less: Ending balance of payable on equipment | ( 61,144)           | ( 35,719)           |
| Cash paid during the period                  | <u>\$ 2,816,141</u> | <u>\$ 1,950,446</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

| Names of related parties   | Relationship with the Group |
|--|-----------------------------|
| Charoen Pokphand Foods Public Co., Ltd. (CPF)                                  | Ultimate parent company     |
| Charoen Pokphand Group Co., Ltd. (CPG)   | Other related parties       |
| C.P. Consumer Products Company Limited   | "                           |
| C.P. Merchandising Company Limited   | "                           |
| C.P. Land Public Company Limited   | "                           |
| CPF Training Center Company Limited  | "                           |
| Chia Tai Feedmill Pte. Ltd.  | "                           |
| Leadership Development Charoen Pokphand Group Co., Ltd.                        | "                           |
| Ta Chung Investment Co., Ltd.  | "                           |
| Chun Ta Investment Co., Ltd.   | "                           |
| Perfect Companion (Taiwan) Co., Ltd.   | "                           |
| C.P. Aquaculture (Dongfang) Co., Ltd.  | "                           |
| Chia Tai Investment Co., Ltd. (Formerly Chia Tai (China) Investment Co., Ltd.) | "                           |
| Chia Tai Aquaculture (Nantong) Co., Ltd.                                       | "                           |
| Chia Tai Food (Suqian) Co., Ltd.   | "                           |
| Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd.                       | "                           |
| Chia Tai Electronic Commerce (Zhejiang) Co., Ltd.                              | "                           |
| C.P. Premix (Nantong) 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.   | "                           |

| <u>Names of related parties</u>                        | <u>Relationship with the Group</u> |
|--|------------------------------------|
| Qingdao Chia Tai Agricultural Development Co., Ltd.    | Other related parties              |
| Nantong Chia Tai Co., Ltd.                             | "                                  |
| Nantong Chia Tai Livestock & Poultry Co., Ltd.         | "                                  |
| Nantong Chia Tai Agriculture Development Co., Ltd.     | "                                  |
| Xuzhou Chia Tai Feed Co., Ltd.                         | "                                  |
| Taizhou Chia Tai Feed Co., Ltd.                        | "                                  |
| Huaian C.P. Livestock Co., Ltd.                        | "                                  |
| Shanghai Zhengcheng Mechanical Manufacturing Co., Ltd. | "                                  |
| Xiamen Chia Tai Agriculture Co., Ltd.                  | "                                  |
| Chuzhou Chia Tai Co., Ltd.                             | "                                  |
| Ningbo Chia Tai Agriculture Co., Ltd.                  | "                                  |
| Guangdong Chia Tai Biotechnology Co., Ltd.             | "                                  |
| Fuzhou Da Fu Co., Ltd.                                 | "                                  |
| Shandong C.P. Livestock Co., Ltd.                      | "                                  |
| Nanyang Chia Tai Co., Ltd.                             | "                                  |
| Zhangzhou C.P.ChiaTai Aquaculture Co., Ltd.            | "                                  |
| Qingdao CP Swine Business Co., Ltd.                    | "                                  |
| Chia Tai (China) Agro-Industrial Ltd.                  | "                                  |
| Chia Tai (Hainan) Agro-Industry Co., Ltd.              | "                                  |
| Huang Wei-I  | "                                  |
| Hung Yu-Chun   | "                                  |
| Hung Chin Cheng  | "                                  |

(3) Significant related party transactions and balances

A. Operating revenue

|  | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Sales of goods:                                      |             |             |
| Other related parties                                | \$ 22,992   | \$ 440,176  |
| Less: Operating revenue from discontinued operations | ( 22,992)   | ( 440,176)  |
|  | <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

|  | <u>2020</u>      | <u>2019</u>      |
|--|------------------|------------------|
| Purchases of goods:                          |                  |                  |
| Ultimate parent company                      | \$ 35,150        | \$ 32,716        |
| Other related parties                        | 40,144           | 522,239          |
| Less: Purchases from discontinued operations | ( 19,764)        | ( 494,136)       |
|  | <u>\$ 55,530</u> | <u>\$ 60,819</u> |

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

## C. Receivables from related parties

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Accounts receivable:                   |                          |                          |
| Other related parties                  | \$ -                     | \$ 61,152                |
| Other receivables:                     |                          |                          |
| Other related parties                  | -                        | 17,836                   |
|  | -                        | 78,988                   |
| Less: Non-current assets held for sale | -                        | ( 78,988)                |
|  | <u>\$ -</u>              | <u>\$ -</u>              |

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. No allowance for uncollectible accounts was provided for receivables from related parties.

## D. Payables to related parties

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Notes and accounts payable:  |                          |                          |
| Other related parties  | \$ 1,273                 | \$ 183,650               |
| Less: Liabilities directly related to non-current assets held for sale | -                        | ( 178,029)               |
|  | <u>\$ 1,273</u>          | <u>\$ 5,621</u>          |

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

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

|                       | <u>2020</u> | <u>2019</u> |
|-----------------------|-------------|-------------|
| Rental income:        |             |             |
| Other related parties | \$ 722      | \$ 722      |

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

#### F. Technical service agreement

- (a) The Company signed a technical service agreement with CPG since 1996. CPG helps the Company to manufacture feeds, raise animals and to process meat products, and the Company pays compensation of THB12 million (net value) for the services annually. The commitment would not be terminated except when any of the two parties would agree to end the agreement. For the years ended December 31, 2020 and 2019, the Company recognised technical service expenses amounting to \$13,001 and \$14,563, respectively. As of December 31, 2020 and 2019 the outstanding balances were approximately \$55 and \$627, respectively.
- (b) The Company signed a technical service agreement with CPG at the end of 2015. CPG helps the Company to raise animals and provides consulting services of related technical skills, and the Company pays compensation of \$700 for the services monthly. The contract is effective for 5 years. For the years ended December 31, 2020 and 2019, the Company recognised technical service expense amounting to \$8,400 and \$8,400, respectively. As of December 31, 2020 and 2019, the outstanding balances were \$700 and \$2,100, respectively.

#### G. Trademark licensing agreement

The Company signed a trademark license agreement with CPG at the end of 2015. The contract authorises the Company to use ‘CP’ as trademark in the designated area (Republic of China). Royalties are paid monthly based on 1.5% of the net amount of sales. The contract is effective for 5 years. For the years ended December 31, 2020 and 2019, the Company recognised royalties amounting to \$79,529 and \$77,909, respectively. As of December 31, 2020 and 2019, the outstanding balances were \$6,593 and \$20,023, respectively.

#### H. Property transactions

- (a) On August 5, 2019, the Board of Directors during its meeting resolved to acquire the land located at No. 2058, No. 2059 and No. 2060 Baishatun, Houbi Dist., Tainan City 731, Taiwan (R.O.C.) from other related party. The total contract price was \$40,932, which had been fully paid.
- (b) On April 14, 2020, the Board of Directors of Rui Mu Foods Co., Ltd. resolved to dispose the land located at Daochang Section, Houbi District, Tainan City to other related party for the purpose of activating the idle assets due to suspension of the plan to establish a chicken manure processing plant. The total transaction amount and gain on disposal were \$23,642 and \$678, respectively. The payment arising from the disposal had been collected.

#### (4) Key management compensation

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| Salaries and other short-term employee benefits | \$ 194,470        | \$ 169,830        |
| Post-employment benefits                        | 1,595             | 1,556             |
| Total   | <u>\$ 196,065</u> | <u>\$ 171,386</u> |

## 8. PLEDGED ASSETS

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

| Pledged assets                                     | Book value           |                      | Purpose              |
|--|----------------------|----------------------|----------------------|
|  | December 31,<br>2020 | December 31,<br>2019 |                      |
| Time deposits (shown as<br>'Other current assets') | \$ 8,200             | \$ 7,700             | Guarantee deposit    |
| Property, plant and equipment                      |                      |                      |                      |
| Land   | 979,811              | 142,803              | Long-term borrowings |
| Buildings and structures                           | 226,483              | 416,055              | Long-term borrowings |
| Construction in progress                           | 621,642              | 18,680               | Long-term borrowings |
|  | <u>\$ 1,836,136</u>  | <u>\$ 585,238</u>    |                      |

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

### (1) Contingencies

The Group subsequently invested to establish chicken farms in Hualien county starting from 2018, and had submitted an application to the Hualien County Government for approval based on the Group's building and feeding project. However, the Hualien County Government issued a letter on July 10, 2020 to terminate the Group's application for the building of farming facilities on agricultural land without taking into consideration the measures and goodwill that the Group took in order to reach consensus with local residents and resolve controversy. The Group has appointed lawyers and filed an appeal as administrative remedy. For the administrative appeal filed against the administrative action concerning the revocation of the permission letter to use the land in dispute, the Council of Agriculture of Executive Yuan revoked the aforesaid administrative action in accordance with the Appeal Resolution Letter Order No. Nong-Su-Zi-1090727273, dated January 12, 2021. As for the administrative appeal filed against the administrative action concerning the disapproval Jingzhong Section, Shoufeng Township, Hualien County, the Council of Agriculture of Executive Yuan revoked the aforesaid administrative action in accordance with the Appeal Resolution Letter Order No. Nong-Su-Zi-1090721271, dated January 12, 2021, and requested the Hualien County Government to take other legitimate actions. As of December 31, 2020, the related costs incurred by the Group amounted to \$71,112, excluding the cost of land.

### (2) Commitments

- A. As of December 31, 2020 and 2019, the Group had opened unused letters of credit for purchases of raw materials and machinery of \$504,107 and \$516,177, respectively.
- B. As of December 31, 2020 and 2019, the Group had several outstanding construction contracts and equipment purchase agreements. The balance outstanding amounted to \$1,378,909 and \$801,753, respectively, and will be paid based on the percentage of completion.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 9(1) for details.

## 12. OTHERS

### (1) Capital risk management

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

### (2) Financial risk of financial instruments

#### A. Financial instruments by category

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| <u>Financial assets</u>  |                          |                          |
| Financial assets measured at fair value through other comprehensive income |                          |                          |
| Designation of equity instrument   | \$ 1,925,872             | \$ 2,119,249             |
| Financial assets at amortised cost   |                          |                          |
| Cash and cash equivalents  | 247,679                  | 873,651                  |
| Notes receivable   | 280,767                  | 315,760                  |
| Accounts receivable  | 1,903,391                | 1,822,619                |
| Other accounts receivable  | 13,495                   | 9,978                    |
| Refundable deposits  | 49,402                   | 44,521                   |
| Other financial assets - current   | 47,934                   | 7,700                    |
|  | <u>\$ 4,468,540</u>      | <u>\$ 5,193,478</u>      |

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| <u>Financial liabilities</u>                       |                          |                          |
| Financial liabilities at amortised cost            |                          |                          |
| Short-term borrowings                              | \$ 2,659,715             | \$ 2,343,488             |
| Short-term notes and bills payable                 | 599,426                  | 978,659                  |
| Notes payable                                      | 600,078                  | 473,913                  |
| Accounts payable (including related parties)       | 747,557                  | 682,365                  |
| Other accounts payable (including related parties) | 745,595                  | 729,615                  |
| Long-term borrowings (including current portion)   | 4,728,500                | 3,689,750                |
|  | <u>\$ 10,080,871</u>     | <u>\$ 8,897,790</u>      |
| Lease liability                                    | <u>\$ 321,097</u>        | <u>\$ 331,307</u>        |

## B. Financial risk management policies

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

## C. Financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

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

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

|   |     | December 31, 2020          |               |              |
|---|-----|----------------------------|---------------|--------------|
|   |     | Foreign currency<br>amount |               | Book value   |
|   |     | (in thousands)             | Exchange rate | (NTD)        |
| (Foreign currency :<br>functional currency) |     |                            |               |              |
| <u>Financial assets</u>                     |     |                            |               |              |
| <u>Monetary items</u>                       |     |                            |               |              |
| USD:NTD                                     | USD | 8                          | 28.43         | \$ 220       |
| USD:HKD                                     | USD | 3,461                      | 7.80          | 97,828       |
| CNY:HKD                                     | CNY | 685                        | 1.19          | 2,948        |
| <u>Non-monetary item</u>                    |     |                            |               |              |
| THB:HKD                                     | THB | 2,054,400                  | 0.26          | \$ 1,925,872 |
| <u>Financial liabilities</u>                |     |                            |               |              |
| <u>Monetary items</u>                       |     |                            |               |              |
| USD:NTD                                     | USD | 7,546                      | 28.53         | \$ 215,295   |
| EUR:NTD                                     | EUR | 155                        | 35.22         | 5,459        |
|   |     | December 31, 2019          |               |              |
|   |     | Foreign currency<br>amount |               | Book value   |
|   |     | (in thousands)             | Exchange rate | (NTD)        |
| (Foreign currency :<br>functional currency) |     |                            |               |              |
| <u>Financial assets</u>                     |     |                            |               |              |
| <u>Monetary items</u>                       |     |                            |               |              |
| USD:HKD                                     | USD | 1,867                      | 7.80          | \$ 55,934    |
| CNY:HKD                                     | CNY | 7,176                      | 1.12          | 30,827       |
| <u>Non-monetary item</u>                    |     |                            |               |              |
| THB:HKD                                     | THB | 2,112,000                  | 0.26          | \$ 2,119,249 |
| <u>Financial liabilities</u>                |     |                            |               |              |
| <u>Monetary items</u>                       |     |                            |               |              |
| USD:NTD                                     | USD | 2,568                      | 30.03         | \$ 77,127    |
| EUR:NTD                                     | EUR | 1,629                      | 33.79         | 55,052       |

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

- v. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to \$23,713 and \$8,978, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

|  | 2020                 |                          |                                      |
|--|----------------------|--------------------------|--------------------------------------|
|  | 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 : NTD                                | 1%                   | \$ 2                     | \$ -                                 |
| USD : HKD                                | 1%                   | 978                      | -                                    |
| CNY : HKD                                | 1%                   | 29                       | -                                    |
| <u>Non-monetary item</u>                 |                      |                          |                                      |
| THB : HKD                                | 1%                   | \$ -                     | \$ 19,259                            |
| <u>Financial liabilities</u>             |                      |                          |                                      |
| <u>Monetary items</u>                    |                      |                          |                                      |
| USD : NTD                                | 1%                   | (\$ 2,153)               | \$ -                                 |
| EUR : NTD                                | 1%                   | ( 55)                    | -                                    |
|  |                      |                          |                                      |
|  | 2019                 |                          |                                      |
|  | Sensitivity analysis |                          |                                      |
|  | Degree of variation  | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency : functional currency) |                      |                          |                                      |
| <u>Financial assets</u>                  |                      |                          |                                      |
| <u>Monetary items</u>                    |                      |                          |                                      |
| USD : HKD                                | 1%                   | \$ 559                   | \$ -                                 |
| CNY : HKD                                | 1%                   | 308                      | -                                    |
| <u>Non-monetary item</u>                 |                      |                          |                                      |
| THB : HKD                                | 1%                   | \$ -                     | \$ 21,192                            |
| <u>Financial liabilities</u>             |                      |                          |                                      |
| <u>Monetary item</u>                     |                      |                          |                                      |
| USD : NTD                                | 1%                   | (\$ 771)                 | \$ -                                 |
| EUR : NTD                                | 1%                   | ( 551)                   | -                                    |

### Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through other comprehensive income. Please refer to Note 6(2).
- ii. For the Group's strategies for biological assets price risk, please refer to Note 6(5).
- iii. The Group's investment in equity securities comprise foreign listed stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other equity for the years ended December 31, 2020 and 2019 would have increased/decreased by \$19,259 and \$21,192, respectively, as a result of gains/losses on equity securities classified as equity investment at fair value through other comprehensive income.

### Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2020 and 2019, the Group's borrowings at variable rate were denominated in NTD.
- ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios run only for liabilities that represent the major interest-bearing positions.
- iii. For the years ended December 31, 2020 and 2019, if interest rates on NTD-denominated borrowings at that date had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019, would have been \$37,828 and \$29,518 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is the contract cash flows when counterparties could not repay in full the accounts receivable based on the agreed terms.

- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. Based on the Group's historical experience, if the contract payments were past due over 17 days, there has been a significant increase in credit risk on that instrument since initial recognition. As a result, the Group should strengthen controls and make follow-up procedures.
- iv. The Group pays attention on specific customers whose payments were past due to confirm the debts and recognises the allowance for bad debts when there is a concern about default based on the assessment of customers' credit risk.
- v. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss impairment under the provision matrix basis.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of December 31, 2020 and 2019, the Group's written-off financial assets that are still under recourse procedures amounted to \$720 and \$1,283, respectively.
- vii. (i) The expected loss rate for well-reputed customers is 0.03%. As of December 31, 2020 and 2019, the total book value of accounts receivable and loss allowance amounted to \$705,100 and \$0; \$693,792 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. As of December 31, 2020 and 2019, the expected loss rate is as follows:

|                          | <u>Group A</u> | <u>Group B</u> | <u>Total</u> |
|--------------------------|----------------|----------------|--------------|
| <u>December 31, 2020</u> |                |                |              |
| Expected loss rate       | 0%~100%        | 0.003%~10%     |              |
| Total book value         | \$ 20,492      | \$ 1,185,027   | \$ 1,205,519 |
| Loss allowance           | 6,327          | 901            | 7,228        |
| <br>                     |                |                |              |
|                          | <u>Group A</u> | <u>Group B</u> | <u>Total</u> |
| <u>December 31, 2019</u> |                |                |              |
| Expected loss rate       | 0%~100%        | 0.003%~10%     |              |
| Total book value         | \$ 23,065      | \$ 1,107,462   | \$ 1,130,527 |
| Loss allowance           | 1,656          | 44             | 1,700        |

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>2020</u>   |
|                               | Notes and accounts receivable (including related parties) |
| At January 1                  | \$ 1,700  |
| Provision for impairment loss | 5,528   |
| At December 31                | <u>\$ 7,228</u>   |
|                               | <br><u>2019</u>   |
|                               | Notes and accounts receivable (including related parties) |
| At January 1                  | \$ 2,369  |
| Provision for impairment loss | 22  |
| Write-offs                    | ( 691)  |
| At September 30               | <u>\$ 1,700</u>   |

The impairment loss arising from customers' contracts for the years ended December 31, 2020 and 2019 amounted to \$5,528 and \$22, respectively.

(c) Liquidity risk

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

Non-derivative financial liabilities

| December 31, 2020                                   | <u>Less than 1 year</u> | Between 1 and  |                     |
|---|-------------------------|----------------|---------------------|
|   |                         | <u>5 years</u> | <u>Over 5 years</u> |
| Short-term borrowings                               | \$ 2,659,715            | \$ -           | \$ -                |
| Short-term notes and bills payable                  | 599,426                 | -              | -                   |
| Notes payable                                       | 600,078                 | -              | -                   |
| Accounts payable<br>(including related parties)     | 747,557                 | -              | -                   |
| Other payables<br>(including related parties)       | 745,595                 | -              | -                   |
| Lease liabilities                                   | 27,300                  | 132,940        | 187,744             |
| Long-term borrowings<br>(including current portion) | 260,238                 | 4,251,158      | 322,740             |

Non-derivative financial liabilities

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

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

| <u>December 31, 2020</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  | \$ -           | \$ 828,736     | \$ -           | \$ 828,736   |
| Financial assets at fair value through other comprehensive income: |                |                |                |              |
| Equity securities  | \$ 1,925,872   | \$ -           | \$ -           | \$ 1,925,872 |
| <u>December 31, 2019</u>   | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets   |                |                |                |              |
| <u>Recurring fair value measurements</u>                           |                |                |                |              |
| Biological assets  | \$ -           | \$ 755,525     | \$ -           | \$ 755,525   |
| Financial assets at fair value through other comprehensive income: |                |                |                |              |
| Equity securities  | \$ 2,119,249   | \$ -           | \$ -           | \$ 2,119,249 |

- D. The methods and assumptions of the Group used to measure fair value are as follows:
- (a) The instruments the Group used quoted market prices as their fair values (that is, Level 1) are listed stocks, whose quoted market prices are based on the closing prices which are classified as available-for-sale financial assets.
  - (b) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
  - (c) Details of methods for measuring Level 2 - Biological assets are provided in Note 6(5).
- E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

### 13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others during the year ended December 31, 2020: None.

C. Holding of marketable securities at December 31, 2020 (not including subsidiaries, associates and joint ventures):

| Securities held by                   | Marketable securities |   | Relationship with the securities issuer | General ledger account  | As of December 31, 2020 |            |           |                     | Footnote |
|--------------------------------------|-----------------------|---|---|---|-------------------------|------------|-----------|---------------------|----------|
|                                      | Types                 | Name  |   |   | Number of shares        | Book value | Ownership | Fair value (Note 1) |          |
| Plenty Type Limited (Cayman Islands) | Common share          | CHAROEN POKPHAND (USA), INC.                  | None                                    | Financial assets at fair value through profit or loss             | 4,501,000               | \$ -       | 0.02%     | \$ -                |          |
| Plenty Type Limited (Cayman Islands) | Common share          | CHAROEN POKPHAND FOODS PUBLIC COMPANY LIMITED | (Note 2)                                | Financial assets at fair value through other comprehensive income | 76,800,000              | 1,925,872  | 0.89%     | 1,925,872           |          |

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

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

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

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

D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300,000 or 20% of the Company's paid-in capital during the year ended December 31, 2020: None.

E. Acquisition of real estate reaching NT\$300,000 or 20% of paid-in capital or more during the year ended December 31, 2020: None.

F. Disposal of real estate reaching NT\$300,000 or 20% of paid-in capital or more during the year ended December 31, 2020: None.

G. Purchases or sales of goods from or to related parties reaching NT\$100,000 or 20% of paid-in capital or more during the year ended December 31, 2020: None.

H. Receivables from related parties reaching NT\$100,000 or 20% of paid-in capital or more as at December 31, 2020: None.

I. Trading in derivative instruments undertaken during the year ended December 31, 2020: None

J. Significant inter-company transactions during the year ended December 31, 2020:

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

(2) Information on investees

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

| Investor                             | Investee                              | Location       | Main business activities  | Initial investment amount       |                                 | Shares held as of December 31, 2020 |               |              |                            | Investment income         |   | Footnote |
|--------------------------------------|---------------------------------------|----------------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|--------------|----------------------------|---------------------------|---|----------|
|                                      |                                       |                |   | Balance as of December 31, 2020 | Balance as of December 31, 2019 | Number of shares                    | Ownership (%) | Book value   | Net profit of the investee | recognised by the Company |   |          |
| The Company                          | Plenty Type Limited (Cayman Islands)  | Cayman Islands | Management of producing and non-producing business investments                | \$ 620,471                      | \$ 720,448                      | 81,218,564                          | 100.00        | \$ 2,027,906 | \$ 116,048                 | \$ 116,048                | Subsidiary (Note 1)   |          |
| The Company                          | Charoen Pokphand (Taiwan) Corp., Ltd. | Taiwan         | Management of importing and exporting businesses                              | 20,086                          | 20,086                          | 2,443,716                           | 90.00         | 40,862       | 13,299                     | 11,970                    | 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                           | 50.00         | 90,660       | 45,037                     | 22,519                    | Subsidiary  |          |
| The Company                          | Rui Mu Foods Co., Ltd.                | Taiwan         | Husbandry management of layers and related business                           | 193,860                         | 93,860                          | 20,400,000                          | 68.00         | 184,136 (    | 40,144) (                  | 26,326)                   | Subsidiary  |          |
| The Company                          | Rui Fu Foods Co., Ltd.                | Taiwan         | Husbandry management of layers and related business                           | 255,000                         | 153,000                         | 25,500,000                          | 51.00         | 218,711 (    | 48,898) (                  | 24,938)                   | Subsidiary (Note 1)   |          |
| The Company                          | Feng Sheng Livestock Co., Ltd.        | Taiwan         | Electric livestock slaughter  | 100,000                         | -                               | 10,000,000                          | 50.00         | 99,880 (     | 240) (                     | 120)                      | Investment accounted for using equity method - joint ventures |          |
| 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         | 4,169        | 81,775                     | -                         | Indirectly owned subsidiary (Note 2)                          |          |
| Rui Fu Foods Co., Ltd.               | Sheng Da Foods Co., Ltd.              | Taiwan         | Husbandry management of layers and related business                           | 60,000                          | 60,000                          | 6,000,000                           | 60.00         | 54,770 (     | 8,561)                     | -                         | Indirectly owned subsidiary (Note 2)                          |          |

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

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

(3) Information on investments in Mainland China

A. Basic information:

| Investee in Mainland China                               | Main business activities                                | Paid-in Capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 | Amount remitted from /remitted back to Taiwan during the period |                         | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Net income of the investee | Ownership held by the Company (direct or indirect) | Investment income recognised by the company (Note 2) | Book value of investment as of December 31, 2020 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020 | Footnote      |
|--|---|-----------------|----------------------------|--|---|-------------------------|--|----------------------------|--|--|--|---|---------------|
|  |   |                 |                            | China as of January 1, 2020  | Remitted to Mainland China                                      | Remitted back to Taiwan | December 31, 2020  |                            |  |  |  | December 31, 2020   |               |
| Lianyungang Chia Tai Agro-industry Development Co., Ltd. | Feeds producing, poultry raising, processing and sales. | \$ 142,846      | 2                          | \$ 121,567   | \$ -  | \$ 121,567              | \$ -   | (\$ 2,250)                 | -  | (\$ 1,575)   | \$ -   | \$ -  | Notes 4 and 5 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Note 4) | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of the MOEA |
|--------------|---|--|---|
| The Company  | \$ -  | \$ -   | \$ 4,982,992  |

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

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

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

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

Note 4: The paid-in capital was US\$5,400 thousand, which was translated into New Taiwan dollars based on the historical exchange rates and the accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 as US\$4,276 thousand. As of December 31, 2020, all the accumulated amount of remittance from Taiwan have been collected. The amounts in the table are translated into New Taiwan dollars at the spot exchange rates prevailing at December 31, 2020.

Note 5: The Company has applied for revoking the investment in Lianyungang Chia Tai Agro-industry Development Co., Ltd. to the Investment Commission of the Ministry of Economic Affairs (MOEA) on April 9, 2020 and has obtained approval on May 20, 2020.

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

#### (4) Major shareholders information

| <u>Name of major shareholders</u>                     | <u>Shares</u>              |                      |
|---|----------------------------|----------------------|
|   | <u>Name of shares held</u> | <u>Ownership (%)</u> |
| Charoen Pokphand (Taiwan) Investment Ltd.,<br>Bermuda | 26,802,733                 | 10.00                |
| Bright Excel Investments Limited, BVI                 | 24,832,500                 | 9.26                 |
| Giant Crown Investments Limited, BVI                  | 16,946,479                 | 6.32                 |
| Chun Ta Investment Co., Ltd .                         | 15,176,525                 | 5.66                 |

#### 14. OPERATING SEGMENT INFORMATION

##### (1) General information

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

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

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

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

##### (2) Measurement of segment information

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

(3) Segment information

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

|   | 2020                 |                        |                        |                     |                     |                      |
|---|----------------------|------------------------|------------------------|---------------------|---------------------|----------------------|
|   | <u>Feeds</u>         | <u>Meat processing</u> | <u>Food processing</u> | <u>Husbandry</u>    | <u>Others</u>       | <u>Total</u>         |
| Revenues from third parties<br>(Note 1) | \$ 11,745,355        | \$ 5,424,238           | \$ 3,812,560           | \$ 1,212,334        | \$ 81,539           | \$ 22,276,026        |
| Revenues from the Group                 | 263,174              | 43,139                 | 639                    | 75,948              | 48,318              | 431,218              |
| Total segment revenue                   | <u>\$ 12,008,529</u> | <u>\$ 5,467,377</u>    | <u>\$ 3,813,199</u>    | <u>\$ 1,288,282</u> | <u>\$ 129,857</u>   | <u>\$ 22,707,244</u> |
| Segment income (loss) (Note 2)          | <u>\$ 1,754,985</u>  | <u>\$ 285,592</u>      | <u>\$ 231,142</u>      | <u>(\$ 50,694)</u>  | <u>(\$ 121,750)</u> | <u>\$ 2,099,275</u>  |

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

Note 1 : The Feeds segment includes operating revenue from discontinued operations.

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

(4) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment income to the income before tax from continuing operations for the years ended December 31, 2020 and 2019 is provided as follows:

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| Reportable segment income                   | \$ 2,221,025        | \$ 2,402,461        |
| Other segment loss                          | ( 121,750)          | ( 125,626)          |
| Total segment                               | 2,099,275           | 2,276,835           |
| Interest expense                            | ( 76,789)           | ( 80,567)           |
| Foreign exchange gains, net                 | 23,713              | 8,978               |
| Income before tax from discontinued segment | 3,000               | ( 2,216)            |
| Income before tax from continuing segment   | <u>\$ 2,049,199</u> | <u>\$ 2,203,030</u> |

(5) Information on products and services

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

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

| <u>2020</u>                 | <u>Domestic</u>      | <u>Asia</u>         | <u>Total</u>         |
|-----------------------------|----------------------|---------------------|----------------------|
| Revenues from third parties | \$ 22,189,635        | \$ 86,391           | \$ 22,276,026        |
| Revenues from the Group     | 431,218              | -                   | 431,218              |
| Total revenue               | <u>\$ 22,620,853</u> | <u>\$ 86,391</u>    | <u>\$ 22,707,244</u> |
| Segment assets –non-current | <u>\$ 11,752,106</u> | <u>\$ -</u>         | <u>\$ 11,752,106</u> |
| <br>                        |                      |                     |                      |
| <u>2019</u>                 | <u>Domestic</u>      | <u>Asia</u>         | <u>Total</u>         |
| Revenues from third parties | \$ 21,173,634        | \$ 1,366,272        | \$ 22,539,906        |
| Revenues from the Group     | 410,031              | -                   | 410,031              |
| Total revenue               | <u>\$ 21,583,665</u> | <u>\$ 1,366,272</u> | <u>\$ 22,949,937</u> |
| Segment assets –non-current | <u>\$ 9,598,659</u>  | <u>\$ 137,500</u>   | <u>\$ 9,736,159</u>  |

(7) Major customer information

For the years ended December 31, 2020 and 2019, the Group has no customers accounting for more than 10% of consolidated sales revenue. Therefore, no additional disclosure is required.

**INDEPENDENT AUDITORS' REPORT**

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

***Opinion***

We have audited the accompanying parent company only balance sheets of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key audit matters***

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

Key audit matters for the Company's 2020 parent company only financial statements are stated as follows:

**Evaluation of net realisable value of inventories**

Description

Refer to Note 4(9) for accounting policies adopted for the valuation of inventories, Note 5(2) for uncertainty of accounting estimates and assumptions of valuation of inventories, and Note 6(3) for details of inventories. As at December 31, 2020, the carrying amount of inventories and allowance for inventory valuation losses amounted to NT\$1,192,187 thousand and NT\$7,000 thousand, respectively.

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

How our audit addressed the matter

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

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

## **Measurement of biological assets**

### Description

Refer to Note 4(11) for accounting policies adopted for biological assets, Note 5(2) for uncertainty of accounting estimates and assumptions in measuring fair value of biological assets, and Note 6(5) for details of biological assets. As at December 31, 2020, the carrying amount of biological assets amounted to NT\$1,685,001 thousand.

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

### How our audit addressed the matter

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

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

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

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

In preparing the parent company only financial statements, management is responsible for assessing Charoen Pokphand Enterprise (Taiwan) Co., Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Charoen Pokphand Enterprise (Taiwan) Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

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

### ***Auditors' responsibilities for the audit of the parent company only financial statements***

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

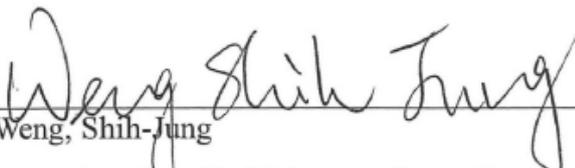
appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Charoen Pokphand Enterprise (Taiwan) Co., Ltd.'s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Charoen Pokphand Enterprise (Taiwan) Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Charoen Pokphand Enterprise (Taiwan) Co., Ltd. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

  
Weng, Shih-Jung

  
Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2021

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

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

| Assets  | December 31, 2020    |            | December 31, 2019    |            |
|---|----------------------|------------|----------------------|------------|
|   | AMOUNT               | %          | AMOUNT               | %          |
| <b>Current assets</b>                         |                      |            |                      |            |
| Cash and cash equivalents                     | \$ 61,011            | -          | \$ 86,377            | -          |
| Notes receivable, net                         | 264,934              | 2          | 301,121              | 2          |
| Accounts receivable, net                      | 1,700,313            | 10         | 1,712,470            | 10         |
| Accounts receivable - related parties         | 29,548               | -          | 26,496               | -          |
| Other receivables                             | 12,081               | -          | 7,136                | -          |
| Inventories, net                              | 1,185,187            | 7          | 1,438,813            | 9          |
| Biological assets - current                   | 1,285,888            | 7          | 1,186,865            | 7          |
| Prepayments                                   | 415,452              | 2          | 263,304              | 2          |
| Other current assets                          | 47,934               | -          | 7,700                | -          |
| <b>Total current assets</b>                   | <b>5,002,348</b>     | <b>28</b>  | <b>5,030,282</b>     | <b>30</b>  |
| <b>Non-current assets</b>                     |                      |            |                      |            |
| Investments accounted for using equity method | 2,662,155            | 15         | 3,059,156            | 18         |
| Property, plant and equipment, net            | 9,237,343            | 52         | 7,752,623            | 46         |
| Right-of-use assets                           | 316,989              | 2          | 341,526              | 2          |
| Intangible assets                             | 171                  | -          | 592                  | -          |
| Biological assets - non-current               | 399,113              | 2          | 386,143              | 2          |
| Deferred income tax assets                    | 52,208               | -          | 67,664               | 1          |
| Other non-current assets                      | 99,431               | 1          | 89,304               | 1          |
| <b>Total non-current assets</b>               | <b>12,767,410</b>    | <b>72</b>  | <b>11,697,008</b>    | <b>70</b>  |
| <b>Total assets</b>                           | <b>\$ 17,769,758</b> | <b>100</b> | <b>\$ 16,727,290</b> | <b>100</b> |

(Continued)

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

| Liabilities and Equity   | December 31, 2020    |            | December 31, 2019    |            |
|--|----------------------|------------|----------------------|------------|
|  | AMOUNT               | %          | AMOUNT               | %          |
| <b>Current liabilities</b>   |                      |            |                      |            |
| Short-term borrowings  | \$ 2,092,716         | 12         | \$ 2,070,000         | 12         |
| Short-term notes and bills payable                                       | 599,426              | 3          | 978,659              | 6          |
| Notes payable  | 541,034              | 3          | 455,941              | 3          |
| Notes payable - related parties  | 470                  | -          | 820                  | -          |
| Accounts payable   | 692,047              | 4          | 641,396              | 4          |
| Accounts payable - related parties                                       | 9,884                | -          | 15,378               | -          |
| Other payables   | 669,376              | 4          | 656,693              | 4          |
| Other payables - related parties   | 7,348                | -          | 22,750               | -          |
| Current income tax liabilities   | 239,195              | 1          | 161,634              | 1          |
| Current lease liabilities  | 19,730               | -          | 19,952               | -          |
| Other current liabilities  | 180,000              | 1          | 580,000              | 4          |
| <b>Total current liabilities</b>   | <b>5,051,226</b>     | <b>28</b>  | <b>5,603,223</b>     | <b>34</b>  |
| <b>Non-current liabilities</b>   |                      |            |                      |            |
| Long-term borrowings   | 3,970,000            | 22         | 2,730,000            | 16         |
| Deferred income tax liabilities  | 18,822               | -          | 21,087               | -          |
| Non-current lease liabilities  | 284,587              | 2          | 308,246              | 2          |
| Other non-current liabilities  | 140,137              | 1          | 142,402              | 1          |
| <b>Total non-current liabilities</b>                                     | <b>4,413,546</b>     | <b>25</b>  | <b>3,201,735</b>     | <b>19</b>  |
| <b>Total liabilities</b>   | <b>9,464,772</b>     | <b>53</b>  | <b>8,804,958</b>     | <b>53</b>  |
| <b>Equity attributable to owners of parent</b>                           |                      |            |                      |            |
| Share capital  |                      |            |                      |            |
| Common stock   | 2,679,910            | 15         | 2,679,910            | 16         |
| Capital surplus  |                      |            |                      |            |
| Capital surplus  | 3,957                | -          | 2,137                | -          |
| Retained earnings  |                      |            |                      |            |
| Legal reserve  | 880,252              | 5          | 733,781              | 4          |
| Unappropriated retained earnings   | 3,332,669            | 19         | 2,907,219            | 17         |
| Other equity interest  |                      |            |                      |            |
| Other equity interest  | 1,408,198            | 8          | 1,599,285            | 10         |
| <b>Total equity</b>  | <b>8,304,986</b>     | <b>47</b>  | <b>7,922,332</b>     | <b>47</b>  |
| Significant contingent liabilities and unrecognised contract commitments |                      |            |                      |            |
| Significant events after the balance sheet date                          |                      |            |                      |            |
| <b>Total liabilities and equity</b>                                      | <b>\$ 17,769,758</b> | <b>100</b> | <b>\$ 16,727,290</b> | <b>100</b> |

The accompanying notes are an integral part of these parent company only financial statements.  
Chairman: Wu Yeh, Cheng      CEO: Thong Chotirat      Chief Accountant: Shu Hua Lee

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| Items  | Year ended December 31 |             |                     |             |
|--|------------------------|-------------|---------------------|-------------|
|  | 2020                   |             | 2019                |             |
|  | AMOUNT                 | %           | AMOUNT              | %           |
| Operating revenue  | \$ 21,160,706          | 100         | \$ 20,173,520       | 100         |
| Operating costs  | ( 17,766,264)          | ( 84)       | ( 17,352,813)       | ( 86)       |
| Net operating margin   | <u>3,394,442</u>       | <u>16</u>   | <u>2,820,707</u>    | <u>14</u>   |
| Operating expenses   |                        |             |                     |             |
| Selling and marketing expenses   | ( 883,541)             | ( 4)        | ( 883,445)          | ( 4)        |
| General and administrative expenses  | ( 584,406)             | ( 3)        | ( 501,022)          | ( 3)        |
| Expected credit impairment (loss) gain   | ( 4,670)               | -           | 20                  | -           |
| Total operating expenses   | <u>( 1,472,617)</u>    | <u>( 7)</u> | <u>( 1,384,447)</u> | <u>( 7)</u> |
| Other income and expense, net  | 26,843                 | -           | ( 12,411)           | -           |
| Operating profit   | <u>1,948,668</u>       | <u>9</u>    | <u>1,423,849</u>    | <u>7</u>    |
| Non-operating income and expenses  |                        |             |                     |             |
| Interest income  | 287                    | -           | 255                 | -           |
| Other income   | 8,378                  | -           | 6,874               | -           |
| Other gains and losses   | 78,872                 | -           | ( 18,919)           | -           |
| Finance costs  | ( 68,827)              | -           | ( 74,605)           | ( 1)        |
| Share of profit of associates and joint ventures accounted for using equity method   | 99,153                 | 1           | 403,770             | 2           |
| Total non-operating income and expenses  | <u>117,863</u>         | <u>1</u>    | <u>317,375</u>      | <u>1</u>    |
| <b>Profit before income tax</b>  | <u>2,066,531</u>       | <u>10</u>   | <u>1,741,224</u>    | <u>8</u>    |
| Income tax expense   | ( 409,449)             | ( 2)        | ( 277,298)          | ( 1)        |
| <b>Profit for the year</b>   | <u>\$ 1,657,082</u>    | <u>8</u>    | <u>\$ 1,463,926</u> | <u>7</u>    |
| <b>Other comprehensive income</b>  |                        |             |                     |             |
| <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>  |                        |             |                     |             |
| Other comprehensive income, before tax, actuarial (loss) gains on defined benefit plans  | (\$ 16,540)            | -           | \$ 2,561            | -           |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | ( 75,563)              | -           | 372,541             | 2           |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss   | <u>3,308</u>           | -           | <u>( 512)</u>       | -           |
| Other comprehensive (loss) income that will not be reclassified to profit or loss  | <u>( 88,795)</u>       | -           | <u>374,590</u>      | <u>2</u>    |
| <b>Components of other comprehensive income that will be reclassified to profit or loss</b>  |                        |             |                     |             |
| Currency translation differences of foreign operations   | ( 115,489)             | ( 1)        | ( 44,672)           | -           |
| Other comprehensive loss that will be reclassified to profit or loss   | <u>( 115,489)</u>      | <u>( 1)</u> | <u>( 44,672)</u>    | -           |
| <b>Total other comprehensive (loss) income for the year</b>  | <u>(\$ 204,284)</u>    | <u>( 1)</u> | <u>\$ 329,918</u>   | <u>2</u>    |
| <b>Total comprehensive income for the year</b>   | <u>\$ 1,452,798</u>    | <u>7</u>    | <u>\$ 1,793,844</u> | <u>9</u>    |
| Earnings per share (in dollars)  |                        |             |                     |             |
| Basic earnings per share   | <u>\$ 6.18</u>         |             | <u>\$ 5.46</u>      |             |
| Diluted earnings per share   | <u>\$ 6.17</u>         |             | <u>\$ 5.46</u>      |             |

The accompanying notes are an integral part of these parent company only financial statements.  
Chairman: Wu Yeh, Cheng      CEO: Thong Chotirat      Chief Accountant: Shu Hua Lee

**CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

|  | Retained Earnings               |                 |                   |                                     | Other equity interest   |  | Total equity        |
|--|---------------------------------|-----------------|-------------------|-------------------------------------|---|--|---------------------|
|  | Share capital -<br>common stock | Capital surplus | Legal reserve     | Unappropriated<br>retained earnings | Financial<br>statements<br>translation<br>differences of<br>foreign<br>operations | Unrealised gains<br>(losses) from<br>financial assets<br>measured at fair<br>value through<br>other<br>comprehensive<br>income |                     |
| <u>2019</u>  |                                 |                 |                   |                                     |   |  |                     |
| Balance at January 1, 2019                                       | \$ 2,679,910                    | \$ 1,652        | \$ 638,708        | \$ 2,341,559                        | \$ 27,240   | \$ 1,242,907   | \$ 6,931,976        |
| Profit for the year  | -                               | -               | -                 | 1,463,926                           | -   | -  | 1,463,926           |
| Other comprehensive income (loss)                                | -                               | -               | -                 | 780                                 | ( 44,672 )  | 373,810  | 329,918             |
| Total comprehensive income (loss)                                | -                               | -               | -                 | 1,464,706                           | ( 44,672 )  | 373,810  | 1,793,844           |
| Appropriations of 2018 earnings                                  |                                 |                 |                   |                                     |   |  |                     |
| Legal reserve  | -                               | -               | 95,073            | ( 95,073 )                          | -   | -  | -                   |
| Cash dividends to shareholders                                   | -                               | -               | -                 | ( 803,973 )                         | -   | -  | ( 803,973 )         |
| Capital surplus - dividends not received by shareholders         | -                               | 485             | -                 | -                                   | -   | -  | 485                 |
| Balance at December 31, 2019                                     | <u>\$ 2,679,910</u>             | <u>\$ 2,137</u> | <u>\$ 733,781</u> | <u>\$ 2,907,219</u>                 | <u>( \$ 17,432 )</u>  | <u>\$ 1,616,717</u>  | <u>\$ 7,922,332</u> |
| <u>2020</u>  |                                 |                 |                   |                                     |   |  |                     |
| Balance at January 1, 2020                                       | \$ 2,679,910                    | \$ 2,137        | \$ 733,781        | \$ 2,907,219                        | ( \$ 17,432 )   | \$ 1,616,717   | \$ 7,922,332        |
| Profit for the year  | -                               | -               | -                 | 1,657,082                           | -   | -  | 1,657,082           |
| Other comprehensive loss   | -                               | -               | -                 | ( 13,197 )                          | ( 115,489 )   | ( 75,598 )   | ( 204,284 )         |
| Total comprehensive income (loss)                                | -                               | -               | -                 | 1,643,885                           | ( 115,489 )   | ( 75,598 )   | 1,452,798           |
| Appropriations of 2019 earnings                                  |                                 |                 |                   |                                     |   |  |                     |
| Legal reserve  | -                               | -               | 146,471           | ( 146,471 )                         | -   | -  | -                   |
| Cash dividends to shareholders                                   | -                               | -               | -                 | ( 1,071,964 )                       | -   | -  | ( 1,071,964 )       |
| Capital surplus - dividends not received by shareholders         | -                               | 591             | -                 | -                                   | -   | -  | 591                 |
| Capital surplus - changes in ownership interests in subsidiaries | -                               | 1,229           | -                 | -                                   | -   | -  | 1,229               |
| Balance at December 31, 2020                                     | <u>\$ 2,679,910</u>             | <u>\$ 3,957</u> | <u>\$ 880,252</u> | <u>\$ 3,332,669</u>                 | <u>( \$ 132,921 )</u>   | <u>\$ 1,541,119</u>  | <u>\$ 8,304,986</u> |

The accompanying notes are an integral part of these parent company only financial statements.  
Chairman: Wu Yeh, Cheng      CEO: Thong Chotirat      Chief Accountant: Shu Hua Lee

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

|  | Year ended December 31 |                      |
|--|------------------------|----------------------|
|  | 2019                   | 2018                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                        |                      |
| Profit before tax  | \$ 2,066,531           | \$ 1,741,224         |
| Adjustments  |                        |                      |
| Adjustments to reconcile profit (loss)   |                        |                      |
| Expected credit impairment (gain) loss   | 4,670 (                | 20 )                 |
| Depreciation   | 638,240                | 587,631              |
| Depreciation of right-of-use assets  | 39,481                 | 35,504               |
| Amortization   | 4,085                  | 4,211                |
| Interest income  | ( 287 ) (              | 255 )                |
| Interest expense   | 68,827                 | 74,605               |
| (Gain on reversal of ) provision for loss on inventory market price decline                | ( 53,000 )             | 45,200               |
| Change in fair value less cost to sell of biological assets                                | ( 26,843 )             | 12,411               |
| Share of profit or loss of associates and joint ventures accounted for using equity method | ( 99,153 ) (           | 403,770 )            |
| Gains on disposal of property, plant and equipment   | ( 12,535 ) (           | 4,241 )              |
| Gain arising from lease modifications  | ( 2 ) (                | 1 )                  |
| Changes in operating assets and liabilities  |                        |                      |
| Changes in operating assets  |                        |                      |
| Notes receivable   | 36,187                 | 30,077               |
| Accounts receivable  | 7,488 (                | 96,421 )             |
| Accounts receivable - related parties  | ( 3,053 )              | 8,412                |
| Other receivables  | ( 4,945 )              | 13,065               |
| Inventories  | 306,626 (              | 444,906 )            |
| Biological assets  | ( 85,150 ) (           | 116,831 )            |
| Prepayments  | ( 152,237 )            | 278,542              |
| Changes in operating liabilities   |                        |                      |
| Notes payable  | 85,093                 | 100,502              |
| Notes payable - related parties  | ( 350 ) (              | 1,154 )              |
| Accounts payable   | 50,651 (               | 18,610 )             |
| Accounts payable - related parties   | ( 5,494 )              | 2,753                |
| Other payables   | ( 3,303 )              | 135,288              |
| Other payables - related parties   | ( 15,402 )             | 1,320                |
| Net defined benefit liabilities  | ( 18,806 ) (           | 18,008 )             |
| Cash inflow generated from operations  | 2,827,319              | 1,966,528            |
| Cash paid for income tax   | ( 315,389 )            | ( 321,676 )          |
| Net cash flows from operating activities   | <u>2,511,930</u>       | <u>1,644,852</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                        |                      |
| Acquisition of investment accounted for using the equity method                            | ( 202,022 ) (          | 66,860 )             |
| Acquisition of property, plant and equipment   | ( 2,110,402 ) (        | 1,388,578 )          |
| Proceeds from disposal of property, plant and equipment                                    | 15,615                 | 8,172                |
| Acquisition of intangible assets   | ( 83 )                 | -                    |
| Increase in other current assets   | ( 40,234 ) (           | 250 )                |
| (Increase) decrease in other non-current assets  | ( 13,708 )             | 11,208               |
| Cash receipt of interest   | 287                    | 255                  |
| Cash receipt of dividends  | 508,353                | 36,154               |
| Net cash flows used in investing activities  | <u>( 1,842,194 )</u>   | <u>( 1,399,899 )</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                        |                      |
| Increase (decrease) in short-term borrowings   | 22,716 (               | 493,784 )            |
| (Decrease) increase in short-term notes and bills payable                                  | ( 379,233 )            | 359,389              |
| Proceeds from long-term borrowings   | 6,050,000              | 4,630,000            |
| Payment of long-term borrowings  | ( 5,210,000 ) (        | 3,780,000 )          |
| Cash payment for interest  | ( 68,390 ) (           | 77,117 )             |
| Cash dividends paid to owners of parent  | ( 1,071,964 ) (        | 803,973 )            |
| Payment of lease liabilities   | ( 38,822 ) (           | 48,879 )             |
| Capital surplus - dividends not received by shareholders                                   | 591                    | 485                  |
| Net cash flows used in financing activities  | <u>( 695,102 )</u>     | <u>( 213,879 )</u>   |
| Net (decrease) increase in cash and cash equivalents                                       | ( 25,366 )             | 31,074               |
| Cash and cash equivalents at beginning of year   | 86,377                 | 55,303               |
| Cash and cash equivalents at end of year   | <u>\$ 61,011</u>       | <u>\$ 86,377</u>     |

The accompanying notes are an integral part of these parent company only financial statements.  
Chairman: Wu Yeh, Cheng      CEO: Thong Chotirat      Chief Accountant: Shu Hua Lee

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANISATION

Charoen Pokphand Enterprise (Taiwan) Co., Ltd. (the “Company”) was incorporated on August 22, 1977 as a company limited by shares under the Statute for Investment by Overseas Chinese and the provisions of the Company Act of the Republic of China. The main activities of the Company 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 was incorporated in Thailand, indirectly holds 39% equity interest in the Company.

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

These parent company only financial statements were authorised for issuance by the Board of Directors on March 23, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

| <u>New Standards, Interpretations and Amendments</u>                          | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’ | January 1, 2020   |
| Amendments to IFRS 3, ‘Definition of a business’                              | January 1, 2020   |
| Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’     | January 1, 2020   |
| Amendment to IFRS 16, ‘Covid-19-related rent concessions’                     | June 1, 2020 (Note)   |

Note : Earlier application from January 1, 2020 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

| New Standards, Interpretations and Amendments   | Effective date by<br>International Accounting<br>Standards Board |
|---|--|
| Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'                   | January 1, 2021  |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2' | January 1, 2021  |

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

(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 as endorsed by the FSC are as follows:

| New Standards, Interpretations and Amendments   | Effective date by<br>International Accounting<br>Standards Board   |
|---|--|
| Amendments to IFRS 3, 'Reference to the conceptual framework'   | January 1, 2022  |
| 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<br>International Accounting<br>Standards Board |
| IFRS 17, 'Insurance contracts'  | January 1, 2023  |
| Amendments to IFRS 17, 'Insurance contracts'  | January 1, 2023  |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current'  | January 1, 2023  |
| Amendments to IAS 1, 'Disclosure of accounting policies'  | January 1, 2023  |
| Amendments to IAS 8, 'Definition of accounting estimates'   | January 1, 2023  |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'                                       | January 1, 2022  |
| Amendments to IAS 37, 'Onerous contracts-cost of fulfilling a contract'   | January 1, 2022  |
| Annual improvements to IFRS Standards 2018–2020   | January 1, 2022  |

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

(3) Foreign currency translation

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

B. Foreign currency transactions and balances

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

- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(4) Classification of current and non-current items

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

(5) Cash equivalents

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

(6) Accounts and notes receivable

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

(7) Impairment of financial assets

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

(8) Derecognition of financial assets

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

(9) Operating leases (lessor)

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

(10) Inventories

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

(11) Investments accounted for using equity method/ subsidiaries and joint ventures

- A. Subsidiaries and joint ventures are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries and joint ventures are accounted for using equity method in these parent company only financial statements.
- B. In the case that a subsidiary or a joint venture issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the subsidiary or the joint venture but maintains significant influence on the subsidiary or the joint venture, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the subsidiary or the joint venture, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the subsidiary or the joint venture are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

- C. Unrealised gains on transactions between the Company and its subsidiaries or joint ventures are eliminated. The accounting policies of the subsidiaries or joint ventures have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- D. The Company's share of its subsidiaries' or joint ventures' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary or a joint venture equals or exceeds its interest in the subsidiary or the joint venture, the Company continues to recognise losses proportionate to its ownership.
- E. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(12) Biological assets

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

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

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

|                          |            |
|--------------------------|------------|
| Land improvements        | 3~30 years |
| Buildings and structures | 3~60 years |
| Machinery and equipment  | 2~20 years |
| Transportation equipment | 6 years    |
| Leasehold improvements   | 3~20 years |
| Other equipment          | 3~20 years |

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

- 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 Company. 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 Company 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.

(15) Intangible assets

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

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the

impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

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

(18) Notes and accounts payable

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

(19) Derecognition of financial liabilities

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

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior period. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of

government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

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

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

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is accounted of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(22) Share capital

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

(23) Dividends

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

(24) Revenue recognition

A. Sales of goods

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

B. Financing components

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

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

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

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

None.

### (2) Critical accounting estimates and assumptions

#### A. Evaluation of inventories

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

As of December 31, 2020, the carrying amount of inventories was \$1,185,187.

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

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

As of December 31, 2020, the carrying amount of biological assets was \$1,685,001.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash

|                                  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|----------------------------------|--------------------------|--------------------------|
| Cash on hand and revolving funds | \$ 3,686                 | \$ 7,276                 |
| Checking accounts                | 1,334                    | 964                      |
| Demand deposits                  | <u>55,991</u>            | <u>78,137</u>            |
| Total                            | <u>\$ 61,011</u>         | <u>\$ 86,377</u>         |

- A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. On December 31, 2020, the Company has restricted cash and cash equivalents pledged as collateral totalling \$8,200, classified as other financial assets and shown as ‘other current assets’. Please refer to Note 8 for details.
- C. On December 31, 2020, the Company has restricted cash and cash equivalents under the Regulations Governing the Management, Utilisation, and Taxation of Repatriated Offshore Funds totalling \$39,734, classified as other current financial assets and shown as ‘other current assets’

### (2) Notes and accounts receivable

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Notes receivable                           | <u>\$ 264,934</u>        | <u>\$ 301,121</u>        |
| Accounts receivable                        | \$ 1,706,639             | \$ 1,714,126             |
| Less: Allowance for uncollectible accounts | <u>( 6,326)</u>          | <u>( 1,656)</u>          |
|  | <u>\$ 1,700,313</u>      | <u>\$ 1,712,470</u>      |

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

|                 | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------|--------------------------|--------------------------|
| Current         | \$ 1,674,797             | \$ 1,659,117             |
| Up to 120 days  | 29,630                   | 51,637                   |
| 121 to 365 days | 1,123                    | 3,063                    |
| Over one year   | <u>1,089</u>             | <u>309</u>               |
|                 | <u>\$ 1,706,639</u>      | <u>\$ 1,714,126</u>      |

The above ageing analysis was based on past due date.

- B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of accounts receivable and notes receivable from contracts with customers amounted to \$1,947,227.
- C. As of December 31, 2020 and 2019, all the Company’s notes receivable were not past due.

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

|                   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------|--------------------------|--------------------------|
| With guarantee    | \$ 129,984               | \$ 125,721               |
| Without guarantee | <u>1,576,655</u>         | <u>1,588,405</u>         |
|                   | <u>\$ 1,706,639</u>      | <u>\$ 1,714,126</u>      |

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

E. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable were \$264,934 and \$301,121, respectively, while the amount that best represents the Company's accounts receivable were \$1,700,313 and \$1,712,470, respectively.

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

(3) Inventories

|                  | <u>December 31, 2020</u> |   |                     |
|------------------|--------------------------|---|---------------------|
|                  | <u>Cost</u>              | <u>Allowance for<br/>valuation loss</u> | <u>Book value</u>   |
| Raw materials    | \$ 735,393               | \$ -                                    | \$ 735,393          |
| Packing supplies | 26,667                   | -                                       | 26,667              |
| Work in progress | 26,637                   | -                                       | 26,637              |
| Finished goods   | <u>403,490</u>           | <u>( 7,000)</u>                         | <u>396,490</u>      |
|                  | <u>\$ 1,192,187</u>      | <u>(\$ 7,000)</u>                       | <u>\$ 1,185,187</u> |
|                  | <u>December 31, 2019</u> |   |                     |
|                  | <u>Cost</u>              | <u>Allowance for<br/>valuation loss</u> | <u>Book value</u>   |
| Raw materials    | \$ 885,619               | \$ -                                    | \$ 885,619          |
| Packing supplies | 22,517                   | -                                       | 22,517              |
| Work in progress | 26,663                   | -                                       | 26,663              |
| Finished goods   | <u>564,014</u>           | <u>( 60,000)</u>                        | <u>504,014</u>      |
|                  | <u>\$ 1,498,813</u>      | <u>(\$ 60,000)</u>                      | <u>\$ 1,438,813</u> |

The cost of inventories recognised as expense for the year:

|   | 2020          | 2019          |
|---|---------------|---------------|
| Cost of goods sold                                    | \$ 17,827,404 | \$ 17,307,794 |
| (Gain on reversal of) loss on decline in market value | ( 53,000)     | 45,200        |
| Others  | ( 8,140)      | ( 181)        |
|   | \$ 17,766,264 | \$ 17,352,813 |

- A. The cost of goods sold includes the cost of selling biological assets.
- B. Others pertain mainly to gain and loss on physical inventory count and income from disposal of leftover and scraps.
- C. The Company reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of the increase in market prices of certain finished goods.

(4) Investments accounted for using equity method

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

|                                       | December 31, 2020 | December 31, 2019 |
|---------------------------------------|-------------------|-------------------|
| Plenty Type Limited (Cayman Islands)  | \$ 2,027,906      | \$ 2,368,685      |
| Charoen Pokphand (Taiwan) Corp., Ltd. | 40,862            | 38,794            |
| Arbor Acres Taiwan Co., Ltd.          | 90,660            | 384,779           |
| Rui Mu Foods Co., Ltd.                | 184,136           | 125,701           |
| Rui Fu Foods Co., Ltd.                | 218,711           | 141,197           |
| Feng Sheng Livestock Co., Ltd.        | 99,880            | -                 |
|                                       | \$ 2,662,155      | \$ 3,059,156      |

- B. Share of profit (loss) of subsidiaries accounted for using equity method:

|                                       | 2020       | 2019       |
|---------------------------------------|------------|------------|
| Plenty Type Limited (Cayman Islands)  | \$ 116,048 | \$ 33,957  |
| Charoen Pokphand (Taiwan) Corp., Ltd. | 11,970     | 10,832     |
| Arbor Acres Taiwan Co., Ltd.          | 22,519     | 351,508    |
| Rui Mu Foods Co., Ltd.                | ( 26,326)  | 17,691     |
| Rui Fu Foods Co., Ltd.                | ( 24,938)  | ( 10,218)  |
| Feng Sheng Livestock Co., Ltd.        | ( 120)     | -          |
|                                       | \$ 99,153  | \$ 403,770 |

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

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

|                                       | <u>2020</u>        | <u>2019</u>       |
|---------------------------------------|--------------------|-------------------|
| Plenty Type Limited (Cayman Islands)  | (\$ 75,598)        | \$ 373,810        |
| Charoen Pokphand (Taiwan) Corp., Ltd. | ( 127)             | ( 1,980)          |
| Arbor Acres Taiwan Co., Ltd.          | <u>162</u>         | <u>711</u>        |
|                                       | <u>(\$ 75,563)</u> | <u>\$ 372,541</u> |

Items may be subsequently reclassified to profit or loss

|                                      | <u>2020</u>  | <u>2019</u> |
|--------------------------------------|--------------|-------------|
| Plenty Type Limited (Cayman Islands) | (\$ 115,489) | (\$ 44,672) |

D. Details of the subsidiaries are provided in Note 4(3) in the Company's consolidated financial statements for the year ended December 31, 2020.

(5) Biological assets

A. Biological assets

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Biological assets - current:  |                          |                          |
| Consumable biological assets  | \$ 1,067,953             | \$ 1,034,392             |
| Consumable biological assets - changes in fair value less costs to sell | 50,967                   | 24,124                   |
| Bearer biological assets  | 237,880                  | 244,716                  |
| Bearer biological assets - accumulated depreciation                     | ( 70,912)                | ( 116,367)               |
|   | <u>\$ 1,285,888</u>      | <u>\$ 1,186,865</u>      |
| Biological assets - non-current:  |                          |                          |
| Bearer biological assets  | \$ 488,467               | \$ 470,609               |
| Bearer biological assets - accumulated depreciation                     | ( 89,354)                | ( 84,466)                |
|   | <u>\$ 399,113</u>        | <u>\$ 386,143</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 are as follows:

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| At January 1  | \$ 1,573,008        | \$ 1,468,588        |
| Purchases   | 1,097,062           | 979,758             |
| Costs and expenses input                                    | 6,465,591           | 6,411,905           |
| Sales   | ( 3,056,190)        | ( 2,906,153)        |
| Gains (losses) on change in fair value less<br>cost to sell | 26,843              | ( 12,411)           |
| Transfer to inventories                                     | ( 4,420,137)        | ( 4,363,702)        |
| Others  | ( 1,176)            | ( 4,977)            |
| At December 31  | <u>\$ 1,685,001</u> | <u>\$ 1,573,008</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. For the years ended December 31, 2020 and 2019, depreciation expense on biological assets amounted to \$258,109 and \$234,992, respectively.

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

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Estimates of physical quantities (Units: heads) | <u>4,985,902</u>         | <u>5,072,582</u>         |

E. Financial risk management policies

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

(6) Property, plant and equipment

|   | Land                | Land improvements | Buildings and structures | Machinery and equipment | Transportation equipment | Leasehold improvements | Other equipment   | Construction in progress and equipment to be inspected | Total               |
|---|---------------------|-------------------|--------------------------|-------------------------|--------------------------|------------------------|-------------------|--|---------------------|
| <u>At January 1, 2020</u>                 |                     |                   |                          |                         |                          |                        |                   |  |                     |
| Cost                                      | \$ 1,976,636        | \$ 149,175        | \$ 3,257,734             | \$ 3,578,256            | \$ 261,488               | \$ 985,924             | \$ 905,225        | \$ 808,824   | \$ 11,923,262       |
| Accumulated depreciation and impairment   | -                   | ( 43,092)         | ( 1,145,774)             | ( 1,960,598)            | ( 155,707)               | ( 528,620)             | ( 336,848)        | -  | ( 4,170,639)        |
|   | <u>\$ 1,976,636</u> | <u>\$ 106,083</u> | <u>\$ 2,111,960</u>      | <u>\$ 1,617,658</u>     | <u>\$ 105,781</u>        | <u>\$ 457,304</u>      | <u>\$ 568,377</u> | <u>\$ 808,824</u>                                      | <u>\$ 7,752,623</u> |
| <u>2020</u>                               |                     |                   |                          |                         |                          |                        |                   |  |                     |
| Opening net book amount as at January 1   | \$ 1,976,636        | \$ 106,083        | \$ 2,111,960             | \$ 1,617,658            | \$ 105,781               | \$ 457,304             | \$ 568,377        | \$ 808,824   | \$ 7,752,623        |
| Additions                                 | 9,230               | 17,978            | 102,835                  | 92,418                  | 67,164                   | 33,243                 | 59,232            | 1,743,940  | 2,126,040           |
| Disposals                                 | -                   | -                 | -                        | ( 859)                  | ( 2,221)                 | -                      | -                 | -  | ( 3,080)            |
| Reclassifications                         | 247,272             | 6,755             | 181,463                  | 120,820                 | 20,240                   | 5,973                  | 36,635            | ( 619,158)   | -                   |
| Depreciation                              | -                   | ( 14,815)         | ( 173,497)               | ( 246,322)              | ( 36,242)                | ( 89,546)              | ( 77,818)         | -  | ( 638,240)          |
| Closing net book amount as at December 31 | <u>\$ 2,233,138</u> | <u>\$ 116,001</u> | <u>\$ 2,222,761</u>      | <u>\$ 1,583,715</u>     | <u>\$ 154,722</u>        | <u>\$ 406,974</u>      | <u>\$ 586,426</u> | <u>\$ 1,933,606</u>                                    | <u>\$ 9,237,343</u> |
| <u>At December 31, 2020</u>               |                     |                   |                          |                         |                          |                        |                   |  |                     |
| Cost                                      | \$ 2,233,138        | \$ 172,336        | \$ 3,496,707             | \$ 3,721,622            | \$ 300,909               | \$ 1,014,946           | \$ 989,190        | \$ 1,933,606   | \$ 13,862,454       |
| Accumulated depreciation and impairment   | -                   | ( 56,335)         | ( 1,273,946)             | ( 2,137,907)            | ( 146,187)               | ( 607,972)             | ( 402,764)        | -  | ( 4,625,111)        |
|   | <u>\$ 2,233,138</u> | <u>\$ 116,001</u> | <u>\$ 2,222,761</u>      | <u>\$ 1,583,715</u>     | <u>\$ 154,722</u>        | <u>\$ 406,974</u>      | <u>\$ 586,426</u> | <u>\$ 1,933,606</u>                                    | <u>\$ 9,237,343</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, 2019</u>                 |                     |                   |                          |                         |                          |                        |                   |  |                     |
| Cost                                      | \$ 1,839,181        | \$ 94,578         | \$ 3,025,679             | \$ 3,371,948            | \$ 237,965               | \$ 963,769             | \$ 756,082        | \$ 449,319   | \$ 10,738,521       |
| Accumulated depreciation and impairment   | -                   | ( 32,543)         | ( 1,054,180)             | ( 1,800,496)            | ( 142,858)               | ( 442,666)             | ( 284,382)        | -  | ( 3,757,125)        |
|   | <u>\$ 1,839,181</u> | <u>\$ 62,035</u>  | <u>\$ 1,971,499</u>      | <u>\$ 1,571,452</u>     | <u>\$ 95,107</u>         | <u>\$ 521,103</u>      | <u>\$ 471,700</u> | <u>\$ 449,319</u>                                      | <u>\$ 6,981,396</u> |
| <u>2019</u>                               |                     |                   |                          |                         |                          |                        |                   |  |                     |
| Opening net book amount as at January 1   | \$ 1,839,181        | \$ 62,035         | \$ 1,971,499             | \$ 1,571,452            | \$ 95,107                | \$ 521,103             | \$ 471,700        | \$ 449,319   | \$ 6,981,396        |
| Additions                                 | 14,137              | 34,855            | 111,788                  | 117,668                 | 41,956                   | 10,943                 | 89,369            | 942,073  | 1,362,789           |
| Disposals                                 | -                   | -                 | -                        | -                       | ( 3,931)                 | -                      | -                 | -  | ( 3,931)            |
| Reclassifications                         | 123,318             | 19,742            | 190,930                  | 150,850                 | 5,709                    | 15,226                 | 76,793            | ( 582,568)   | -                   |
| Depreciation                              | -                   | ( 10,549)         | ( 162,257)               | ( 222,312)              | ( 33,060)                | ( 89,968)              | ( 69,485)         | -  | ( 587,631)          |
| Closing net book amount as at December 31 | <u>\$ 1,976,636</u> | <u>\$ 106,083</u> | <u>\$ 2,111,960</u>      | <u>\$ 1,617,658</u>     | <u>\$ 105,781</u>        | <u>\$ 457,304</u>      | <u>\$ 568,377</u> | <u>\$ 808,824</u>                                      | <u>\$ 7,752,623</u> |
| <u>At December 31, 2019</u>               |                     |                   |                          |                         |                          |                        |                   |  |                     |
| Cost                                      | \$ 1,976,636        | \$ 149,175        | \$ 3,257,734             | \$ 3,578,256            | \$ 261,488               | \$ 985,924             | \$ 905,225        | \$ 808,824   | \$ 11,923,262       |
| Accumulated depreciation and impairment   | -                   | ( 43,092)         | ( 1,145,774)             | ( 1,960,598)            | ( 155,707)               | ( 528,620)             | ( 336,848)        | -  | ( 4,170,639)        |
|   | <u>\$ 1,976,636</u> | <u>\$ 106,083</u> | <u>\$ 2,111,960</u>      | <u>\$ 1,617,658</u>     | <u>\$ 105,781</u>        | <u>\$ 457,304</u>      | <u>\$ 568,377</u> | <u>\$ 808,824</u>                                      | <u>\$ 7,752,623</u> |

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

|                     | <u>2020</u> | <u>2019</u> |
|---------------------|-------------|-------------|
| Amount capitalised  | \$ 6,363    | \$ 2,698    |
| Interest rate range | 0.99%~1.13% | 1.12%~1.13% |

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

C. As of December 31, 2020 and 2019, the Company held 131 parcels and 110 parcels of agricultural land, respectively. The carrying amounts of land registered under the title of others amounted to \$752,645 and \$624,803, respectively. The titles of these parcels of land are registered under the title of individuals, however, the Company has agreements with those individuals to pledge these agricultural land to the Company.

(7) Leasing arrangements - lessee

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

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

|  | <u>At December 31, 2020</u> | <u>At December 31, 2019</u> |
|--|-----------------------------|-----------------------------|
|  | <u>Carrying amount</u>      | <u>Carrying amount</u>      |
| Land                                   | \$ 297,860                  | \$ 322,018                  |
| Buildings                              | 9,506                       | 8,702                       |
| Transportation equipment (Cargo Truck) | -                           | 65                          |
| Other equipment                        | 9,623                       | 10,741                      |
|  | <u>\$ 316,989</u>           | <u>\$ 341,526</u>           |

|  | <u>2020</u>                | <u>2019</u>                |
|--|----------------------------|----------------------------|
|  | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Land                                   | \$ 26,321                  | \$ 25,839                  |
| Buildings                              | 6,045                      | 3,996                      |
| Transportation equipment (Cargo Truck) | 65                         | 258                        |
| Other equipment                        | 7,050                      | 5,411                      |
|  | <u>\$ 39,481</u>           | <u>\$ 35,504</u>           |

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$15,070 and \$22,352, respectively.

D. The Company has no significant profit or loss in relation to lease contracts for the years ended December 31, 2020 and 2019.

E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$38,822 and \$48,879, respectively.

(8) Intangible assets

Software

|   | <u>2020</u>   | <u>2019</u>     |
|---|---------------|-----------------|
| <u>At January 1</u>                     |               |                 |
| Cost                                    | \$ 10,474     | \$ 10,474       |
| Accumulated amortisation and impairment | ( 9,882)      | ( 8,910)        |
|   | <u>\$ 592</u> | <u>\$ 1,564</u> |
| <br>                                    |               |                 |
| At January 1                            | \$ 592        | \$ 1,564        |
| Additions                               | 83            | -               |
| Amortisation                            | ( 504)        | ( 972)          |
| At December 31                          | <u>\$ 171</u> | <u>\$ 592</u>   |
| <br>                                    |               |                 |
| <u>At December 31</u>                   |               |                 |
| Cost                                    | \$ 10,557     | \$ 10,474       |
| Accumulated amortisation and impairment | ( 10,386)     | ( 9,882)        |
|   | <u>\$ 171</u> | <u>\$ 592</u>   |

(9) Short-term borrowings

| <u>Type of borrowings</u> | <u>December 31, 2020</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Unsecured borrowings      | \$ 1,930,000             | 0.95%~1.10%                | None              |
| Letters of credit         | 162,716                  | 0.64%~1.16%                | None              |
|                           | <u>\$ 2,092,716</u>      |                            |                   |
| <br>                      |                          |                            |                   |
| <u>Type of borrowings</u> | <u>December 31, 2019</u> | <u>Interest rate range</u> | <u>Collateral</u> |
| Unsecured borrowings      | \$ 2,020,512             | 1.04%~1.21%                | None              |
| Letters of credit         | 49,488                   | 0.74%                      | None              |
|                           | <u>\$ 2,070,000</u>      |                            |                   |

(10) Short-term notes and bills payable

|                             | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------------|--------------------------|--------------------------|
| Commercial paper payable    | \$ 600,000               | \$ 980,000               |
| Less: Unamortised discounts | ( 574)                   | ( 1,341)                 |
|                             | <u>\$ 599,426</u>        | <u>\$ 978,659</u>        |
| Interest rate range         | 0.28%~0.89%              | 0.34%~0.93%              |

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

(11) Long-term borrowings

| <u>Type of borrowings</u>                                    | <u>Borrowing period</u> | <u>Interest rate<br/>range</u> | <u>December 31, 2020</u> |
|--|-------------------------|--------------------------------|--------------------------|
| Secured loans  | 2020.11.12~2030.10.15   | 0.50%~1.00%                    | \$ 900,000               |
| Unsecured credit loans                                       | 2017.9.6~2023.6.30      | 0.79%~1.25%                    | 3,250,000                |
|  |                         |                                | 4,150,000                |
| Less: Current portion (shown as ‘Other current liabilities’) |                         |                                | ( 180,000)               |
|  |                         |                                | <u>\$ 3,970,000</u>      |

| <u>Type of borrowings</u>                                    | <u>Borrowing period</u> | <u>Interest rate<br/>range</u> | <u>December 31, 2019</u> |
|--|-------------------------|--------------------------------|--------------------------|
| Secured loans  | 2019.11.15~2021.11.15   | 1.42%                          | \$ 375,000               |
| Unsecured credit loans                                       | 2017.9.6~2022.10.27     | 1.03%~1.50%                    | 2,935,000                |
|  |                         |                                | 3,310,000                |
| Less: Current portion (shown as ‘Other current liabilities’) |                         |                                | ( 580,000)               |
|  |                         |                                | <u>\$ 2,730,000</u>      |

Information on collaterals pledged for long-term borrowings is provided in Note 8.

(12) Pensions

A. Defined benefit plans

- (a) The Company has defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit plans, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to specific percentage of the employees’ monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the

pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

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

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | (\$ 420,022)             | (\$ 436,190)             |
| Fair value of plan assets                    | <u>279,885</u>           | <u>293,788</u>           |
| Net defined benefit liability                | ( 140,137)               | ( 142,402)               |
| Ending accrued pension fund                  | <u>-</u>                 | <u>-</u>                 |
| Net liabilities in the balance sheet         | <u>(\$ 140,137)</u>      | <u>(\$ 142,402)</u>      |

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

|   | <u>Present value<br/>of defined<br/>benefit obligations</u> | <u>Fair value of<br/>plan assets</u> | <u>Net defined<br/>benefit liability</u> |
|---|---|--------------------------------------|--|
| <u>2020</u>   |   |                                      |  |
| Balance at January 1  | (\$ 436,190)  | \$ 293,788                           | (\$ 142,402)                             |
| Current service cost  | ( 2,502)  | -                                    | ( 2,502)                                 |
| Interest (expense) income   | <u>( 2,741)</u>   | <u>1,871</u>                         | <u>( 870)</u>                            |
|   | <u>( 441,433)</u>   | <u>295,659</u>                       | <u>( 145,774)</u>                        |
| Remeasurements:   |   |                                      |  |
| Return on plan assets<br>(excluding amounts<br>included in interest income<br>or expense) | -   | 9,801                                | 9,801                                    |
| Change in demographic<br>assumptions  | ( 60)   | -                                    | ( 60)                                    |
| Change in financial<br>assumptions  | ( 11,433)   | -                                    | ( 11,433)                                |
| Experience adjustments  | <u>( 14,848)</u>  | <u>-</u>                             | <u>( 14,848)</u>                         |
|   | <u>( 26,341)</u>  | <u>9,801</u>                         | <u>( 16,540)</u>                         |
| Pension fund contribution   | -   | 22,177                               | 22,177                                   |
| Paid pension  | <u>47,752</u>   | <u>( 47,752)</u>                     | <u>-</u>                                 |
| Balance at December 31  | <u>(\$ 420,022)</u>   | <u>\$ 279,885</u>                    | <u>(\$ 140,137)</u>                      |

|   | <u>Present value<br/>of defined<br/>benefit obligations</u> | <u>Fair value of<br/>plan assets</u> | <u>Net defined<br/>benefit liability</u> |
|---|---|--------------------------------------|--|
| <u>2019</u>   |   |                                      |  |
| Balance at January 1  | (\$ 442,929)  | \$ 279,957                           | (\$ 162,972)                             |
| Current service cost  | ( 3,335)  | -                                    | ( 3,335)                                 |
| Interest (expense) income   | ( 3,256)  | 2,097                                | ( 1,159)                                 |
|   | <u>( 449,520)</u>   | <u>282,054</u>                       | <u>( 167,466)</u>                        |
| Remeasurements:   |   |                                      |  |
| Return on plan assets<br>(excluding amounts included<br>in interest income or<br>expense) | -   | 10,773                               | 10,773                                   |
| Change in demographic<br>assumptions  | ( 147)  | -                                    | ( 147)                                   |
| Change in financial<br>assumptions  | ( 3,538)  | -                                    | ( 3,538)                                 |
| Experience adjustments  | ( 4,527)  | -                                    | ( 4,527)                                 |
|   | <u>( 8,212)</u>   | <u>10,773</u>                        | <u>2,561</u>                             |
| Pension fund contribution   | -   | 22,503                               | 22,503                                   |
| Paid pension  | 21,542  | ( 21,542)                            | -  |
| Balance at December 31  | <u>(\$ 436,190)</u>   | <u>\$ 293,788</u>                    | <u>(\$ 142,402)</u>                      |

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labour Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

|                         | <u>2020</u> | <u>2019</u> |
|-------------------------|-------------|-------------|
| Discount rate           | 0.30%       | 0.65%       |
| Future salary increases | 2.00%       | 2.00%       |

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

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

|   | <u>Discount rate</u> |                    | <u>Future salary increases</u> |                      |
|---|----------------------|--------------------|--------------------------------|----------------------|
|   | <u>Increase 1%</u>   | <u>Decrease 1%</u> | <u>Increase 1%</u>             | <u>Decrease 1%</u>   |
| <u>2020</u>   |                      |                    |                                |                      |
| Effect on present value of defined benefit obligation | ( <u>\$ 31,398</u> ) | <u>\$ 35,627</u>   | <u>\$ 34,633</u>               | ( <u>\$ 31,194</u> ) |
| <u>2019</u>   |                      |                    |                                |                      |
| Effect on present value of defined benefit obligation | ( <u>\$ 33,433</u> ) | <u>\$ 38,081</u>   | <u>\$ 37,155</u>               | ( <u>\$ 33,325</u> ) |

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

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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amount to \$16,627.

(h) As of December 31, 2020, the weighted average duration of the retirement plan is 7 years.

#### B. Defined contribution plans

Effective July 1, 2005, the Company has established defined contribution pension plans (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs for the aforementioned defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were \$44,052 and \$39,740, respectively.

(13) Share capital - common stocks

As of December 31, 2020, the Company's authorised capital was \$3,579,000, consisting of 357,900 thousand shares of common stock, and the paid-in capital was \$2,679,910, consisting of 267,991 thousand shares of common stock with a par value of \$10 (in dollars) per share. All proceeds from shares issuance have been collected. For the years ended December 31, 2020 and 2019, there are no changes in the number of the Company's ordinary shares outstanding.

(14) Capital surplus

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

(15) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. A special reserve is set aside or reversed in accordance with related laws or regulations by the 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 2019 and 2018 have been resolved at the shareholders' meetings on June 23, 2020 and June 26, 2019, respectively, as follows:

|                | 2019       |  | 2018      |  |
|----------------|------------|--|-----------|--|
|                | Amount     | Dividends<br>per share<br>(in dollars) | Amount    | Dividends<br>per share<br>(in dollars) |
| Legal reserve  | \$ 146,471 |  | \$ 95,073 |  |
| Cash dividends | 1,071,964  | \$ 4                                   | 803,973   | \$ 3                                   |

The effective dates for the above distribution of cash dividends were July 5, 2020 and July 21, 2019, respectively.

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

(16) Operating revenue

|                                       | 2020          | 2019          |
|---------------------------------------|---------------|---------------|
| Revenue from contracts with customers | \$ 21,160,706 | \$ 20,173,520 |

Disaggregation of revenue from contracts with customers

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

(17) 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.

|                                | 2020      | 2019        |
|--------------------------------|-----------|-------------|
| Other income and expenses, net | \$ 26,843 | (\$ 12,411) |

(18) Interest income

|                 | 2020   | 2019   |
|-----------------|--------|--------|
| Interest income | \$ 287 | \$ 255 |

(19) Other income

|               | 2020     | 2019     |
|---------------|----------|----------|
| Rental income | \$ 8,378 | \$ 6,874 |

(20) Other gains and losses

|   | <u>2020</u>      | <u>2019</u>        |
|---|------------------|--------------------|
| Net foreign exchange gains                        | \$ 23,531        | \$ 9,573           |
| Gain on disposal of property, plant and equipment | 12,535           | 4,241              |
| Miscellaneous (disbursement) income               | 42,806           | (32,733)           |
|   | <u>\$ 78,872</u> | <u>(\$ 18,919)</u> |

(21) Finance costs

|                  | <u>2020</u> | <u>2019</u> |
|------------------|-------------|-------------|
| Interest expense | \$ 68,827   | \$ 74,605   |

(22) Expenses by nature

|                                     | <u>2020</u>    |                    |              | <u>2019</u>    |                    |              |
|-------------------------------------|----------------|--------------------|--------------|----------------|--------------------|--------------|
|                                     | Operating cost | Operating expenses | Total        | Operating cost | Operating expenses | Total        |
| Employee benefit expense            |                |                    |              |                |                    |              |
| Wages and salaries                  | \$ 1,058,411   | \$ 551,220         | \$ 1,609,631 | \$ 973,504     | \$ 490,583         | \$ 1,464,087 |
| Labor and health insurance          | 104,862        | 34,867             | 139,729      | 93,066         | 33,310             | 126,376      |
| Pension costs                       | 30,102         | 17,322             | 47,424       | 27,282         | 16,952             | 44,234       |
| Directors' remuneration             | -              | 37,343             | 37,343       | -              | 37,230             | 37,230       |
| Other personnel expenses (Note)     | 62,118         | 7,162              | 69,280       | 52,399         | 8,435              | 60,834       |
| Depreciation on fixed assets        | 590,238        | 48,002             | 638,240      | 550,651        | 36,980             | 587,631      |
| Depreciation on right-of-use assets | 33,161         | 6,320              | 39,481       | 30,960         | 4,544              | 35,504       |
| Amortisation                        | 3,461          | 624                | 4,085        | 3,152          | 1,059              | 4,211        |

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

- A. As of December 31, 2020 and 2019, the Company had 2,229 and 2,122 employees, respectively, and had 5 directors for both years.
- B. For the years ended December 31, 2020 and 2019, the average employee benefits were \$839 and \$801, and the average salary expenses were \$724 and \$692, respectively. The change in adjustment on average salary expenses was 4.62%.
- C. 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.
- D. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$20,711 and \$17,365, respectively. The aforementioned amounts were recognised in wages and salaries expense.

For the year ended December 31, 2020, 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 2019, the difference of \$278 between employees' compensation of \$17,643 resolved by the Board of Directors and the amount of \$17,365 recognised in the 2019 financial statements, mainly resulting from a variance in estimation, was adjusted in profit or loss for 2020. The employees' compensation in 2019 has not yet been distributed, so the adjustment of the variance was not yet reflected in the financial statements of the Company.

- E. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- F. The Company sets up the audit committee and therefore had no supervisors' remuneration for the years ended December 31, 2020 and 2019.
- G. The Company's overall salary is positioned above the market levels to cultivate and attract outstanding talents. The Company takes into consideration of its operating situation and refers to the Consumer Price Index, economic growth rate, national income, and market and industry salary levels to ensure a highly competitive salary structure to motivate and retain high performance talents. In addition to strictly complying with the Labor Standards Act of the local government, the Company also pays attention to the correlation and design rationalisation between the Company's operating performance and employees' salaries.

Directors' remuneration is determined by the Board of Directors based on the pay levels of listed companies in the same industry and their contribution. Independent directors' remuneration is determined based on the market pay levels. Managers' salaries are highly correlated with the Company's operating results and performance, and managers' compensation and bonuses are determined based on their performance indicators every year.

Employees' compensation includes monthly salaries and bonuses. Employees' salary standards are determined based on their positions, education and work experience, professional expertise and market value. The base salaries and bonuses are determined in compliance with the Act of Gender Equality in Employment and are not different due to gender, religion, political stance and marital status, etc. The annual budget for salary adjustment is approximately 2% or more (depending on the Company's operating results and performance) and the salaries are adjusted to be in line with the market levels and based on the principle of fairness. The employees' bonuses are determined based on their positions and performance as encouragement. The vision is for employees to work as a team with the Company for mutual benefits and common prosperity to operate the business as a going concern.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| Current tax:                                      |                   |                   |
| Current tax on profits for the year               | \$ 381,691        | \$ 284,144        |
| Tax on undistributed surplus earnings             | 12,314            | 2,696             |
| Prior year income tax overestimation              | ( 1,055)          | -                 |
| Total current tax                                 | <u>392,950</u>    | <u>286,840</u>    |
| Deferred tax:                                     |                   |                   |
| Origination and reversal of temporary differences | 16,499            | ( 9,542)          |
| Total deferred tax                                | <u>16,499</u>     | <u>( 9,542)</u>   |
| Income tax expense                                | <u>\$ 409,449</u> | <u>\$ 277,298</u> |

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

|  | <u>2020</u>     | <u>2019</u>   |
|--|-----------------|---------------|
| Remeasurement of defined benefit obligations | <u>\$ 3,308</u> | <u>\$ 512</u> |

B. Reconciliation between income tax expense and accounting profit

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| Tax calculated based on profit before tax and statutory tax rate | \$ 413,306        | \$ 348,245        |
| Expenses disallowed by tax regulation                            | 354               | 320               |
| Tax exempt income by tax regulation                              | ( 29,812)         | ( 73,963)         |
| Change in assessment of realisation of deferred tax assets       | 1,094             | -                 |
| Prior year income tax overestimation                             | ( 1,055)          | -                 |
| Tax on undistributed surplus earnings                            | 12,314            | 2,696             |
| Separate taxation (Repatriated Offshore Funds)                   | 13,248            | -                 |
| Income tax expense   | <u>\$ 409,449</u> | <u>\$ 277,298</u> |

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

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Temporary differences:  |                          |                          |
| Accrued sales discounts   | \$ 17,731                | \$ 17,030                |
| Provision for loss on spare parts   | 3,567                    | 3,131                    |
| Pension expense in excess of the limit for tax purpose                                | 28,027                   | 28,480                   |
| Unrealised (gain) loss on inventory valuation and changes in fair value of biological | ( 8,793)                 | 7,175                    |
| Unrealised foreign investment income  | ( 7,073)                 | ( 17,015)                |
| Unrealised exchange loss  | ( 41)                    | ( 149)                   |
| Others  | ( 32)                    | 7,925                    |
|   | <u>\$ 33,386</u>         | <u>\$ 46,577</u>         |
|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Deferred tax assets   | \$ 52,208                | \$ 67,664                |
| Deferred tax liabilities  | ( 18,822)                | ( 21,087)                |
|   | <u>\$ 33,386</u>         | <u>\$ 46,577</u>         |

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

|   | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Recognised in profit or loss                    | (\$ 16,499) | \$ 9,542    |
| Recognised in other comprehensive income (loss) | \$ 3,308    | (\$ 512)    |

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.



(25) Supplemental cash flow information

Investing activities with partial cash payment are as follows:

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Acquisition of property, plant and equipment | \$ 2,126,040        | \$ 1,362,789        |
| Add: Opening balance of payable on equipment | 34,582              | 60,371              |
| Less: Ending balance of payable on equipment | ( 50,220)           | ( 34,582)           |
| Cash paid during the year                    | <u>\$ 2,110,402</u> | <u>\$ 1,388,578</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.

(2) Names of related parties and relationship

| <u>Names of related parties</u>               | <u>Relationship with the Company</u> |
|---|--------------------------------------|
| Charoen Pokphand Foods Public Co., Ltd. (CPF) | Ultimate parent company              |
| Charoen Pokphand (Taiwan) Corp., Ltd.         | Subsidiaries                         |
| Arbor Acres Taiwan Co., Ltd.                  | "                                    |
| Rui Mu Foods Co., Ltd.                        | "                                    |
| Rui Fu Foods Co., Ltd. and its subsidiaries   | "                                    |
| Charoen Pokphand Group Co., Ltd. (CPG)        | Other related parties                |
| C.P. Merchandising Company Limited            | "                                    |
| Ta Chung Investment Co., Ltd.                 | "                                    |
| Chun Ta Investment Co., Ltd.                  | "                                    |
| Perfect Companion (Taiwan) Co., Ltd.          | "                                    |

(3) Significant related party transactions and balances

A. Operating revenue

|                 | <u>2020</u>       | <u>2019</u>       |
|-----------------|-------------------|-------------------|
| Sales of goods: |                   |                   |
| Subsidiaries    | <u>\$ 263,813</u> | <u>\$ 288,329</u> |

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

## B. Purchases

|                         | <u>2020</u>       | <u>2019</u>       |
|-------------------------|-------------------|-------------------|
| Purchases of goods:     |                   |                   |
| Ultimate parent company | \$ 35,150         | \$ 32,716         |
| Subsidiaries            | 139,112           | 89,087            |
| Other related parties   | <u>10,577</u>     | <u>16,942</u>     |
|                         | <u>\$ 184,839</u> | <u>\$ 138,745</u> |

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

## C. Receivables from related parties

|                      | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|----------------------|--------------------------|--------------------------|
| Accounts receivable: |                          |                          |
| Subsidiaries         | <u>\$ 29,548</u>         | <u>\$ 26,496</u>         |

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

## D. Payables to related parties

|                             | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------------|--------------------------|--------------------------|
| Notes and accounts payable: |                          |                          |
| Subsidiaries                | \$ 10,354                | \$ 12,980                |
| Other related parties       | <u>-</u>                 | <u>3,218</u>             |
|                             | <u>\$ 10,354</u>         | <u>\$ 16,198</u>         |

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

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

| <u>Lessee</u>         | <u>2020</u>     | <u>2019</u>     |
|-----------------------|-----------------|-----------------|
| Subsidiaries          | \$ 1,800        | \$ 1,771        |
| Other related parties | <u>86</u>       | <u>86</u>       |
|                       | <u>\$ 1,886</u> | <u>\$ 1,857</u> |

The rental receivables are collected annually based on the contracts.

## F. Technical service agreement

- (a) The Company signed a technical service agreement with CPG since 1996. CPG helps the Company to manufacture feeds, raise animals and to process meat products, and the Company pays compensation of THB12 million (net value) for the services annually. The commitment

would not be terminated except when any of the two parties would agree to end the agreement. For the years ended December 31, 2020 and 2019, the Company recognised technical service expenses amounting to \$13,001 and \$14,563, respectively. As of December 31, 2020 and 2019, the outstanding balance were approximately \$55 and \$627, respectively.

- (b) The Company signed a technical service agreement with CPG at the end of 2015. CPG helps the Company to raise animals and provides consulting services of related technical skills, and the Company pays compensation of \$700 for the services monthly. The contract is effective for 5 years. For the years ended December 31, 2020 and 2019, the Company recognised technical service expense amounting to \$8,400 for both years. As of December 31, 2020 and 2019, the outstanding balance were \$700 and \$2,100, respectively.

#### G. Trademark licensing agreement

The Company signed a trademark license agreement with CPG at the end of 2015. The contract authorises the Company to use ‘CP’ as trademark in the designated area (Republic of China). Royalties are paid monthly based on 1.5% of the net amount of sales. The contract is effective for 5 years. For the years ended December 31, 2020 and 2019, the Company recognised royalties amounting to \$79,529 and \$77,909, respectively. As of December 31, 2020 and 2019, the outstanding balance were \$6,593 and \$20,023, respectively.

#### (4) Key management compensation

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| Salaries and other short-term employee benefits | \$ 190,533        | \$ 165,892        |
| Post-employment benefits                        | 1,595             | 1,556             |
| Total   | <u>\$ 192,128</u> | <u>\$ 167,448</u> |

#### 8. PLEDGED ASSETS

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

| Pledged assets                                     | Book value           |                      | Purpose              |
|--|----------------------|----------------------|----------------------|
|  | December 31,<br>2020 | December 31,<br>2019 |                      |
| Time deposits - shown as<br>‘Other current assets’ | \$ 8,200             | \$ 7,700             | Guarantee deposit    |
| Land   | 862,987              | 51,785               | Long-term borrowings |
| Buildings and structures                           | -                    | 186,735              | Long-term borrowings |
| Construction in progress                           | 602,961              | -                    | Long-term borrowings |
|  | <u>\$ 1,474,148</u>  | <u>\$ 246,220</u>    |                      |

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Other than those stated in Notes 7, the significant commitments and contingent liabilities of the Company were as follows:

- (1) As of December 31, 2020 and 2019, the Company had opened unused letters of credit for purchases of raw materials and machinery of \$504,107 and \$516,177, respectively.
- (2) As of December 31, 2020 and 2019, the Company had several outstanding construction contracts and equipment purchase agreements. The balance outstanding amounted to \$1,005,503 and \$637,771, respectively, and will be paid on the basis of percentage of completion.
- (3) The Company subsequently invested to establish chicken farms in Hualien county starting from 2018, and had submitted an application to the Hualien County Government for approval based on the Company's building and feeding project. However, the Hualien County Government issued a letter on July 10, 2020 to terminate the Company's application for the building of farming facilities on agricultural land without taking into consideration the measures and goodwill that the Company took in order to reach consensus with local residents and resolve controversy. The Company has appointed lawyers and filed an appeal as administrative remedy. For the administrative appeal filed against the administrative action concerning the revocation of the permission letter to use the land in dispute, the Council of Agriculture of Executive Yuan revoked the aforesaid administrative action in accordance with the Appeal Resolution Letter Order No. Nong-Su-Zi-1090727273, dated January 12, 2021. As of December 31, 2020, the related costs incurred by the Company amounted to \$71,112, excluding the cost of land.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 9(3) for details.

## 12. OTHERS

### (1) Capital risk management

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

(2) Financial risk of financial instruments

A. Financial instruments by category

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| <u>Financial assets</u>                                    |                          |                          |
| Financial assets at amortised cost / Loans and receivables |                          |                          |
| Cash and cash equivalents                                  | \$ 61,011                | \$ 86,377                |
| Notes receivable   | 264,934                  | 301,121                  |
| Accounts receivable (including related parties)            | 1,729,861                | 1,738,966                |
| Other accounts receivable (including related parties)      | 12,081                   | 7,136                    |
| Refundable deposits  | 47,216                   | 41,944                   |
| Other financial assets                                     | 47,934                   | 7,700                    |
|  | <u>\$ 2,163,037</u>      | <u>\$ 2,183,244</u>      |
| <u>Financial liabilities</u>                               |                          |                          |
| Short-term borrowings                                      | \$ 2,092,716             | \$ 2,070,000             |
| Short-term notes and bills payable                         | 599,426                  | 978,659                  |
| Notes payable (including related parties)                  | 541,504                  | 456,761                  |
| Accounts payable (including related parties)               | 701,931                  | 656,774                  |
| Other accounts payable (including related parties)         | 676,724                  | 679,443                  |
| Long-term borrowings (including current portion)           | 4,150,000                | 3,310,000                |
|  | <u>\$ 8,762,301</u>      | <u>\$ 8,151,637</u>      |
| Lease liability  | <u>\$ 304,317</u>        | <u>\$ 328,198</u>        |

B. Financial risk management policies

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

C. Financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

|   | December 31, 2020                            |               |                     |
|---|--|---------------|---------------------|
|   | Foreign currency<br>amount<br>(in thousands) | Exchange rate | Book value<br>(NTD) |
| (Foreign currency :<br>functional currency) |  |               |                     |
| <u>Financial assets</u>                     |  |               |                     |
| <u>Monetary items</u>                       |  |               |                     |
| USD:NTD                                     | USD  | 7             | 28.43 \$ 220        |
| <u>Non-monetary item</u>                    |  |               |                     |
| HKD:NTD                                     | HKD  | 559,667       | 3.62 2,027,906      |
| <u>Financial liabilities</u>                |  |               |                     |
| <u>Monetary items</u>                       |  |               |                     |
| USD:NTD                                     | USD  | 7,163         | 28.53 \$ 204,346    |

|   | December 31, 2019                         |               |                     |
|---|---|---------------|---------------------|
|   | Foreign currency amount<br>(in thousands) | Exchange rate | Book value<br>(NTD) |
| (Foreign currency :<br>functional currency) |   |               |                     |
| <u>Financial assets</u>                     |   |               |                     |
| <u>Monetary items</u>                       |   |               |                     |
| USD:NTD                                     | USD 129                                   | 29.93         | \$ 3,870            |
| <u>Non-monetary item</u>                    |   |               |                     |
| HKD:NTD                                     | HKD 616,868                               | 3.84          | 2,368,685           |
| <u>Financial liabilities</u>                |   |               |                     |
| <u>Monetary items</u>                       |   |               |                     |
| USD:NTD                                     | USD 1,957                                 | 30.03         | \$ 58,769           |
| EUR:NTD                                     | EUR 46                                    | 33.79         | 1,555               |

v. Total exchange gain, including realised and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to \$23,531 and \$9,573, respectively.

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

|   | 2020                 |                          |                                      |
|---|----------------------|--------------------------|--------------------------------------|
|   | Sensitivity analysis |                          |                                      |
|   | Degree of variation  | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency :<br>functional currency) |                      |                          |                                      |
| <u>Financial assets</u>                     |                      |                          |                                      |
| <u>Monetary item</u>                        |                      |                          |                                      |
| USD : NTD                                   | 1%                   | \$ -                     | \$ -                                 |
| <u>Non-monetary item</u>                    |                      |                          |                                      |
| HKD : NTD                                   | 1%                   | -                        | 20,279                               |
| <u>Financial liabilities</u>                |                      |                          |                                      |
| <u>Monetary items</u>                       |                      |                          |                                      |
| USD : NTD                                   | 1%                   | (\$ 2,043)               | \$ -                                 |

|  | 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 item</u>                     |                      |                          |                                      |
| USD : NTD                                | 1%                   | \$ 39                    | \$ -                                 |
| <u>Non-monetary item</u>                 |                      |                          |                                      |
| HKD : NTD                                | 1%                   | -                        | 23,687                               |
| <u>Financial liabilities</u>             |                      |                          |                                      |
| <u>Monetary items</u>                    |                      |                          |                                      |
| USD : NTD                                | 1%                   | (\$ 588)                 | \$ -                                 |
| EUR : NTD                                | 1%                   | ( 16)                    | -                                    |

#### Price risk

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

#### Cash flow and fair value interest rate risk

- i. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the years ended December 31, 2020 and 2019, the Company's borrowings at variable rate were denominated in NTD.
- ii. The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios run only for liabilities that represent the major interest-bearing positions.
- iii. For the years ended December 31, 2020 and 2019, if interest rates on NTD-denominated borrowings at that date had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019, would have been \$33,200 and \$26,480 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is the contract cash flows when counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages its credit risk taking into consideration the entire company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. Based on the Company'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 Company should strengthen controls and make follow-up procedures.
- iv. The Company pays attention on specific customers whose payments were past due to confirm the debts and recognises the allowance for bad debts when there is a concern about default based on the assessment of customers' credit risk.
- v. The Company classifies customers' accounts receivable in accordance with customer types. The Company applies the simplified approach using loss rate methodology to estimate expected credit loss impairment under the provision matrix basis.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. As of December 31, 2020 and 2019, the Company's written-off financial assets that are still under recourse procedures amounted to \$720 and \$1,283, respectively.
- vii. (i) The expected loss rate for well-reputed customers is 0.03%. As of December 31, 2020 and 2019, the total book value of accounts receivable and loss allowance amounted to \$696,006 and \$0, and \$696,694 and \$0, respectively.  
  
(ii) The Company used the forecastability of the global economy to adjust historical and timely information to assess the default possibility of accounts receivable in accordance with customers' credit. As of December 31, 2020 and 2019, the expected loss rate is as follows:

|                          | <u>Group A</u> | <u>Group B</u> | <u>Total</u> |
|--------------------------|----------------|----------------|--------------|
| <u>December 31, 2020</u> |                |                |              |
| Expected loss rate       | 0%~100%        | 0.003%~10%     |              |
| Total book value         | \$ 20,492      | \$ 1,019,690   | \$ 1,040,182 |
| Loss allowance           | 6,326          | -              | 6,326        |
| <u>December 31, 2019</u> |                |                |              |
| Expected loss rate       | 0%~100%        | 0.003%~10%     |              |
| Total book value         | \$ 23,065      | \$ 1,020,863   | \$ 1,043,928 |
| Loss allowance           | 1,656          | -              | 1,656        |

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

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

|   | <u>2020</u>   | <u>2019</u>   |
|---|---|---|
|   | Notes and accounts<br>receivable (including<br>related parties) | Notes and accounts<br>receivable (including<br>related parties) |
| At January 1                                | \$ 1,656  | \$ 2,329  |
| Provision for (Reversal of) impairment loss | 4,670   | ( 20)   |
| Write-offs                                  | -   | ( 653)  |
| At December 31                              | <u>\$ 6,326</u>   | <u>\$ 1,656</u>   |

The provision for (reversal of) impairment loss arising from customers' contracts for the years ended December 31, 2020 and 2019 amounted to \$4,670 and (\$20), respectively.

(c) Liquidity risk

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

Non-derivative financial liabilities

| December 31, 2020                                   | <u>Less than 1 year</u> | <u>Between 1 and<br/>5 years</u> | <u>Over 5 years</u> |
|---|-------------------------|----------------------------------|---------------------|
| Short-term borrowings                               | \$ 2,092,716            | \$ -                             | \$ -                |
| Short-term notes and bills payable                  | 600,000                 | -                                | -                   |
| Notes payable<br>(including related parties)        | 541,504                 | -                                | -                   |
| Accounts payable<br>(including related parties)     | 701,931                 | -                                | -                   |
| Other payables<br>(including related parties)       | 676,724                 | -                                | -                   |
| Lease liabilities                                   | 22,024                  | 121,044                          | 187,744             |
| Long-term borrowings<br>(including current portion) | 220,186                 | 3,751,188                        | 266,847             |

Non-derivative financial liabilities

| December 31, 2019                                   | <u>Less than 1 year</u> | <u>Between 1 and<br/>5 years</u> | <u>Over 5 years</u> |
|---|-------------------------|----------------------------------|---------------------|
| Short-term borrowings                               | \$ 2,070,000            | \$ -                             | \$ -                |
| Short-term notes and bills payable                  | 980,000                 | -                                | -                   |
| Notes payable (including related<br>parties)        | 456,761                 | -                                | -                   |
| Accounts payable<br>(including related parties)     | 656,774                 | -                                | -                   |
| Other payables<br>(including related parties)       | 679,443                 | -                                | -                   |
| Lease liabilities                                   | 22,418                  | 121,815                          | 214,777             |
| Long-term borrowings<br>(including current portion) | 620,131                 | 2,757,687                        | -                   |

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

(3) Fair value information

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

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

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

Company's investment in listed stocks is included in Level 1.

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

Level 3: Unobservable inputs for the asset or liability.

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

| <u>December 31, 2020</u>                 | <u>Level 1</u> | <u>Level 2</u>    | <u>Level 3</u> | <u>Total</u>      |
|--|----------------|-------------------|----------------|-------------------|
| Assets                                   |                |                   |                |                   |
| <u>Recurring fair value measurements</u> |                |                   |                |                   |
| Biological assets                        | <u>\$ -</u>    | <u>\$ 828,736</u> | <u>\$ -</u>    | <u>\$ 828,736</u> |
| <br>                                     |                |                   |                |                   |
| <u>December 31, 2019</u>                 | <u>Level 1</u> | <u>Level 2</u>    | <u>Level 3</u> | <u>Total</u>      |
| Assets                                   |                |                   |                |                   |
| <u>Recurring fair value measurements</u> |                |                   |                |                   |
| Biological assets                        | <u>\$ -</u>    | <u>\$ 755,525</u> | <u>\$ -</u>    | <u>\$ 755,525</u> |

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

- (a) The instruments the Company used quoted market prices as their fair values (that is, Level 1) are listed stocks, whose quoted market prices are based on the closing prices and which are classified as available-for-sale financial assets.
  - (b) The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.
  - (c) Details of methods for measuring Level 2 - Biological assets are provided in Note 6(5).
- E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

### 13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others during the year ended December 31, 2020: None.
- C. Holding of marketable securities at December 31, 2020 (not including subsidiaries, associates and joint ventures):

| Securities held by                   | Marketable securities |   | Relationship with the securities issuer | General ledger account  | As of December 31, 2020 |            |           |                     | Footnote |
|--------------------------------------|-----------------------|---|---|---|-------------------------|------------|-----------|---------------------|----------|
|                                      | Types                 | Name  |   |   | Number of shares        | Book value | Ownership | Fair value (Note 1) |          |
| Plenty Type Limited (Cayman Islands) | Common share          | CHAROEN POKPHAND (USA), INC.                  | None                                    | Financial assets at fair value through profit or loss             | 4,501,000               | \$ -       | 0.02%     | \$ -                |          |
| Plenty Type Limited (Cayman Islands) | Common share          | CHAROEN POKPHAND FOODS PUBLIC COMPANY LIMITED | (Note 2)                                | Financial assets at fair value through other comprehensive income | 76,800,000              | 1,925,872  | 0.89%     | 1,925,872           |          |

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

- (1) Where there is a quoted market price, the fair value is based on the closing price at the balance sheet date, the fair value of open-end funds is based on the net asset value at the balance sheet date.
- (2) Where there is no quoted market price, this column is filled in with the book value per share for stocks or left blank for other instruments.

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

- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300,000 or 20% of the Company's paid-in capital during the year ended December 31, 2020: None.
- E. Acquisition of real estate reaching NT\$300,000 or 20% of paid-in capital or more during the year ended December 31, 2020: None.
- F. Disposal of real estate reaching NT\$300,000 or 20% of paid-in capital or more during the year ended December 31, 2020: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100,000 or 20% of paid-in capital or more during the year ended December 31, 2020: None.
- H. Receivables from related parties reaching NT\$100,000 or 20% of paid-in capital or more as at December 31, 2020: None.
- I. Trading in derivative instruments undertaken during the year ended December 31, 2020: None
- J. Significant inter-company transactions during the year ended December 31, 2020:

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

(2) Information on investees

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

| Investor                             | Investee                              | Location       | Main business activities  | Initial investment amount       |                                 | Shares held as of December 31, 2020 |               |              |            | Net profit of the investee | Investment income recognised by the Company                   | Footnote |
|--------------------------------------|---------------------------------------|----------------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|--------------|------------|----------------------------|---|----------|
|                                      |                                       |                |   | Balance as of December 31, 2020 | Balance as of December 31, 2019 | Number of shares                    | Ownership (%) | Book value   |            |                            |   |          |
| The Company                          | Plenty Type Limited (Cayman Islands)  | Cayman Islands | Management of producing and non-producing business investments                | \$ 620,471                      | \$ 720,448                      | 81,218,564                          | 100.00        | \$ 2,027,906 | \$ 116,048 | \$ 116,048                 | Subsidiary (Note 1)   |          |
| The Company                          | Charoen Pokphand (Taiwan) Corp., Ltd. | Taiwan         | Management of importing and exporting businesses                              | 20,086                          | 20,086                          | 2,443,716                           | 90.00         | 40,862       | 13,299     | 11,970                     | 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                           | 50.00         | 90,660       | 45,037     | 22,519                     | Subsidiary  |          |
| The Company                          | Rui Mu Foods Co., Ltd.                | Taiwan         | Husbandry management of layers and related business                           | 193,860                         | 93,860                          | 20,400,000                          | 68.00         | 184,136      | ( 40,144)  | ( 26,326)                  | Subsidiary  |          |
| The Company                          | Rui Fu Foods Co., Ltd.                | Taiwan         | Husbandry management of layers and related business                           | 255,000                         | 153,000                         | 25,500,000                          | 51.00         | 218,711      | ( 48,898)  | ( 24,938)                  | Subsidiary (Note 1)   |          |
| The Company                          | Feng Sheng Livestock Co., Ltd.        | Taiwan         | Electric livestock slaughter  | 100,000                         | -                               | 10,000,000                          | 50.00         | 99,880       | ( 240)     | ( 120)                     | Investment accounted for using equity method - joint ventures |          |
| 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         | 4,169        | 81,775     | -                          | Indirectly owned subsidiary (Note 2)                          |          |
| Rui Fu Foods Co., Ltd.               | Sheng Da Foods Co., Ltd.              | Taiwan         | Husbandry management of layers and related business                           | 60,000                          | 60,000                          | 6,000,000                           | 60.00         | 54,770       | ( 8,561)   | -                          | Indirectly owned subsidiary (Note 2)                          |          |

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

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

(3) Information on investments in Mainland China

A. Basic information:

| Investee in Mainland China                               | Main business activities                                | Paid-in Capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of | Amount remitted from /remitted back to Taiwan during the period |                         | Accumulated amount of remittance from Taiwan to Mainland China as of | Net income of the investee | Ownership held by the Company (direct or indirect) | Investment income recognised by the company (Note 2) | Book value of investment as of December 31, 2020 | Accumulated amount of investment income remitted back to Taiwan as of | Footnote      |
|--|---|-----------------|----------------------------|--|---|-------------------------|--|----------------------------|--|--|--|---|---------------|
|  |   |                 |                            | January 1, 2020  | Remitted to Mainland China                                      | Remitted back to Taiwan | December 31, 2020  |                            |  |  |  | December 31, 2020   |               |
| Lianyungang Chia Tai Agro-industry Development Co., Ltd. | Feeds producing, poultry raising, processing and sales. | \$ 142,846      | 2                          | \$ 121,567   | \$ -  | \$ 121,567              | \$ -   | (\$ 2,250)                 | -  | (\$ 1,575)   | \$ -   | \$ -  | Notes 4 and 5 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (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  | \$ -  | \$ -   | \$ 4,982,992  |

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

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company (Chia Tai Lianyungang Co., Ltd.) in the third area, which then invested in the investee in Mainland China.

(3) Others.

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

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

Note 4: The paid-in capital was US\$5,400 thousand, which was translated into New Taiwan dollars based on the historical exchange rates and the accumulated amount of remittance from Taiwan to Mainland China as of January 1 and December 31, 2020 were both US\$4,276 thousand. As of December 31, 2020, all the accumulated amount of remittance from Taiwan have been collected. The amounts in the table are translated into New Taiwan dollars at the spot exchange rates prevailing at December 31, 2020.

Note 5: The Company has applied for revoking the investment in Lianyungang Chia Tai Agro-industry Development Co., Ltd. to the Investment Commission of the Ministry of Economic Affairs (MOEA) on April 9, 2020 and has obtained approval on May 20, 2020.

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

(4) Major shareholders information

| <u>Name of major shareholders</u>                     | <u>Shares</u>              |                     |
|---|----------------------------|---------------------|
|   | <u>Name of shares held</u> | <u>Ownership(%)</u> |
| Charoen Pokphand (Taiwan) Investment Ltd.,<br>Bermuda | 26,802,733                 | 10.00               |
| Bright Excel Investments Limited, BVI                 | 24,832,500                 | 9.26                |
| Giant Crown Investments Limited, BVI                  | 16,946,479                 | 6.32                |
| Chun Ta Investment Co., Ltd.                          | 15,176,525                 | 5.66                |

14. OPERATING SEGMENT INFORMATION

None

# Review of Financial Conditions, Financial Performance, and Risk Management

## I. Analysis of Financial Status

Unit: NT\$ 1,000

| Item  | Year | 2020         | 2019         | Difference  |         | Note  |
|---|------|--------------|--------------|-------------|---------|-------|
|   |      |              |              | Amount      | %       |       |
| Current assets  |      | \$ 5,688,632 | \$ 6,846,284 | (1,157,652) | (16.91) |       |
| Non-current financial assets at fair value through other comprehensive income |      | 1,925,872    | 2,119,249    | (193,377)   | (9.12)  |       |
| Property, plant and equipment, net  |      | 10,896,118   | 8,767,246    | 2,128,872   | 24.28   | 2.(1) |
| Intangible assets   |      | 174          | 13,833       | (13,659)    | (98.74) |       |
| Other assets  |      | 1,035,553    | 903,749      | 131,804     | 14.58   |       |
| Total assets  |      | 19,546,349   | 18,650,361   | 895,988     | 4.80    |       |
| Current liabilities   |      | 5,840,107    | 6,450,161    | (610,054)   | (9.46)  |       |
| Non-current liabilities   |      | 4,972,756    | 3,573,206    | 1,399,550   | 39.17   | 2.(2) |
| Total liabilities   |      | 10,812,863   | 10,023,367   | 789,496     | 7.88    |       |
| Equity attributable to owners of parent                                       |      | 8,304,986    | 7,922,332    | 382,654     | 4.83    |       |
| Share capital   |      | 2,679,910    | 2,679,910    | -           | -       |       |
| Capital surplus   |      | 3,957        | 2,137        | 1,820       | 85.17   |       |
| Retained earnings   |      | 4,212,921    | 3,641,000    | 571,921     | 15.71   |       |
| Other equity interest   |      | 1,408,198    | 1,599,285    | (191,087)   | (11.95) |       |
| Non-controlling interest  |      | 428,500      | 704,662      | (276,162)   | (39.19) | 2.(3) |
| Total equity  |      | 8,733,486    | 8,626,994    | 106,492     | 1.23    |       |

Note1: Please refer to the Explanation (Note 2) about variance of items above when the variation is 20% or more and the amount is equal or larger than 20 million.

Note 2: Explanation

- (1) Property, plant and equipment increased mainly due to the additional acquisition of the real estate, such as land, plant, and farms, to continuously expand the current production capacity, the replacement of existing old equipment by purchasing automatic equipment to improve production efficiency and increase production capacity and sales volume, and marketing the Group's products through different channels to increase the market shares.
- (2) Non-current liabilities increased mainly because NT\$ 2,129 million of acquisition of property, plant and equipment is paid by increasing long-term loans to cover the shortfall of the cash from operating activities.
- (3) Non-controlling interest decreased, the main variances are:
  - A. increased NT\$ 138 million due to the capital injection of subsidiary in 2020.
  - B. decreased NT\$ 63 million due to disposal of subsidiary in China
  - C. decreased NT\$ 333 million because subsidiaries distributed dividends in 2020.

## II. Analysis of Financial Performance

Unit: NT\$ 1,000

| Item   | Year | 2020         | 2019         | Difference  |          | Explanation of variance |
|--|------|--------------|--------------|-------------|----------|-------------------------|
|  |      |              |              | Amount      | %        |                         |
| Operating revenue                              |      | \$22,189,635 | \$21,173,634 | \$1,016,001 | 4.80     |                         |
| Operating costs                                |      | (18,664,912) | (18,151,257) | 513,655     | 2.83     |                         |
| Net operating margin                           |      | 3,524,723    | 3,022,377    | 502,346     | 16.62    |                         |
| Operating expenses                             |      | (1,652,968)  | (1,550,669)  | 102,299     | 6.60     |                         |
| Other income and expense, net                  |      | 26,843       | (12,411)     | 39,254      | 316.28   | 1                       |
| Operating profit                               |      | 1,898,598    | 1,459,297    | 439,301     | 30.10    | 2                       |
| Non-operating income and expenses              |      | 150,601      | 743,733      | (593,132)   | (79.75)  | 3                       |
| Profit before income tax                       |      | 2,049,199    | 2,203,030    | (153,831)   | (6.98)   |                         |
| Income tax expense                             |      | (407,073)    | (380,423)    | 26,650      | 7.01     |                         |
| Profit for the year from continuing operations |      | 1,642,126    | 1,822,607    | (180,481)   | (9.90)   |                         |
| Profit from discontinued operations            |      | (2,250)      | 776          | (3,026)     | (389.95) |                         |
| Profit for the year                            |      | \$ 1,639,876 | \$ 1,823,383 | (183,507)   | (10.06)  |                         |

Note1: Please refer to the explanation of variance when the variation is 20% or more and the amount is equal or larger than 20 million.

Note2: The Company's business scope has not changed significantly. The Company has adopted the following countermeasures, which are expected to gradually receive positive benefits.

- (1) Use the Parent Company's existing global commodity procurement information to enhance procurement advantage and competitiveness.
- (2) Establish stable marketing channels by setting up brand channels, expanding cooperation with outstanding distributors, and building regional distribution and sales centers.
- (3) Focus on the major business and expand livestock production lines.
- (4) Introduce the Group's technology, R&D and managerial personnel to assist the Company to gain higher profits.

Note 3: The annual sales quantity in the coming year is expected to show slight growth compared to 2020 mainly due to:

- (1) The existing production equipment has been continuously improved in recent years, while contract farms and self-owned farms have increased and will gradually commence production.
- (2) Except for the continuous construction of brand channels, the Company has actively invested in e-commerce platform channel recently.
- (3) The sales team will be actively promoted and strengthened.

Explanation of variance:

1. Other income and expense increased mainly due to the gains (losses) on change in fair value less cost to sell of biological assets. Affected by the supply and demand of the market, the market price rebounded at the end of 2020 that led to gains on change in fair value less costs to sell of biological assets.
2. Operating profit increased mainly due to steady growth of operating revenue and net operating margin which resulted from the Group was dedicated to promote brand marketing to establish consumers' confidence through different marketing channels, also continuing researched and developed new product and improved product processing level.
3. Non-operating income and expenses decreased because non-operating income of 2020, gains of NT\$ 84 million on disposal of Lianyungang Chia Tai Agro-industry Development Co., Ltd., is lower than non-operating income of 2019, the subsidiary, Arbor Acres (Taiwan) Co, Ltd., earned profits of NT\$783 million on disposal of land.

### III. Analysis of Cash Flow

#### 1. Liquidity Analysis for the last two years

| Item  | Year          |               |              |
|---|---------------|---------------|--------------|
|   | Dec. 31, 2020 | Dec. 31, 2019 | Variance (%) |
| Cash Flow Ratio (%)   | 40.95%        | 30.39%        | 34.75%       |
| Cash Flow Adequacy Ratio (%)  | 57.62%        | 55.70%        | 3.45%        |
| Cash Reinvestment Ratio (%)   | 7.44%         | 7.35%         | 1.22%        |
| Analysis of variance:<br>The increasing net cash flows from operating activities, decreasing current liabilities and increasing investments in purchasing plant and equipment led to increase in Cash flow ratio, Cash flow adequacy ratio and Cash reinvestment ratio. The main reasons are as follows:<br>(1) The increased net cash inflows from operating activities are due to the influence of international commodity price fluctuation and efficient inventory control and management. Furtherly, increase long-term loan to deal with the capital expenditure of fixed assets to ease the stress of capital demand.<br>(2) The Company has been continuously investing on the plant and automatic equipment during this period in order to increase existing production capacity and market share. |               |               |              |

#### 2. Cash Flow Analysis for the Coming Year

| Estimated Cash and Cash Equivalents, Beginning of Year (1) | Estimated Net Cash Flow from Operating Activities (2) | Estimated Cash Outflow (Inflow) (3) | Cash Surplus (Deficit) (1)+(2)-(3) | Leverage of Cash Surplus (Deficit) |                 |
|--|---|-------------------------------------|------------------------------------|------------------------------------|-----------------|
|  |   |                                     |                                    | Investment Plans                   | Financing Plans |
| 247,679  | 2,287,531   | 2,495,451                           | 39,759                             | —                                  | —               |

### IV. Major Capital Expenditure Items

#### 1. Major Capital Expenditure Items and Sources of Capital

2020 Major Capital Expenditure was NT\$2,841,566 thousand, mainly investing in construction and improvements of chicken farms and pig farms, and the rest was invested in construction and improvements of Taichung Plant, Kaohsiung Plant, and Nantou Slaughtering Plant.

Sources of Capital are the Company's operating revenue and bank loan.

#### 2. Expected Benefits : Increase production capacity and quantity, and enhance quality.

### V. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

#### 1. Investment Policy and Operating Profits of Subsidiaries:

The group joint-ventured with other company to establish "Feng Sheng Livestock Co., Ltd." in 2020 in order to satisfy the demand of chicken slaughtering capacity, and still at the plant-building stage so far.

#### 2. Investment Plan for the Coming Year: There's no specific investment plan currently.

## VI. Analysis of Risk Management

### 1. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

Since early of the year, the main counties all remain the easing monetary policy and keep low interest rate in order to boost the business and spur the economy. Along with injection of the COVID-19 vaccine one after another, the global economy is expected to recover gradually and the domestic inflation is also expected to increase mildly. Therefore, the interest rate and inflation situation do not have a significant impact on the Company's financial performance. However, the Company shall pay close attention and respond cautiously.

Due to Fed's adoption of QE policy, large capital flowed around the world which led to a challenge of maintaining stable foreign exchange markets. The Central Bank of the Republic of China (Taiwan) strengthened the management of foreign exchange, maintained the order of the foreign exchange market and entered the market timely to adjust dually. Under the stable NT dollar exchange rate policy, the Company shall grasp market information and timely pre-purchase forward exchange as hedging.

### 2. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

The Company did not engage in any high-risk or high-leveraged investments, lending or endorsement guarantees, and derivatives transactions. The transactions related to lending or endorsement guarantees are in compliance with the Company's "Operational Procedures for Loaning Funds to Others" and "Operational Procedures for Endorsements/Guarantees". Furthermore, derivative transactions follow the "Procedures for the Acquisition and Disposal of Assets".

### 3. Future Research & Development Projects and Corresponding Budget

(1) Research the manufacturing technology of clean label products and reduce the use of additives, with an estimated NT\$2 million to be input into R&D.

(2) Implement technologies of Thailand prepared foods and develop various countries' cuisine product series, with an estimated NT\$1 million to be input into R&D.

(3) Introduce cutting-edge automatic equipment from abroad and strengthen the application of manufacturing technology to improve the quality and efficiency of production, with an estimated NT\$1 million to be input into R&D.

### 4. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: None.

### 5. Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

Assessment and Countermeasures of Information Security and Risk

#### (1) Information Asset Categories which shall be Protected

A. Information Records: Databases, data files, system planning and design documents, instructions and operating manuals, business processes, contracts, education training materials, system documents, guidelines for internal control and management, and other relevant rules and regulations.

- 
- B. Computer systems: Computer operating systems, application systems, development tools, package software, utilities, etc.
  - C. Personnel:
    - Internal personnel: Application system development and maintenance personnel, application system development and maintenance personnel, system management personnel, information and equipment owners and custodians, information/document production personnel and general users, including official and unofficial personnel.
    - External personnel: Contractors and business partners.
  - D. Infrastructure services: Power services, air conditioning services, network services, telecommunication services.
  - E. Physical areas: Employee office, host control room, control area and access control room.
  - F. Physical equipment: Hosts, communication equipment, storage media, utilities equipment.
- (2) Countermeasures:
- A. The information security policies shall be regularly evaluated in an independent and objective manner in order to follow the latest government's information security management policies, laws, and techniques, to ensure practical operations of information security in compliance with information security policies, and to check the feasibility and effectiveness of those operations.
  - B. Information security policy assessments may be carried out by internal audit department, independent and objective senior supervisors, or professional and fair organizations and groups.
  - C. Regularly perform security assessments on persons and departments they belong with information system and technical application to ensure they are in compliance with information security policies and regulations.
    - a. Targets shall be included in information security assessment: Information facilities and system providers, information and data owners, users, and managers, system maintenance personnel and other relevant personnel.
    - b. Information system owners shall regularly cooperate with information security assessments and review whether or not relevant personnel comply with information security policies and related regulations.
    - c. Regularly review and assess the safety of the software and hardware to ensure the compliance of safety standards formulated by Authorities. Assessment of operating system shall be included to ensure the accuracy and effectiveness of the safety measures for software and hardware.
    - d. In case of inadequate professional manpower and experience, professional private organizations, groups, scholars or experts may be commissioned to provide assistance.
    - e. System security assessments shall be carried out manually by well-experienced system engineers with professional knowledge and under the supervision of authorized supervisors or automated software tools may be adopted to perform security checks and generate technical assessment reports that facilitate future interpretation and analysis.

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#### D. Announcement of Information Security Policies and Regulations

- a. Information security policies, the roles and responsibilities of personnel in information security, and relevant provisions shall be explained in work instructions and relevant operational manuals.
  - b. Information security policies, explanations, and regulations provisioned in work instructions or operational manuals should include general responsibilities for implementing and maintaining information security policies, and special responsibilities for protecting specific information assets, and executing specific security procedures and practices.
  - c. Employees who violate information security policies will be punished in accordance with the provisions.
6. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures: None.
  7. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.
  8. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: The Company is projected to invest NT\$ 1.3 billion to build an AI-automatic feedmill with a drug-free feed production line in Yunlin Technology-based Industrial Park in Douliou City, Yunlin County. The feedmill is expected to produce 240 thousand tons in the first year and to be planned with a yearly capacity of 480 thousand tons. The feedmill is expected to commence mass production after completion in the second quarter of 2021 and will be a new driving force for operating performance.
  9. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: None.
  10. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.
  11. Effects of, Risks Relating to and Response to the Changes in Management Rights: None.
  12. Litigation or Non-litigation Matters:  
The Company and its directors, CEO, management team, major shareholders with over 10% shareholdings and subsidiaries are not involved in lawsuits, non-lawsuits or administrative lawsuits.
  13. Other Major Risks: None.

#### VII. Other Important Items: None.

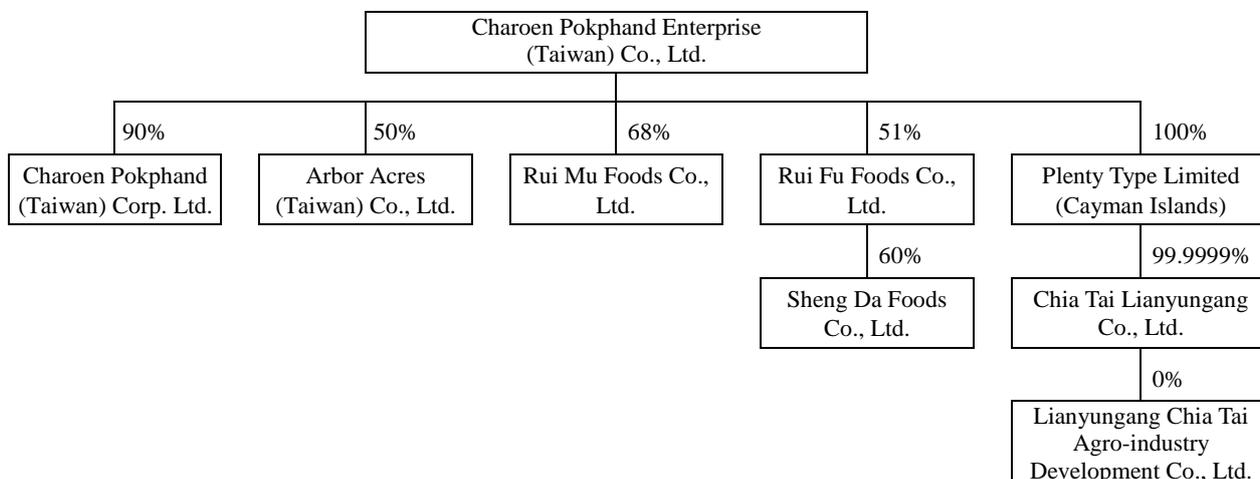
# Special Disclosure

## I. Summary of Affiliated Companies

### 1. Consolidated Business Report of Affiliated Companies

#### (1) Affiliated Companies Overview

##### A. Affiliates' Organization Chart



##### B. Basic Information of Affiliates

Unit: NT\$1,000

| Entity Name  | Date of Incorporation | Address   | Paid-in Capital | Main Business Activities   |
|--|-----------------------|---|-----------------|--|
| Plenty Type Limited (Cayman Islands)                     | Aug. 15, 1996         | P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, British West Indies | 620,471         | Management of producing and non-producing business investments.                |
| Charoen Pokphand (Taiwan) Co., Ltd.                      | Jan. 16, 1970         | 17F, No.87, Sung Chiang Rd., Taipei City  | 27,152          | Management of importing and exporting business                                 |
| Arbor Acres (Taiwan) Co., Ltd.                           | Mar. 5, 1973          | 17F, No.87, Sung Chiang Rd., Taipei City  | 32,000          | Husbandry management of chickens to produce breeder chicken and daily chicken. |
| Rui Mu Foods Co., Ltd.                                   | Sep. 19, 2016         | 17F, No.87, Sung Chiang Rd., Taipei City  | 300,000         | Management of layers and related business                                      |
| Rui Fu Foods Co., Ltd.                                   | Dec. 21, 2016         | 17F, No.87, Sung Chiang Rd., Taipei City  | 500,000         | Management of layers and related business                                      |
| Sheng Da Foods Co., Ltd.                                 | Dec. 13, 2019         | 17F, No.87, Sung Chiang Rd., Taipei City  | 100,000         | Management of layers and related business.                                     |
| Chia Tai Lianyungang Co., Ltd.                           | Jan. 30, 1992         | 21F., Far East Finance Centre, 16 Harcourt Road, Hong Kong                              | 3,349           | Management of producing and non-producing business investments.                |
| Lianyungang Chia Tai Agro-industry Development Co., Ltd. | Feb. 15, 1992         | No. 56, XinXuGongLu, Lianyungang Economic & Technical Development Zone, China           | (Note)          | Feeds producing, poultry raising, processing and sales.                        |

Note: Chia Tai Lianyungang Co., Ltd., completed disposal of 70% shareholding of Lianyungang Chia Tai Agro-industry Development Co., Ltd. on Jan. 22, 2020.

##### C. Presumed Control and Be-controlled Relation Information: NA.

##### D. Line of business for the inter-companies:

The lines of business for the inter-companies cover feeds manufacture, livestock culture, butchery and food processing, poultry and livestock breeding, import-export trade, restaurants and investments. All inter-companies operate independently and form the whole channel of the vertical integration. Through mutual support in technology, production, marketing and service network, to create the great benefit of this group, keep expanding and offer the best products to consumers to ensure its leadership in Taiwan.

## E. Information regarding Directors, Supervisors, and President of Affiliates

Unit: Shares ; %

| Entity Name  | Position     | Name or Representative  | Shareholding    |                |
|--|--------------|---|-----------------|----------------|
|  |              |   | Shares          | %              |
| Plenty Type Limited<br>(Cayman Islands)                  | 1 Director   | Wu Yeh Cheng  | 0               | 0.00           |
|  | 2 Director   | Chu Hsiung Lin  | 0               | 0.00           |
|  | 3 Director   | Monchai Leelaharat<br>(1~3 are Representatives of Charoen Pokphand Enterprise (Taiwan) Co., Ltd.) | 0<br>81,218,564 | 0.00<br>100.00 |
| Charoen Pokphand (Taiwan) Corp., Ltd.                    | 1 Chairman   | Chu Hsiung Lin  | 0               | 0.00           |
|  | 2 Director   | Thong Chotirat<br>(1~2 are Representatives of Charoen Pokphand Enterprise (Taiwan) Co., Ltd.)     | 0<br>2,443,716  | 0.00<br>90.00  |
|  | 3 Director   | Wu Yeh Cheng  | 271,524         | 10.00          |
|  | 4 Supervisor | Jing Yuan Yu  | 0               | 0.00           |
| Arbor Acres (Taiwan) Co., Ltd.                           | 1 Chairman   | Chu Hsiung Lin  | 0               | 0.00           |
|  | 2 Director   | Thong Chotirat<br>(1~2 are Representatives of Charoen Pokphand Enterprise (Taiwan) Co., Ltd.)     | 0<br>1,600,000  | 0.00<br>50.00  |
|  | 3 Director   | Rafael Monleon Soria<br>(3 is Representative of Aviagen Inc.)                                     | 0<br>1,024,000  | 0.00<br>32.00  |
|  | 4 Supervisor | Wu Yeh Cheng  | 504,000         | 15.75          |
| Rui Mu Foods Co., Ltd.                                   | 1 Chairman   | Yen Chun Liu  | 0               | 0.00           |
|  | 2 Director   | Monchai Leelaharat<br>(1~2 are Representatives of Charoen Pokphand Enterprise (Taiwan) Co., Ltd.) | 0<br>20,400,000 | 0.00<br>68.00  |
|  | 3 Director   | Wei Yi Huang<br>(3 is Representative of Muda Egg Products Company Limited)                        | 0<br>9,600,000  | 0.00<br>32.00  |
|  | 4 Supervisor | Chao Jen Chen   | 0               | 0.00           |
|  | 5 Supervisor | Chin Cheng Hung   | 0               | 0.00           |
| Rui Fu Foods Co., Ltd.                                   | 1 Chairman   | Chao Jen Chen   | 0               | 0.00           |
|  | 2 Director   | Monchai Leelaharat<br>(1~2 are Representatives of Charoen Pokphand Enterprise (Taiwan) Co., Ltd.) | 0<br>25,500,000 | 0.00<br>51.00  |
|  | 3 Director   | Yi Feng Lu<br>(3 is Representative of Chensan Development Company)                                | 0<br>19,600,000 | 0.00<br>39.20  |
|  | 4 Director   | Ji Wei Zeng<br>(4 is Representative of Chensan Poultry Farm & Co., Ltd.)                          | 0<br>4,900,000  | 0.00<br>9.80   |
|  | 5 Supervisor | Wei Yueh Chang  | 0               | 0.00           |
| Sheng Da Foods Co., Ltd.                                 | 1 Chairman   | Yi Feng Lu  | 0               | 0.00           |
|  | 2 Director   | Monchai Leelaharat  | 0               | 0.00           |
|  | 3 Director   | Sheng-Yu Wu<br>(1~3 are Representatives of Rui Fu Foods Co., Ltd.)                                | 0<br>6,000,000  | 0.00<br>60.00  |
|  | 4 Director   | Yung Ching Chiu<br>(4 is Representative of Jih Ching Egg Co., Ltd.)                               | 2,000,000       | 20.00          |
|  | 5 Supervisor | Chao Jen Chen   | 0               | 0.00           |
|  | 6 Supervisor | Pei Wen Chang<br>(6 is Representative of Li Chun Agricultural Products Ltd.)                      | 0<br>2,000,000  | 0.00<br>20.00  |
| Chia Tai Lianyungang Co., Ltd.                           | 1 Director   | Thirayut Phitya-Isarakul  | 0               | 0.00           |
|  | 2 Director   | Ping-Hsien Ho<br>(1~2 are Representatives of Plenty Type Limited (Cayman Islands))                | 0<br>999,999    | 0.00<br>99.99  |
| Lianyungang Chia Tai Agro-industry Development Co., Ltd. |              | (Note)  |                 |                |

Note: Chia Tai Lianyungang Co., Ltd., completed disposal of 70% shareholding of Lianyungang Chia Tai Agro-industry Development Co., Ltd. on Jan. 22, 2020.

## (2) Operating Highlight of Affiliated Companies

### Financial Status and Operating Results of Affiliated Companies

Unit: NT\$ 1,000

| Entity Name  | Capital | Total Assets | Total Liabilities | Total Equity | Operating Revenue | Operating Profit | Profit for the period | EPS (NT\$) (After income tax) |
|--|---------|--------------|-------------------|--------------|-------------------|------------------|-----------------------|-------------------------------|
| Plenty Type Limited (Cayman Islands)                     | 620,471 | 2,028,106    | 200               | 2,027,906    | 139,364           | 135,104          | 116,048               | 1.25                          |
| Charoen Pokphand (Taiwan) Corp. Ltd.                     | 27,152  | 80,087       | 34,685            | 45,402       | 129,857           | 15,502           | 13,299                | 4.90                          |
| Arbor Acres Taiwan Co., Ltd.                             | 32,000  | 216,548      | 35,229            | 181,319      | 191,860           | 49,005           | 45,037                | 14.07                         |
| Rui Mu Foods Co., Ltd.                                   | 300,000 | 683,287      | 412,498           | 270,789      | 470,444           | (51,578)         | (40,144)              | (1.47)                        |
| Rui Fu Foods Co., Ltd.                                   | 500,000 | 1,127,071    | 698,225           | 428,846      | 328,677           | (50,066)         | (48,898)              | (1.16)                        |
| Sheng Da Foods Co., Ltd.                                 | 100,000 | 302,395      | 211,111           | 91,284       | 339,308           | (12,657)         | (8,561)               | (1.42)                        |
| Chia Tai Lianyungang Co., Ltd.                           | 3,349   | 4,323        | 154               | 4,169        | 82,570            | 82,157           | 81,775                | 81.77                         |
| Lianyungang Chia Tai Agro-industry Development Co., Ltd. | 0       | 0            | 0                 | 0            | 86,391            | (2,541)          | (2,250)               | -                             |

Note: Chia Tai Lianyungang Co., Ltd., completed disposal of 70% shareholding of Lianyungang Chia Tai Agro-industry Development Co., Ltd. on Jan. 22, 2020.

## 2. Consolidated Financial Statements of Affiliated Companies & Affiliation Report:

Please refer to the following statement.

### **Charoen Pokphand Enterprise (Taiwan) Co., Ltd. Representation Letter**

In connection with the Consolidated Financial Statements of Affiliated Enterprises of CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. and subsidiaries (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2020 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. and subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standards 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. and subsidiaries did not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

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

By

Cheng, Wu Yeh, Chairman

March 23, 2021

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II. Private Placement Securities in the Most Recent Years and to the publish date of the annual report: None.

III. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years and to the publish date of the annual report: None.

IV. Other Essential Supplement: None.

The Items with Material Impact on Shareholder's Equity or Stock Market Price in accordance with the Article 36, paragraph 3, subparagraph 2 of Securities and Exchange Act: None.