

**CHAROEN POKPHAND ENTERPRISE
(TAIWAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2022 AND 2021**

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



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INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Charoen Pokphand Enterprise (Taiwan) Co., Ltd. and subsidiaries (the “Group”) as at March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

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Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.


Liao, Fu-Ming


Lin, Yi-Fan

For and on Behalf of PricewaterhouseCoopers, Taiwan
May 9, 2022

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 independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

| ASSETS | Notes | March 31, 2022 | | December 31, 2021 | | March 31, 2021 | | |
|---------------------------|-------------------------------------------------------------------------------|----------------|----------------------|-------------------|----------------------|----------------|----------------------|------------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 127,639 | 1 | \$ 187,008 | 1 | \$ 268,758 | 1 |
| 1150 | Notes receivable, net | 6(3) | 336,210 | 1 | 416,032 | 2 | 274,475 | 1 |
| 1160 | Notes receivable - related parties | 7 | 7,174 | - | 3,951 | - | 3,008 | - |
| 1170 | Accounts receivable, net | 6(3) | 2,311,320 | 10 | 2,370,841 | 10 | 1,959,303 | 10 |
| 1180 | Accounts receivable - related parties | 7 | 49,694 | - | 55,707 | - | 55,663 | - |
| 1200 | Other receivables | | 9,436 | - | 18,665 | - | 4,810 | - |
| 1210 | Other receivables - related parties | 7 | - | - | - | - | 21 | - |
| 1220 | Current income tax assets | | 6,284 | - | 6,284 | - | - | - |
| 130X | Inventories, net | 6(4) | 2,163,179 | 9 | 1,877,226 | 8 | 1,698,194 | 8 |
| 1400 | Biological assets - current | 6(5) | 1,614,243 | 7 | 1,614,838 | 7 | 1,520,806 | 8 |
| 1410 | Prepayments | 7 | 512,952 | 2 | 407,566 | 2 | 271,256 | 1 |
| 1470 | Other current assets | 6(1) and 8 | 9,650 | - | 9,650 | - | 22,291 | - |
| 11XX | Total current assets | | <u>7,147,781</u> | <u>30</u> | <u>6,967,768</u> | <u>30</u> | <u>6,078,585</u> | <u>29</u> |
| Non-current assets | | | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(2) | 2,510,751 | 11 | 2,575,015 | 11 | 2,060,906 | 10 |
| 1550 | Investments accounted for using equity method | 6(6) | 98,951 | - | 100,160 | - | 100,045 | 1 |
| 1600 | Property, plant and equipment, net | 6(7) and 8 | 12,755,560 | 54 | 12,471,603 | 54 | 11,399,598 | 55 |
| 1755 | Right-of-use assets | 6(8) | 389,691 | 2 | 371,480 | 2 | 351,522 | 2 |
| 1780 | Intangible assets | 6(9) | 3,182 | - | 3,530 | - | 122 | - |
| 1830 | Biological assets - non-current | 6(5) | 465,819 | 2 | 444,841 | 2 | 418,664 | 2 |
| 1840 | Deferred income tax assets | 6(26) | 140,185 | 1 | 121,044 | - | 95,330 | - |
| 1900 | Other non-current assets | | 115,772 | - | 122,031 | 1 | 125,835 | 1 |
| 15XX | Total non-current assets | | <u>16,479,911</u> | <u>70</u> | <u>16,209,704</u> | <u>70</u> | <u>14,552,022</u> | <u>71</u> |
| 1XXX | Total assets | | <u>\$ 23,627,692</u> | <u>100</u> | <u>\$ 23,177,472</u> | <u>100</u> | <u>\$ 20,630,607</u> | <u>100</u> |

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

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

| | Notes | March 31, 2022 | | December 31, 2021 | | March 31, 2021 | | |
|--------------------------------------------------------------------------|----------------------------------------------------|----------------|----------------------|-------------------|----------------------|----------------|----------------------|------------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| LIABILITIES AND EQUITY | | | | | | | | |
| Current liabilities | | | | | | | | |
| 2100 | Short-term borrowings | 6(10) | \$ 4,614,808 | 20 | \$ 3,301,031 | 14 | \$ 3,393,007 | 17 |
| 2110 | Short-term notes and bills payable | 6(11) | 1,279,010 | 5 | 1,039,203 | 4 | 769,048 | 4 |
| 2150 | Notes payable | | 389,821 | 2 | 504,775 | 2 | 379,844 | 2 |
| 2160 | Notes payable - related parties | 7 | 759 | - | 10,673 | - | 6,216 | - |
| 2170 | Accounts payable | | 851,407 | 4 | 850,500 | 4 | 803,290 | 4 |
| 2180 | Accounts payable - related parties | 7 | 26,105 | - | 21,893 | - | 27,093 | - |
| 2200 | Other payables | 6(12) | 570,879 | 2 | 810,907 | 4 | 495,184 | 2 |
| 2220 | Other payables - related parties | 7 | 52,329 | - | 26,771 | - | 31,746 | - |
| 2230 | Current income tax liabilities | | 266,070 | 1 | 170,971 | 1 | 358,119 | 2 |
| 2280 | Current lease liabilities | | 34,914 | - | 31,158 | - | 28,004 | - |
| 2320 | Long-term liabilities, current portion | 6(13) and 8 | 217,938 | 1 | 239,750 | 1 | 613,250 | 3 |
| 21XX | Total current liabilities | | <u>8,304,040</u> | <u>35</u> | <u>7,007,632</u> | <u>30</u> | <u>6,904,801</u> | <u>34</u> |
| Non-current liabilities | | | | | | | | |
| 2540 | Long-term borrowings | 6(13) and 8 | 6,025,130 | 26 | 7,129,750 | 31 | 3,973,337 | 19 |
| 2570 | Deferred income tax liabilities | 6(27) | 26,581 | - | 29,802 | - | 17,594 | - |
| 2580 | Non-current lease liabilities | | 331,218 | 1 | 314,024 | 1 | 300,556 | 1 |
| 2600 | Other non-current liabilities | 6(14) | 98,177 | 1 | 103,257 | 1 | 136,989 | 1 |
| 25XX | Total non-current liabilities | | <u>6,481,106</u> | <u>28</u> | <u>7,576,833</u> | <u>33</u> | <u>4,428,476</u> | <u>21</u> |
| 2XXX | Total liabilities | | <u>14,785,146</u> | <u>63</u> | <u>14,584,465</u> | <u>63</u> | <u>11,333,277</u> | <u>55</u> |
| Equity attributable to owners of parent | | | | | | | | |
| Share capital | | | | | | | | |
| 3110 | Common stock | 6(15) | 2,679,910 | 11 | 2,679,910 | 12 | 2,679,910 | 13 |
| Capital surplus | | | | | | | | |
| 3200 | Capital surplus | 6(16) | 4,662 | - | 4,666 | - | 3,949 | - |
| Retained earnings | | | | | | | | |
| 3310 | Legal reserve | 6(17) | 1,044,641 | 4 | 1,044,641 | 5 | 880,252 | 4 |
| 3350 | Unappropriated retained earnings | | 3,660,497 | 16 | 3,332,757 | 14 | 3,719,906 | 18 |
| Other equity interest | | | | | | | | |
| 3400 | Other equity interest | | 1,007,676 | 4 | 1,067,118 | 4 | 1,544,270 | 8 |
| 31XX | Equity attributable to owners of the parent | | <u>8,397,386</u> | <u>35</u> | <u>8,129,092</u> | <u>35</u> | <u>8,828,287</u> | <u>43</u> |
| 36XX | Non-controlling interest | | 445,160 | 2 | 463,915 | 2 | 469,043 | 2 |
| 3XXX | Total equity | | <u>8,842,546</u> | <u>37</u> | <u>8,593,007</u> | <u>37</u> | <u>9,297,330</u> | <u>45</u> |
| Significant contingent liabilities and unrecognised contract commitments | | | | | | | | |
| Significant events after the balance sheet date | | | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 23,627,692</u> | <u>100</u> | <u>\$ 23,177,472</u> | <u>100</u> | <u>\$ 20,630,607</u> | <u>100</u> |

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

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(UNAUDITED)

| | Items | Notes | For the three-months periods ended March 31, | | | |
|------|----------------------------------------------------------------------------------------------------|-----------------------|----------------------------------------------|-----------|-------------------|-----------|
| | | | 2022 | | 2021 | |
| | | | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(18) and 7 | \$ 7,199,414 | 100 | \$ 5,718,985 | 100 |
| 5000 | Operating costs | 6(4)(24)(25) and 7 | (6,275,380) | (87) | (4,814,259) | (84) |
| 5950 | Net operating margin | | <u>924,034</u> | <u>13</u> | <u>904,726</u> | <u>16</u> |
| | Operating expenses | 6(24)(25) and 7 | | | | |
| 6100 | Selling and marketing expenses | | (279,047) | (4) | (245,624) | (5) |
| 6200 | General and administrative expenses | | (195,535) | (3) | (182,898) | (3) |
| 6450 | Expected credit impairment gain | 12(2) | <u>551</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 6000 | Total operating expenses | | (474,031) | (7) | (428,522) | (8) |
| 6500 | Other income and expenses, net | 6(5)(19) | (11,484) | - | (7,614) | - |
| 6900 | Operating profit | | <u>438,519</u> | <u>6</u> | <u>468,590</u> | <u>8</u> |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(20) | 29 | - | 28 | - |
| 7010 | Other income | 6(21) and 7 | 1,937 | - | 2,263 | - |
| 7020 | Other gains and losses | 6(22) and 7 | (26,795) | (1) | 15,725 | - |
| 7050 | Finance costs | 6(23) | (26,096) | - | (17,750) | - |
| 7060 | Share of (loss) profit of associates and joint ventures accounted for using equity method | 6(6) | (1,209) | - | 165 | - |
| 7000 | Total non-operating income and expenses | | (52,134) | (1) | 431 | - |
| 7900 | Profit before income tax | | <u>386,385</u> | <u>5</u> | <u>469,021</u> | <u>8</u> |
| 7950 | Income tax expense | 6(26) | (77,400) | (1) | (90,241) | (1) |
| 8200 | Profit for the period | | <u>\$ 308,985</u> | <u>4</u> | <u>\$ 378,780</u> | <u>7</u> |

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CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(UNAUDITED)

| Items | Notes | For the three-months periods ended March 31, | | | |
|-------------------------------------------------------------------------------------------------|-------|----------------------------------------------------------------------------------------------------------------|------|------------|---|
| | | 2022 | | 2021 | |
| | | AMOUNT | % | AMOUNT | % |
| Other comprehensive income | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8316 | | Unrealised gain or loss on financial assets at fair value through other comprehensive income | | | |
| | | (\$ 109,425) | (2) | \$ 113,905 | 2 |
| 8349 | 6(26) | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | | | |
| | | 4,663 | - | - | - |
| 8310 | | Other comprehensive (loss) income that will not be reclassified to profit or loss | | | |
| | | (104,762) | (2) | 113,905 | 2 |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 | | Currency translation differences of foreign operations | | | |
| | | 45,320 | 1 | 22,167 | - |
| 8360 | | Other comprehensive income that will be reclassified to profit or loss | | | |
| | | 45,320 | 1 | 22,167 | - |
| 8300 | | Total other comprehensive (loss) income for the period | | | |
| | | (\$ 59,442) | (1) | \$ 136,072 | 2 |
| 8500 | | Total comprehensive income for the period | | | |
| | | \$ 249,543 | 3 | \$ 514,852 | 9 |
| Profit (loss) attributable to: | | | | | |
| 8610 | | Owners of the parent | | | |
| | | \$ 327,740 | 4 | \$ 387,237 | 7 |
| 8620 | | Non-controlling interest | | | |
| | | (18,755) | - | (8,457) | - |
| | | \$ 308,985 | 4 | \$ 378,780 | 7 |
| Comprehensive income (loss) attributable to: | | | | | |
| 8710 | | Owners of the parent | | | |
| | | \$ 268,298 | 3 | \$ 523,309 | 9 |
| 8720 | | Non-controlling interest | | | |
| | | (18,755) | - | (8,457) | - |
| | | \$ 249,543 | 3 | \$ 514,852 | 9 |
| Earnings per share (in dollars) 6(27) | | | | | |
| 9750 | | Basic earnings per share | | | |
| | | \$ 1.22 | | \$ 1.45 | |
| 9850 | | Diluted earnings per share | | | |
| | | \$ 1.22 | | \$ 1.44 | |

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

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| Notes | Equity attributable to owners of the parent | | | | | | | | Non-controlling interest | Total equity |
|---------------------------------------------------------------------------------------------|---------------------------------------------|-----------------|--------------------|----------------------------------|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------|-------------------|--------------------------|--------------|
| | Share capital - common stock | Capital surplus | Legal reserve | Retained Earnings | | Other Equity Interest | | Total | | |
| | | | | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | | | | |
| <u>For the three-month period ended March 31, 2021</u> | | | | | | | | | | |
| Balance at January 1, 2021 | \$2,679,910 | \$ 3,957 | \$ 880,252 | \$ 3,332,669 | (\$ 132,921) | \$1,541,119 | \$8,304,986 | \$ 428,500 | \$8,733,486 | |
| Profit (loss) for the period | - | - | - | 387,237 | - | - | 387,237 | (8,457) | 378,780 | |
| Other comprehensive income | - | - | - | - | 22,167 | 113,905 | 136,072 | - | 136,072 | |
| Total comprehensive income (loss) | - | - | - | 387,237 | 22,167 | 113,905 | 523,309 | (8,457) | 514,852 | |
| Capital surplus - dividends not received by shareholders (reversed) | - | (8) | - | - | - | - | (8) | - | (8) | |
| Cash receipt from non-controlling interest of a subsidiary through capital increase in cash | - | - | - | - | - | - | - | 49,000 | 49,000 | |
| Balance at March 31, 2021 | <u>\$2,679,910</u> | <u>\$ 3,949</u> | <u>\$ 880,252</u> | <u>\$ 3,719,906</u> | <u>(\$ 110,754)</u> | <u>\$1,655,024</u> | <u>\$8,828,287</u> | <u>\$ 469,043</u> | <u>\$9,297,330</u> | |
| <u>For the three-month period ended March 31, 2022</u> | | | | | | | | | | |
| Balance at January 1, 2022 | \$2,679,910 | \$ 4,666 | \$1,044,641 | \$ 3,332,757 | (\$ 169,212) | \$1,236,330 | \$8,129,092 | \$ 463,915 | \$8,593,007 | |
| Profit (loss) for the period | - | - | - | 327,740 | - | - | 327,740 | (18,755) | 308,985 | |
| Other comprehensive income (loss) | - | - | - | - | 45,320 | (104,762) | (59,442) | - | (59,442) | |
| Total comprehensive income (loss) | - | - | - | 327,740 | 45,320 | (104,762) | 268,298 | (18,755) | 249,543 | |
| Capital surplus - dividends not received by shareholders (reversed) | - | (4) | - | - | - | - | (4) | - | (4) | |
| Balance at March 31, 2022 | <u>\$2,679,910</u> | <u>\$ 4,662</u> | <u>\$1,044,641</u> | <u>\$ 3,660,497</u> | <u>(\$ 123,892)</u> | <u>\$1,131,568</u> | <u>\$8,397,386</u> | <u>\$ 445,160</u> | <u>\$8,842,546</u> | |

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

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | Notes | For the three-months periods ended March 31, | |
|-------------------------------------------------------------|----------|----------------------------------------------|-------------|
| | | 2022 | 2021 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 386,385 | \$ 469,021 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Expected credit impairment gain | 12(2) | (551) | - |
| Depreciation | 6(7)(24) | 208,691 | 180,384 |
| Depreciation of right-of-use assets | 6(8)(24) | 14,017 | 11,389 |
| Amortization | 6(23) | 1,390 | 1,016 |
| Interest income | 6(20) | (29) | (28) |
| Interest expense | 6(23) | 26,096 | 17,750 |
| Gain from price recovery of inventory | 6(4) | 798 | 3,656 |
| Change in fair value less cost to sell of biological assets | 6(5)(19) | 11,484 | 7,614 |
| Investment loss (income) recognised using equity method | 6(6) | 1,209 | (165) |
| Loss on disposal of property, plant and equipment | 6(22) | 541 | 1,285 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | 79,822 | 6,292 |
| Notes receivable - related parties | | (3,223) | (3,008) |
| Accounts receivable | | 60,072 | (55,912) |
| Accounts receivable - related parties | | 6,013 | (55,663) |
| Other receivables | | 9,229 | 8,685 |
| Other receivables - related parties | | - | (21) |
| Inventories | | (286,751) | (385,458) |
| Biological assets | | (31,867) | (113,929) |
| Prepayments | | (105,567) | 173,429 |
| Changes in operating liabilities | | | |
| Notes payable | | (114,954) | (220,234) |
| Notes payable - related parties | | (9,914) | 6,216 |
| Accounts payable | | 907 | 57,006 |
| Accounts payable - related parties | | 4,212 | 25,820 |
| Other payables | | (187,104) | (190,469) |
| Other payables - related parties | | 25,558 | 24,398 |
| Net defined benefit liability | | (5,080) | (4,885) |
| Cash inflow (outflow) generated from operations | | 91,384 | (35,811) |
| Refund of income tax | | - | 3,617 |
| Net cash flows from (used in) operating activities | | 91,384 | (32,194) |

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CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | Notes | For the three-months periods ended March 31, | |
|---------------------------------------------------------------------------------------------------|-------|----------------------------------------------|-------------|
| | | 2022 | 2021 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Decrease in other current assets | | \$ - | \$ 25,643 |
| Acquisition of property, plant and equipment | 6(28) | (548,061) | (739,213) |
| Proceeds from disposal of property, plant and equipment | | 1,379 | 1,224 |
| Decrease (increase) in other non-current assets | | 5,217 | (18,649) |
| Cash receipt of interest | | 29 | 28 |
| Net cash flows used in investing activities | | (541,436) | (730,967) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Increase in short-term borrowings | | 1,313,777 | 733,292 |
| Increase in short-term notes and bills payable | | 239,807 | 169,622 |
| Proceeds from long-term borrowings | | 1,806,880 | 701,400 |
| Payment of long-term borrowings | | (2,933,312) | (843,313) |
| Payment of lease liabilities | 6(8) | (11,278) | (9,533) |
| Cash payment for interest | | (25,346) | (17,258) |
| Cash receipt from non-controlling interest of a subsidiary through capital increase establishment | | - | 49,000 |
| Capital surplus - dividends not received by shareholders (reversed) | | (4) | (8) |
| Net cash flows from financing activities | | 390,524 | 783,202 |
| Effects of changes in foreign exchange rate | | 159 | 1,038 |
| Net (decrease) increase in cash and cash equivalents | | (59,369) | 21,079 |
| Cash and cash equivalents at beginning of period | 6(1) | 187,008 | 247,679 |
| Cash and cash equivalents at end of period | 6(1) | \$ 127,639 | \$ 268,758 |

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

CHAROEN POKPHAND ENTERPRISE (TAIWAN) CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars)

(UNAUDITED)

1. HISTORY AND ORGANISATION

Charoen Pokphand Enterprise (Taiwan) Co., Ltd. (the “Company”) was incorporated on August 22, 1977 as a company limited by shares under the Statute for Investment by Overseas Chinese and the provisions of the Company Act of the Republic of China. The main activities of the Company and its subsidiaries (collectively referred herein as the “Group”) are the manufacture and sale of animal feeds, livestock, chicken and processed meat products. The Company’s common stock has been traded on the Taiwan Stock Exchange since July 27, 1987. Charoen Pokphand Foods Public Company Limited (“CPF”), which 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 reported to the Board of Directors on May 9, 2022.

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 2022 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 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.

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

None.

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

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

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’ | To be determined by International Accounting Standards Board |
| IFRS 17, ‘Insurance contracts’ | January 1, 2023 |
| Amendments to IFRS 17, ‘Insurance contracts’ | January 1, 2023 |
| Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’ | 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 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’ | January 1, 2023 |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2021, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standards 34, ‘Interim Financial Reporting’ as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

(2) Basis of preparation

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of these consolidated financial statements is consistent with those for the year ended December 31, 2021.

- B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Note |
|------------------|---------------------------------------|--------------------------------------------------------------------------------|----------------|-------------------|----------------|--------|
| | | | March 31, 2022 | December 31, 2021 | March 31, 2021 | |
| The Company | Plenty Type Limited (Cayman Islands) | Management of producing and non-producing business investments | 100.00 | 100.00 | 100.00 | Note 3 |
| The Company | Charoen Pokphand (Taiwan) Corp., Ltd. | Management of importing and exporting business | 90.00 | 90.00 | 90.00 | |
| The Company | Arbor Acres Taiwan Co., Ltd. | Husbandry, management of chickens to produce breeder chicken and daily chicken | 50.00 | 50.00 | 50.00 | Note 1 |
| The Company | Rui Mu Foods Co., Ltd. | Management of layers and related business | 68.00 | 68.00 | 68.00 | |

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Note |
|--------------------------------------|--------------------------------|----------------------------------------------------------------|----------------|-------------------|----------------|--------|
| | | | March 31, 2022 | December 31, 2021 | March 31, 2021 | |
| The Company | Rui Fu Foods Co., Ltd. | Management of layers and related business | 51.00 | 51.00 | 51.00 | Note 4 |
| Plenty Type Limited (Cayman Islands) | Chia Tai Lianyungang Co., Ltd. | Management of producing and non-producing business investments | 99.99 | 99.99 | 99.99 | |
| Rui Fu Foods Co., Ltd. | Sheng Da Foods Co., Ltd. | Management of layers and related business | 75.00 | 75.00 | 60.00 | Note 2 |

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: The Board of Directors of Sheng Da Foods Co., Ltd. resolved to increase its capital by cash in June 2021. Rui Fu Foods Co., Ltd. subscribed 6,000,000 ordinary shares for a total amount of \$60,000 in July 2021, and the registration had been completed. The shareholding ratio of Rui Fu Foods Co., Ltd increased to 75% from 60%.

Note 3: In October 2021, the Board of Directors of Plenty Type Limited (Cayman Islands) resolved to decrease its capital and the number of shares reduced was 23,376,623 shares, totalling \$150,012.

Note 4: Rui Fu Foods Co., Ltd. increased its capital by cash in January 2021 and July 2021, and the Company subscribed ordinary shares proportionately to its ownership in the amount of 5,100,000 shares, equivalent to \$102,000. The registration for the changes had been completed.

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) Income tax

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

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

There have been no significant changes as of March 31, 2022. Refer to Note 5 in the consolidated financial statements for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|----------------------------------|-----------------------|--------------------------|-----------------------|
| Cash on hand and revolving funds | \$ 6,786 | \$ 9,360 | \$ 5,293 |
| Checking accounts | 4,695 | 4,135 | 4,745 |
| Demand deposits | 116,158 | 173,513 | 258,720 |
| | <u>\$ 127,639</u> | <u>\$ 187,008</u> | <u>\$ 268,758</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. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group has restricted cash and cash equivalents pledged as collateral totalling \$9,650, \$9,650 and \$8,200, respectively, classified as other current financial assets and shown as ‘other current assets’. Please refer to Note 8 for details.
- C. As of March 31, 2021, the Group has restricted cash and cash equivalents under the Regulations Governing the Management, Utilisation, and Taxation of Repatriated Offshore Funds totalling \$14,091, respectively 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>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|----------------------|-----------------------|--------------------------|-----------------------|
| Non-current items: | | | |
| Equity instruments | | | |
| Listed stocks | \$ 1,475,114 | \$ 1,461,863 | \$ 476,033 |
| Valuation adjustment | 1,035,637 | 1,113,152 | 1,584,873 |
| | <u>\$ 2,510,751</u> | <u>\$ 2,575,015</u> | <u>\$ 2,060,906</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>2022</u> | <u>2021</u> |
|----------------------------------------------------------------------------|----------------------|-------------------|
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognised in other comprehensive income | (\$ <u>104,762</u>) | \$ <u>113,905</u> |

B. The Company and 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.

C. The Group has elected to classify equity investments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$2,510,751, \$2,575,015 and \$2,060,906 as at March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

(3) Notes and accounts receivable

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--------------------------------------------|-----------------------|--------------------------|-----------------------|
| Notes receivable | \$ <u>336,210</u> | \$ <u>416,032</u> | \$ <u>274,475</u> |
| Accounts receivable | \$ 2,326,931 | \$ 2,387,003 | \$ 1,966,531 |
| Less: Allowance for uncollectible accounts | (<u>15,611</u>) | (<u>16,162</u>) | (<u>7,228</u>) |
| | <u>\$ 2,311,320</u> | <u>\$ 2,370,841</u> | <u>\$ 1,959,303</u> |

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|-----------------|-----------------------|--------------------------|-----------------------|
| Current | \$ 2,377,140 | \$ 2,618,159 | \$ 2,128,097 |
| Up to 120 days | 276,048 | 174,857 | 101,989 |
| 121 to 365 days | 403 | 840 | 9,777 |
| Over one year | <u>9,550</u> | <u>9,179</u> | <u>1,143</u> |
| | <u>\$ 2,663,141</u> | <u>\$ 2,803,035</u> | <u>\$ 2,241,006</u> |

The above ageing analysis was based on past due date.

B. As of March 31, 2022, December 31, 2021 and March 31, 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of accounts receivable and notes receivable from contracts with customers amounted to \$2,184,158.

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|-------------------|-----------------------|--------------------------|-----------------------|
| With guarantee | \$ 176,600 | \$ 153,934 | \$ 138,828 |
| Without guarantee | 2,150,331 | 2,233,069 | 1,827,703 |
| | <u>\$ 2,326,931</u> | <u>\$ 2,387,003</u> | <u>\$ 1,966,531</u> |

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

D. As at March 31, 2022, December 31, 2021 and March 31, 2021, 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 were \$336,210, \$416,032 and \$274,475, respectively, while the amount that best represents the Group's accounts receivable were \$2,311,320, \$2,370,841 and \$1,959,303, respectively.

E. Information relating to credit risk of accounts receivable (including related parties) and notes receivable is provided in Note 12(2).

(4) Inventories

| | <u>March 31, 2022</u> | | |
|----------------------|--------------------------|-----------------------------------------|---------------------|
| | <u>Cost</u> | <u>Allowance for valuation loss</u> | <u>Book value</u> |
| Raw materials | \$ 1,430,229 | \$ - | \$ 1,430,229 |
| Packing supplies | 39,442 | (247) | 39,195 |
| Work in progress | 45,615 | - | 45,615 |
| Finished goods | 598,981 | (8,801) | 590,180 |
| General merchandise | 53,458 | (3,384) | 50,074 |
| Inventory in transit | 7,886 | - | 7,886 |
| | <u>\$ 2,175,611</u> | <u>(\$ 12,432)</u> | <u>\$ 2,163,179</u> |
| | <u>December 31, 2021</u> | | |
| | <u>Cost</u> | <u>Allowance for valuation loss</u> | <u>Book value</u> |
| Raw materials | \$ 1,051,158 | \$ - | \$ 1,051,158 |
| Packing supplies | 36,673 | (247) | 36,426 |
| Work in progress | 28,046 | - | 28,046 |
| Finished goods | 707,157 | (7,502) | 699,655 |
| General merchandise | 52,399 | (3,885) | 48,514 |
| Inventory in transit | 13,427 | - | 13,427 |
| | <u>\$ 1,888,860</u> | <u>(\$ 11,634)</u> | <u>\$ 1,877,226</u> |

| | March 31, 2021 | | |
|----------------------|---------------------|---------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 1,053,971 | \$ - | \$ 1,053,971 |
| Packing supplies | 34,710 | (400) | 34,310 |
| Work in progress | 38,584 | - | 38,584 |
| Finished goods | 518,137 | (11,800) | 506,337 |
| General merchandise | 54,478 | (3,217) | 51,261 |
| Inventory in transit | 13,731 | - | 13,731 |
| | <u>\$ 1,713,611</u> | <u>(\$ 15,417)</u> | <u>\$ 1,698,194</u> |

The cost of inventories recognised as expense for the period:

| | For the three-month periods ended March 31, | |
|---------------------------------|---------------------------------------------|---------------------|
| | 2022 | 2021 |
| Cost of goods sold | \$ 6,273,941 | \$ 4,810,120 |
| Loss on decline in market value | 798 | 3,656 |
| Others | 641 | 483 |
| | <u>\$ 6,275,380</u> | <u>\$ 4,814,259</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 loss from disposal of leftovers and scraps.

(5) Biological assets

A. Biological assets

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|-------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| Biological assets - current: | | | |
| Consumable biological assets | \$ 1,286,782 | \$ 1,281,083 | \$ 1,145,884 |
| Consumable biological assets - changes in fair value less costs to sell | 26,745 | 38,229 | 43,353 |
| Bearer biological assets | 818,882 | 835,009 | 745,128 |
| Bearer biological assets - accumulated depreciation | (518,166) | (539,483) | (413,559) |
| | <u>\$ 1,614,243</u> | <u>\$ 1,614,838</u> | <u>\$ 1,520,806</u> |

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|-----------------------------------------------------|-----------------------|--------------------------|-----------------------|
| Biological assets-non-current: | | | |
| Bearer biological assets | \$ 557,062 | \$ 531,928 | \$ 506,826 |
| Bearer biological assets - accumulated depreciation | (91,243) | (87,087) | (88,162) |
| | <u>\$ 465,819</u> | <u>\$ 444,841</u> | <u>\$ 418,664</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>For the three-months periods ended March 31,</u> | |
|--------------------------------------------------|-----------------------------------------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| At January 1 | \$ 2,059,679 | \$ 1,833,155 |
| Purchases | 423,597 | 335,566 |
| Costs and expenses input | 2,101,420 | 1,800,482 |
| Sales | (1,058,039) | (788,055) |
| Loss on changes in fair value less costs to sell | (11,484) | (7,614) |
| Transferred to inventories | (1,432,899) | (1,232,848) |
| Others | (2,212) | (1,216) |
| At March 31 | <u>\$ 2,080,062</u> | <u>\$ 1,939,470</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 ~ 52weeks. For the three-month periods ended March 31, 2022 and 2021, depreciation expense on biological assets amounted to \$103,341 and \$107,855, respectively.

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--------------------------------------------------------------------------------|-----------------------|--------------------------|-----------------------|
| Livestock production: Estimates of physical quantities (Units: heads) | <u>4,918,439</u> | <u>5,385,387</u> | <u>5,639,067</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 prices of the agriculture products regularly, and considers such predictions in assessing financial risk.

(6) 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 March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amount of the Group's individually immaterial joint ventures amounted to \$98,951, \$100,160 and \$100,045, respectively.

| | <u>For the three-month periods ended March 31,</u> | |
|---------------------------------------------------------|----------------------------------------------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| (Loss) profit for the period from continuing operations | (\$ 1,209) | \$ 165 |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive (loss) income | <u>(\$ 1,209)</u> | <u>\$ 165</u> |

(7) Property, plant and equipment

| | Land | Land improvements | Buildings and structures | Machinery and equipment | Transportation equipment | Leasehold improvements | Other equipment | Construction in progress and equipment to be inspected | Total |
|-----------------------------------------|---------------------|-------------------|--------------------------|-------------------------|--------------------------|------------------------|-------------------|--------------------------------------------------------|----------------------|
| <u>At January 1, 2022</u> | | | | | | | | | |
| Cost | \$ 3,018,294 | \$ 243,735 | \$ 4,317,427 | \$ 4,256,052 | \$ 430,389 | \$ 1,020,888 | \$ 1,190,493 | \$ 3,310,643 | \$ 17,787,921 |
| Accumulated depreciation | - | (74,644) | (1,456,885) | (2,417,059) | (206,655) | (678,346) | (482,729) | - | (5,316,318) |
| | <u>\$ 3,018,294</u> | <u>\$ 169,091</u> | <u>\$ 2,860,542</u> | <u>\$ 1,838,993</u> | <u>\$ 223,734</u> | <u>\$ 342,542</u> | <u>\$ 707,764</u> | <u>\$ 3,310,643</u> | <u>\$ 12,471,603</u> |
| <u>2022</u> | | | | | | | | | |
| Opening net book amount as at January 1 | \$ 3,018,294 | \$ 169,091 | \$ 2,860,542 | \$ 1,838,993 | \$ 223,734 | \$ 342,542 | \$ 707,764 | \$ 3,310,643 | \$ 12,471,603 |
| Additions | 11 | 5,786 | 16,791 | 28,659 | 8,113 | 17,105 | 15,895 | 402,208 | 494,568 |
| Disposals | - | - | (502) | (1,213) | (205) | - | - | - | (1,920) |
| Reclassifications | 6,630 | 37,335 | 614,265 | 152,954 | 9,302 | - | 54,560 | (875,046) | - |
| Depreciation | - | (5,493) | (62,527) | (76,741) | (15,100) | (21,515) | (27,315) | - | (208,691) |
| Closing net book amount as at March 31 | <u>\$ 3,024,935</u> | <u>\$ 206,719</u> | <u>\$ 3,428,569</u> | <u>\$ 1,942,652</u> | <u>\$ 225,844</u> | <u>\$ 338,132</u> | <u>\$ 750,904</u> | <u>\$ 2,837,805</u> | <u>\$ 12,755,560</u> |
| <u>At March 31, 2022</u> | | | | | | | | | |
| Cost | \$ 3,024,935 | \$ 286,119 | \$ 4,942,909 | \$ 4,415,327 | \$ 445,901 | \$ 1,026,660 | \$ 1,260,186 | \$ 2,837,805 | \$ 18,239,842 |
| Accumulated depreciation | - | (79,400) | (1,514,340) | (2,472,675) | (220,057) | (688,528) | (509,282) | - | (5,484,282) |
| | <u>\$ 3,024,935</u> | <u>\$ 206,719</u> | <u>\$ 3,428,569</u> | <u>\$ 1,942,652</u> | <u>\$ 225,844</u> | <u>\$ 338,132</u> | <u>\$ 750,904</u> | <u>\$ 2,837,805</u> | <u>\$ 12,755,560</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, 2021</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> |
| <u>2021</u> | | | | | | | | | |
| Opening net book amount | | | | | | | | | |
| as at January 1 | \$ 2,700,970 | \$ 126,066 | \$ 2,552,467 | \$ 1,678,586 | \$ 195,173 | \$ 408,403 | \$ 600,791 | \$ 2,633,662 | \$ 10,896,118 |
| Additions | 9,932 | 312 | 13,504 | 16,767 | 2,337 | 5,982 | 4,054 | 633,485 | 686,373 |
| Disposals | - | - | (386) | - | (1,824) | - | (299) | - | (2,509) |
| Reclassifications | 273,852 | 420 | 85,652 | 30,383 | 15,416 | - | 58,630 | (464,353) | - |
| Depreciation | - | (4,236) | (51,376) | (66,690) | (13,329) | (22,732) | (22,021) | - | (180,384) |
| Closing net book amount as at March 31 | <u>\$ 2,984,754</u> | <u>\$ 122,562</u> | <u>\$ 2,599,861</u> | <u>\$ 1,659,046</u> | <u>\$ 197,773</u> | <u>\$ 391,653</u> | <u>\$ 641,155</u> | <u>\$ 2,802,794</u> | <u>\$ 11,399,598</u> |
| <u>At March 31, 2021</u> | | | | | | | | | |
| Cost | \$ 2,984,754 | \$ 185,605 | \$ 3,973,740 | \$ 3,912,869 | \$ 374,632 | \$ 1,013,520 | \$ 1,072,552 | \$ 2,802,794 | \$ 16,320,466 |
| Accumulated depreciation | - | (63,043) | (1,373,879) | (2,253,823) | (176,859) | (621,867) | (431,397) | - | (4,920,868) |
| | <u>\$ 2,984,754</u> | <u>\$ 122,562</u> | <u>\$ 2,599,861</u> | <u>\$ 1,659,046</u> | <u>\$ 197,773</u> | <u>\$ 391,653</u> | <u>\$ 641,155</u> | <u>\$ 2,802,794</u> | <u>\$ 11,399,598</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>For the three-month periods ended March 31,</u> | |
|---------------------|----------------------------------------------------|-------------|
| | <u>2022</u> | <u>2021</u> |
| Amount capitalised | \$ 4,147 | \$ 4,487 |
| Interest rate range | 0.50%~1.34% | 1.00%~1.34% |

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

- C. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group held 210 parcels, 207 parcels and 214 parcels of agricultural land, respectively. The carrying amounts of land registered under the title of others amounted to \$1,061,743, \$1,055,111 and \$1,093,155, 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.

(8) 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>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|----------------------------------------------|------------------------|--------------------------|------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Land | \$ 315,479 | \$ 299,768 | \$ 291,594 |
| Buildings | 36,558 | 35,331 | 27,366 |
| Transportation equipment (Cargo truck) | 23,736 | 25,472 | 21,788 |
| Other equipment | 13,918 | 10,909 | 10,774 |
| | <u>\$ 389,691</u> | <u>\$ 371,480</u> | <u>\$ 351,522</u> |

| | For the three-month periods ended March 31, | |
|----------------------------------------------|---------------------------------------------|---------------------|
| | 2022 | 2021 |
| | Depreciation charge | Depreciation charge |
| Land | \$ 7,453 | \$ 6,590 |
| Buildings | 3,123 | 2,139 |
| Transportation equipment (Cargo truck) | 1,736 | 1,257 |
| Other equipment | 1,705 | 1,403 |
| | <u>\$ 14,017</u> | <u>\$ 11,389</u> |

C. For the three-month periods ended March 31, 2022 and 2021, the additions to right-of-use assets were \$32,228 and \$16,996, respectively.

D. The Group has no significant profit or loss in relation to lease contracts for the three-month periods ended March 31, 2022 and 2021.

E. For the three-month periods ended March 31, 2022 and 2021, the Group's total cash outflow for leases were \$11,278 and \$9,533, respectively.

(9) Intangible assets

| | For the three-months periods ended March 31, | |
|-----------------------------------------|----------------------------------------------|---------------|
| | 2022 | 2021 |
| Software | | |
| At January 1 | | |
| Cost | \$ 14,740 | \$ 10,651 |
| Accumulated amortisation and impairment | (11,210) | (10,477) |
| | <u>\$ 3,530</u> | <u>\$ 174</u> |
| At January 1 | \$ 3,530 | \$ 174 |
| Amortisation | (348) | (52) |
| At March 31 | <u>\$ 3,182</u> | <u>\$ 122</u> |
| At March 31 | | |
| Cost | \$ 14,740 | \$ 10,651 |
| Accumulated amortisation and impairment | (11,558) | (10,529) |
| | <u>\$ 3,182</u> | <u>\$ 122</u> |

(10) Short-term borrowings

| <u>Type of borrowings</u> | <u>March 31, 2022</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|-----------------------|----------------------------|-------------------|
| Unsecured borrowings | \$ 4,226,656 | 0.95%~1.97% | None |
| Letters of credit | 388,152 | 0.80%~1.56% | None |
| | <u>\$ 4,614,808</u> | | |

| <u>Type of borrowings</u> | <u>December 31, 2021</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Unsecured borrowings | \$ 3,090,000 | 0.95%~1.55% | None |
| Letters of credit | 211,031 | 0.94%~1.12% | None |
| | <u>\$ 3,301,031</u> | | |

| <u>Type of borrowings</u> | <u>March 31, 2021</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|-----------------------|----------------------------|-------------------|
| Unsecured borrowings | \$ 3,183,000 | 0.95%~1.58% | None |
| Letters of credit | 210,007 | 0.47%~0.91% | None |
| | <u>\$ 3,393,007</u> | | |

(11) Short-term notes and bills payable

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|-----------------------------|-----------------------|--------------------------|-----------------------|
| Commercial paper payable | \$ 1,280,000 | \$ 1,040,000 | \$ 770,000 |
| Less: Unamortised discounts | (990) | (797) | (952) |
| | <u>\$ 1,279,010</u> | <u>\$ 1,039,203</u> | <u>\$ 769,048</u> |
| Interest rate range | 0.14%~0.84% | 0.14%~0.84% | 0.23%~0.89% |

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

(12) Other payables

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--------------------------------------|-----------------------|--------------------------|-----------------------|
| Accrued salary | \$ 250,181 | \$ 432,804 | \$ 236,902 |
| Payables for machinery and equipment | 19,575 | 73,068 | 8,304 |
| Contract liabilities | 55 | 159 | - |
| Others | 301,068 | 304,876 | 249,978 |
| | <u>\$ 570,879</u> | <u>\$ 810,907</u> | <u>\$ 495,184</u> |

(13) Long-term borrowings

| Type of borrowings | Borrowing period | Interest rate range | March 31, 2022 |
|------------------------|-----------------------|------------------------|---------------------|
| Secured loans | 2017.10.05~2031.04.07 | 0.10%-1.68% | \$ 1,913,068 |
| Unsecured credit loans | 2017.09.06~2028.09.29 | 0.79%-1.38% | 4,330,000 |
| | | | 6,243,068 |
| Less: Current portion | | | (217,938) |
| | | | <u>\$ 6,025,130</u> |

| Type of borrowings | Borrowing period | Interest rate range | December 31, 2021 |
|------------------------|-----------------------|------------------------|---------------------|
| Secured loans | 2017.10.05~2031.04.07 | 0.1%-1.43% | \$ 1,879,500 |
| Unsecured credit loans | 2017.09.06~2028.09.29 | 0.79%-1.35% | 5,490,000 |
| | | | 7,369,500 |
| Less: Current portion | | | (239,750) |
| | | | <u>\$ 7,129,750</u> |

| Type of borrowings | Borrowing period | Interest rate range | March 31, 2021 |
|------------------------|----------------------|------------------------|---------------------|
| Secured loans | 2017.10.5~2030.12.15 | 0.10%-1.40% | \$ 1,496,587 |
| Unsecured credit loans | 2017.9.6~2023.12.31 | 0.79%-1.35% | 3,090,000 |
| | | | 4,586,587 |
| Less: Current portion | | | (613,250) |
| | | | <u>\$ 3,973,337</u> |

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

(14) Pensions

A. Defined benefit plans

- (a) The Company and its domestic subsidiaries have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit plans, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its

domestic subsidiaries contribute monthly an amount equal to specific percentage of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balances are insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.

- (b) For the aforementioned pension plan, the Group recognised pension costs of \$571 and \$682 for the three-month periods ended March 31, 2022 and 2021, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 have no material differences from actual contributions for the year ended December 31, 2021.

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 three-month periods ended March 31, 2022 and 2021 were \$14,356 and \$13,734, respectively.

(15) Share capital - common stock

As of March 31, 2022, 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 three-month periods ended March 31, 2022 and 2021, there were no changes in the number of the Company's ordinary shares outstanding.

(16) 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.

(17) 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 2020 have been resolved at the shareholders’ meeting on June 21, 2021 as follows:

| | 2020 | |
|----------------|------------|----------------------------------------|
| | Amount | Dividends per share (in dollars) |
| Legal reserve | \$ 164,389 | |
| Cash dividends | 1,205,959 | \$ 4.50 |

- E. Events after the balance sheet date:

The appropriations of earnings for 2021 proposed by the Board of Directors on May 9, 2022 are as follows. The dividends payable is not reflected in the consolidated financial statements of the Group.

| | 2021 | |
|-----------------|------------|----------------------------------------|
| | Amount | Dividends per share (in dollars) |
| Legal reserve | \$ 137,044 | |
| Cash dividends | 803,973 | \$ 3.00 |
| Stock dividends | 267,991 | 1.00 |

The appropriation proposal of 2021 earnings has not yet been resolved at the shareholders' meeting.

(18) Operating revenue

| | <u>For the three-month periods ended March 31,</u> | |
|---------------------------------------|----------------------------------------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Revenue from contracts with customers | <u>\$ 7,199,414</u> | <u>\$ 5,718,985</u> |

A. Disaggregation of revenue from contracts with customers

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

| | <u>For the three-month periods ended March 31,</u> | |
|------------------------------------------|----------------------------------------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Total segment revenue | \$ 7,357,272 | \$ 5,850,114 |
| Inter-segment revenue | (157,858) | (131,129) |
| Revenue from external customer contracts | <u>\$ 7,199,414</u> | <u>\$ 5,718,985</u> |
| Timing of revenue recognition | | |
| At a point in time | <u>\$ 7,199,414</u> | <u>\$ 5,718,985</u> |

B. Contract liabilities

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|------------------------|-----------------------|--------------------------|-----------------------|
| Contract liabilities: | | | |
| Contract liabilities - | | | |
| advance receipts | <u>\$ 55</u> | <u>\$ 159</u> | <u>\$ -</u> |

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

(19) Other income and expenses, net

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

| | <u>For the three-month periods ended March 31,</u> | |
|--------------------------------|----------------------------------------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Other income and expenses, net | <u>(\$ 11,484)</u> | <u>(\$ 7,614)</u> |

(20) Interest income

| | <u>For the three-month periods ended March 31,</u> | |
|------------------------------------|----------------------------------------------------|--------------|
| | <u>2022</u> | <u>2021</u> |
| Interest income from bank deposits | <u>\$ 29</u> | <u>\$ 28</u> |

(21) Other income

| | For the three-month periods ended March 31, | |
|---------------|---------------------------------------------|----------|
| | 2022 | 2021 |
| Rental income | \$ 1,937 | \$ 2,263 |

(22) Other gains and losses

| | For the three-month periods ended March 31, | |
|---------------------------------------------------|---------------------------------------------|------------------|
| | 2022 | 2021 |
| Loss on disposal of property, plant and equipment | (\$ 541) | (\$ 1,285) |
| Net foreign exchange (losses) gains | (27,374) | 11,306 |
| Other gains and losses | 1,120 | 5,704 |
| | <u>(\$ 26,795)</u> | <u>\$ 15,725</u> |

(23) Finance costs

| | For the three-month periods ended March 31, | |
|---------------------------------------|---------------------------------------------|-----------|
| | 2022 | 2021 |
| Interest expense: | | |
| Bank borrowings and lease liabilities | \$ 26,096 | \$ 17,750 |

(24) Expenses by nature

| | For the three-month periods ended March 31, 2022 | | |
|-----------------------------------------------|--------------------------------------------------|--------------------|-------------------|
| | Operating cost | Operating expenses | Total |
| Employee benefit expense | \$ 369,321 | \$ 228,508 | \$ 597,829 |
| Depreciation on property, plant and equipment | 187,011 | 21,680 | 208,691 |
| Depreciation on right-of-use assets | 10,392 | 3,625 | 14,017 |
| Amortisation | 1,215 | 175 | 1,390 |
| | <u>\$ 567,939</u> | <u>\$ 253,988</u> | <u>\$ 821,927</u> |
| | For the three-month periods ended March 31, 2021 | | |
| | Operating cost | Operating expenses | Total |
| Employee benefit expense | \$ 364,235 | \$ 207,169 | \$ 571,404 |
| Depreciation on property, plant and equipment | 163,505 | 16,879 | 180,384 |
| Depreciation on right-of-use assets | 8,697 | 2,692 | 11,389 |
| Amortisation | 914 | 102 | 1,016 |
| | <u>\$ 537,351</u> | <u>\$ 226,842</u> | <u>\$ 764,193</u> |

(25) Employee benefit expense

| | For the three-month period ended March 31, 2022 | | |
|----------------------------|-------------------------------------------------|--------------------|-------------------|
| | Operating cost | Operating expenses | Total |
| Wages and salaries | \$ 308,366 | \$ 205,349 | \$ 513,715 |
| Labor and health insurance | 33,874 | 14,904 | 48,778 |
| Pension costs | 9,345 | 5,582 | 14,927 |
| Other personnel expenses | 17,736 | 2,673 | 20,409 |
| | <u>\$ 369,321</u> | <u>\$ 228,508</u> | <u>\$ 597,829</u> |

| | For the three-month period ended March 31, 2021 | | |
|----------------------------|-------------------------------------------------|--------------------|-------------------|
| | Operating cost | Operating expenses | Total |
| Wages and salaries | \$ 304,940 | \$ 186,138 | \$ 491,078 |
| Labor and health insurance | 33,666 | 14,021 | 47,687 |
| Pension costs | 9,294 | 5,122 | 14,416 |
| Other personnel expenses | 16,335 | 1,888 | 18,223 |
| | <u>\$ 364,235</u> | <u>\$ 207,169</u> | <u>\$ 571,404</u> |

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

- A. According to the Articles of Incorporation of the Company, an amount equal to at least 1% of the Company's distributable profit of the current year should be appropriated as employees' compensation expense. If the Company has an accumulated deficit, earnings should be reserved to cover the accumulated losses in advance.
- B. For the three-month period ended March 31, 2022 and 2021, employees' compensation was accrued at \$3,860 and \$4,879, respectively. The aforementioned amounts were recognised in wages and salaries expense.

For the three-month periods ended March 31, 2022, 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 2021, the difference of \$36 between employees' compensation of \$17,158 resolved by the Board of Directors and the amount of \$17,194 recognised in the 2021 financial statements, mainly resulting from a variance in estimation, will be adjusted in profit or loss for 2022. The employees' compensation in 2021 has not yet been distributed, so the adjustment of the variance was not yet reflected in the consolidated financial statements of the Group.

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | <u>For the three-month periods ended March 31,</u> | |
|---------------------------------------------------|----------------------------------------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| Current tax: | | |
| Current tax on profits for the period | \$ 95,099 | \$ 108,449 |
| Prior year income tax overestimation | - | (3,617) |
| Total current tax | <u>95,099</u> | <u>104,832</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (17,699) | (14,591) |
| Total deferred tax | <u>(17,699)</u> | <u>(14,591)</u> |
| Income tax expense | <u>\$ 77,400</u> | <u>\$ 90,241</u> |

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

| | <u>For the three-month periods ended March 31,</u> | |
|--------------------------------------------------------------------------------------------|----------------------------------------------------|-------------|
| | <u>2022</u> | <u>2021</u> |
| Changes in fair value of financial assets at fair value through other comprehensive income | <u>(\$ 4,663)</u> | <u>\$ -</u> |

B. The income tax return through 2019 of the Company and its subsidiaries - Sheng Da Foods Co., Ltd. have been assessed and approved by the Tax Authority. The income tax returns through 2020 of the Company and its subsidiaries - Charoen Pokphand (Taiwan) Corp., 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.

(27) Earnings per share

| | <u>For the three-month period ended March 31, 2022</u> | | |
|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------------------|--------------------------------------------|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (shares in thousands)</u> | <u>Earnings per share (in dollars)</u> |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | <u>\$ 327,740</u> | <u>267,991</u> | <u>\$ 1.22</u> |
| <u>Diluted earnings per share</u> | | | |
| Profit from continuing operations attributable to ordinary shareholders | \$ 327,740 | 267,991 | |
| Assumed conversion of all dilutive potential ordinary shares - employees' compensation | <u>-</u> | <u>261</u> | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 327,740</u> | <u>268,252</u> | <u>\$ 1.22</u> |
| | | | |
| | <u>For the three-month period ended March 31, 2021</u> | | |
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (shares in thousands)</u> | <u>Earnings per share (in dollars)</u> |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | <u>\$ 387,237</u> | <u>267,991</u> | <u>\$ 1.45</u> |
| <u>Diluted earnings per share</u> | | | |
| Profit from continuing operations attributable to ordinary shareholders | \$ 387,237 | 267,991 | |
| Assumed conversion of all dilutive potential ordinary shares - employees' compensation | <u>-</u> | <u>350</u> | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 387,237</u> | <u>268,341</u> | <u>\$ 1.44</u> |

(28) Supplemental cash flow information

Investing activities with partial cash payment are as follows:

| | For the three-month periods ended March 31, | |
|----------------------------------------------|---------------------------------------------|-------------------|
| | 2022 | 2021 |
| Acquisition of property, plant and equipment | \$ 494,568 | \$ 686,373 |
| Add: Opening balance of payable on equipment | 73,068 | 61,144 |
| Less: Ending balance of payable on equipment | (19,575) | (8,304) |
| Cash paid during the period | <u>\$ 548,061</u> | <u>\$ 739,213</u> |

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship

| <u>Names of related parties</u> | <u>Relationship with the Group</u> |
|-----------------------------------------------|------------------------------------|
| Charoen Pokphand Foods Public Co., Ltd. (CPF) | Ultimate parent company |
| Charoen Pokphand Group Co., Ltd. (CPG) | Other related party |
| C.P. Consumer Products Company Limited | " |
| C.P. Merchandising Company Limited | " |
| Chia Tai Feedmill Pte. Ltd. | " |
| CPF (India) Private Limited | " |
| Ta Chung Investment Co., Ltd. | " |
| Chun Ta Investment Co., Ltd. | " |
| Perfect Companion (Taiwan) Co., Ltd. | " |
| Aviagen Incorporation | " |
| Mu Da Egg Co. | " |
| Fu Ding International Corporation | " |
| Fu Ting Foods Co., Ltd. | " |
| Li - Chun Farm Product Co., Ltd. | " |
| Jih Ching Egg Co., Ltd. | " |
| Hung Peng-Da | " |
| Hung Yu-Chun | " |
| Huang Wei-I | " |
| Lu Yi-Feng | " |
| Lu Xiang-Da | " |
| Lu Pei-Lun | " |
| Lan Fu-Shi | " |
| Zhang Jian-Wen | " |

(3) Significant related party transactions and balances

A. Operating revenue

| | For the three-month periods ended March 31, | |
|-----------------------|---------------------------------------------|------------|
| | 2022 | 2021 |
| Sales of goods: | | |
| Other related parties | \$ 90,857 | \$ 102,223 |

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

B. Purchases

| | For the three-month periods ended March 31, | |
|-------------------------|---------------------------------------------|------------------|
| | 2022 | 2021 |
| Purchases of goods: | | |
| Ultimate parent company | \$ 9,612 | \$ 3,123 |
| Other related parties | 57,962 | 59,865 |
| | <u>\$ 67,574</u> | <u>\$ 62,988</u> |

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

C. Receivables from related parties

| Notes and accounts | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|-----------------------|------------------|-------------------|------------------|
| receivable: | | | |
| Other related parties | \$ 56,868 | \$ 59,658 | \$ 58,671 |
| Other receivables: | | | |
| Other related parties | - | - | 21 |
| | <u>\$ 56,868</u> | <u>\$ 59,658</u> | <u>\$ 58,692</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

| Notes and accounts | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|-------------------------|------------------|-------------------|------------------|
| payable: | | | |
| Ultimate parent company | \$ - | \$ 3,115 | \$ - |
| Other related parties | 26,864 | 29,451 | 33,309 |
| Other payables: | | | |
| Other related parties | 2,033 | 1,616 | 3,468 |
| | <u>\$ 28,897</u> | <u>\$ 34,182</u> | <u>\$ 36,777</u> |

The payables to related parties arise mainly from purchase transactions. Other payables arise mainly from freight, processing fees and farm-member remuneration for joint collaboration for contractual breeding. The payables bear no interest.

E. Prepayments:

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|-----------------------|-----------------------|--------------------------|-----------------------|
| Other related parties | \$ - | \$ - | \$ 13,606 |

The above prepayment pertains to the prepayment for the jointly contractual breeding.

F. Property transactions

Acquisition of property, plant and equipment

In December 2021, the Board of Directors of Sheng Da Foods Co., Ltd. resolved to acquire land, buildings and ancillary facilities from a related party for a total consideration of \$88,999 for the operational needs and expansion of production capacity. A payment of \$20,000 was made in 2021.

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

| | <u>For the three-month periods ended March 31,</u> | |
|-----------------------|----------------------------------------------------|-------------|
| | <u>2022</u> | <u>2021</u> |
| Rental income: | | |
| Other related parties | \$ 245 | \$ 245 |

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

H. Leasing arrangements – lessee

(a) The Company’s subsidiaries lease farm buildings and equipment from other related parties.

(b) For the three-month periods ended March 31, 2022 and 2021, the Group recognised rent expense amounting to \$2,250 and \$0, respectively. As of March 31, 2022, the outstanding balance was \$0.

I. Jointly contractual breeding

(a) The Company’s subsidiaries signed the joint contractual breeding agreements with other related parties to provide techniques for the husbandry management of layers, as well as farm buildings and equipment for the breeding.

(b) For the three-month periods ended March 31, 2022 and 2021, the farm-member remuneration for joint collaboration for contractual breeding recognised amounted to \$9,988 and \$0, respectively. As of March 31, 2022, the outstanding balance was \$3,329.

J. 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 shall not be terminated except when any of the two parties would agree to end the agreement. For the three-month periods ended March 31, 2022 and 2021, the Company recognised technical service expenses amounting to \$2,713 and \$2,907, respectively. As of March 31, 2022, December 31, 2021 and March 31, 2021, the outstanding balance was \$0.
- (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. The contract term was extended to five years effective from the end of 2020. For the three-month periods ended March 31, 2022 and 2021, the Company recognised technical service expense both amounting to \$2,100. As of March 31, 2022, December 31, 2021 and March 31, 2021, the outstanding balances were \$4,200, \$2,100 and \$2,800, respectively, shown as ‘other payables to related parties’.

K. 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. The contract term was extended to five years effective from the end of 2020. For the three-month periods ended March 31, 2022 and 2021, the Company recognised royalties amounting to \$21,436 and \$18,885, respectively. As of March 31, 2022, December 31, 2021 and March 31, 2021, the outstanding balances were \$42,767, \$21,332 and \$25,478, respectively, shown as ‘other payables to related parties’.

(4) Key management compensation

| | <u>For the three-month periods ended March 31,</u> | |
|-------------------------------------------------|----------------------------------------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| Salaries and other short-term employee benefits | \$ 53,732 | \$ 49,512 |
| Post-employment benefits | 387 | 415 |
| Total | <u>\$ 54,119</u> | <u>\$ 49,927</u> |

8. PLEDGED ASSETS

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

| Pledged assets | Book value | | | Purpose |
|----------------------------------------------------|---------------------|----------------------|---------------------|----------------------|
| | March 31, 2022 | December 31, 2021 | March 31, 2021 | |
| Time deposits (shown as 'Other current assets') | \$ 9,650 | \$ 9,650 | \$ 8,200 | Guarantee deposit |
| Property, plant and equipment | | | | |
| Land | 1,069,003 | 1,069,003 | 1,028,046 | Long-term borrowings |
| Buildings and structures | 218,115 | 221,276 | 223,415 | Long-term borrowings |
| Construction in progress | 1,311,706 | 1,192,933 | 733,355 | Long-term borrowings |
| | <u>\$ 2,608,474</u> | <u>\$ 2,492,862</u> | <u>\$ 1,993,016</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. On July 26, 2021, the Hualien County Government sent another letter alleging that the Group did not obtain permission for agricultural use in accordance with the regulations and revoking the permission in accordance with Article 117 of the Administrative Procedures Act. The Group has appointed a lawyer to file an appeal. 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 March 31, 2022, the related costs incurred by the Group amounted to \$71,281, excluding the cost of land.

(2) Commitments

- A. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group had opened unused letters of credit for purchases of raw materials and machinery of \$321,858, \$1,226,945 and \$732,892, respectively.
- B. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group had several outstanding construction contracts and equipment purchase agreements amounting to \$822,376, \$740,967 and \$981,925, respectively, which will be paid based on the percentage of completion.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (1) The appropriation of 2021 earnings was approved by the Board of Directors on May 9, 2022. Please refer to Note 6(17) for details.
- (2) In December 2021, the Board of Directors of Sheng Da Foods Co., Ltd. resolved to acquire land, buildings and ancillary facilities from a related party for a total consideration of \$88,999 for the operational needs and expansion of production capacity. A payment of \$20,000 was made in 2021. The Company also made a further payment of \$37,281 in April, 2022.

12. OTHERS

(1) Capital risk management

There were no significant changes in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2021.

(2) Financial risk of financial instruments

A. Financial instruments by category

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|----------------------------------------------------------------------------|-----------------------|--------------------------|-----------------------|
| <u>Financial assets</u> | | | |
| Financial assets measured at fair value through other comprehensive income | | | |
| Designation of equity instrument | \$ 2,510,751 | \$ 2,575,015 | \$ 2,060,906 |
| Financial assets at amortised cost | | | |
| Cash and cash equivalents | 127,639 | 187,008 | 268,758 |
| Notes receivable (including related parties) | 343,384 | 419,983 | 277,483 |
| Accounts receivable (including related parties) | 2,361,014 | 2,426,548 | 2,014,966 |
| Other receivables | 9,436 | 18,665 | 4,831 |
| Refundable deposits | 33,675 | 43,408 | 48,821 |
| Other financial assets - current | 9,650 | 9,650 | 22,291 |
| | <u>\$ 5,395,549</u> | <u>\$ 5,680,277</u> | <u>\$ 4,698,056</u> |
| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
| <u>Financial liabilities</u> | | | |
| Financial liabilities at amortised cost | | | |
| Short-term borrowings | \$ 4,614,808 | \$ 3,301,031 | \$ 3,393,007 |
| Short-term notes and bills payable | 1,279,010 | 1,039,203 | 769,048 |
| Notes payable (including related parties) | 390,580 | 515,448 | 386,060 |
| Accounts payable (including related parties) | 877,512 | 872,393 | 830,383 |
| Other payables (including related parties) | 623,208 | 837,678 | 526,930 |
| Long-term borrowings (including current portion) | 6,243,068 | 7,369,500 | 4,586,587 |
| | <u>\$ 14,028,186</u> | <u>\$ 13,935,253</u> | <u>\$ 10,492,015</u> |
| Lease liability | <u>\$ 366,132</u> | <u>\$ 345,182</u> | <u>\$ 328,560</u> |

B. Financial risk management policies

There were no significant changes in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2021.

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 the group 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:

| | March 31, 2022 | | |
|---------------------------------------------|-------------------------------------------|---------------|---------------------|
| | Foreign currency amount (in thousands) | | Book value (NTD) |
| (Foreign currency : functional currency) | | Exchange rate | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | USD | 13 | 28.58 \$ 374 |
| USD:HKD | USD | 79 | 7.80 2,249 |
| CNY:HKD | CNY | 685 | 1.24 3,094 |
| <u>Non-monetary item</u> | | | |
| THB:HKD | THB | 1,850,880 | 0.24 \$ 1,592,476 |
| THB:NTD | THB | 1,067,218 | 0.86 918,275 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | USD | 16,572 | 28.68 \$ 475,203 |
| EUR:NTD | EUR | 268 | 32.12 8,609 |

| | | December 31, 2021 | | |
|---------------------------------------------|-----|----------------------------------------------|---------------|---------------------|
| | | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency : functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | USD | 12 | 27.63 | \$ 319 |
| USD:HKD | USD | 111 | 7.80 | 3,071 |
| CNY:HKD | CNY | 685 | 1.23 | 2,987 |
| <u>Non-monetary item</u> | | | | |
| THB:HKD | THB | 1,958,400 | 0.23 | \$ 1,633,426 |
| THB:NTD | THB | 1,129,214 | 0.83 | 941,589 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | USD | 11,686 | 27.73 | \$ 324,040 |
| EUR:NTD | EUR | 262 | 31.52 | 8,261 |

| | | March 31, 2021 | | |
|---------------------------------------------|-----|----------------------------------------------|---------------|---------------------|
| | | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency : functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | USD | 114 | 28.49 | \$ 3,258 |
| USD:HKD | USD | 3,430 | 7.80 | 97,928 |
| CNY:HKD | CNY | 685 | 1.19 | 2,975 |
| <u>Non-monetary item</u> | | | | |
| THB:HKD | THB | 2,265,600 | 0.25 | \$ 2,060,906 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | USD | 10,215 | 28.59 | \$ 292,004 |
| JPY:NTD | JPY | 20,999 | 0.26 | 5,453 |
| EUR:NTD | EUR | 23 | 33.68 | 762 |
| SGD:NTD | SGD | 93 | 21.30 | 1,987 |

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

- v. Total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2022 and 2021 amounted to (\$27,374) and \$11,306, respectively.

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

| | | | For the three-month period ended March 31, 2022 | | |
|------------------------------------------|----|-----|-------------------------------------------------|--------------------------|--------------------------------------|
| | | | 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% | \$ | 4 | \$ | - |
| USD : HKD | 1% | | 22 | | - |
| CNY : HKD | 1% | | 31 | | - |
| <u>Non-monetary item</u> | | | | | |
| THB : HKD | 1% | \$ | - | \$ | 15,925 |
| THB : NTD | 1% | | - | | 9,183 |
| <u>Financial liabilities</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD : NTD | 1% | (\$ | 4,752) | \$ | - |
| EUR : NTD | 1% | (| 86) | | - |
| | | | For the three-month period ended March 31, 2021 | | |
| | | | 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% | \$ | 33 | \$ | - |
| USD : HKD | 1% | | 979 | | - |
| CNY : HKD | 1% | | 30 | | - |
| <u>Non-monetary item</u> | | | | | |
| THB : HKD | 1% | \$ | - | \$ | 20,609 |
| <u>Financial liabilities</u> | | | | | |
| <u>Monetary item</u> | | | | | |
| USD : NTD | 1% | (\$ | 2,920) | \$ | - |
| JPY : NTD | 1% | (| 55) | | - |
| EUR : NTD | 1% | (| 8) | | - |
| SGD : NTD | 1% | (| 20) | | - |

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 three-month periods ended March 31, 2022 and 2021 would have increased/decreased by \$23,271 and \$20,609, respectively, as a result of post-tax 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 three-month periods ended March 31, 2022 and 2021, 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 three-month periods ended March 31, 2022 and 2021, 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 three-month periods ended March 31, 2022 and 2021, would have been \$12,486 and \$9,173 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 its 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 credit risks from customers' non-performance 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 March 31, 2022, December 31, 2021 and March 31, 2021, the Group's written-off financial assets that are still under recourse procedures and recovered amounted to \$250, \$1,645 and \$179, respectively.
- vii. 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 March 31, 2022, December 31, 2021 and March 31, 2021, the expected loss rate is as follows:

| | <u>Current</u> | <u>Up to 120 days</u> | <u>121-365 days</u> | <u>Over one year</u> | <u>Total</u> |
|--------------------------|----------------|-----------------------|---------------------|----------------------|--------------|
| <u>March 31, 2022</u> | | | | | |
| Expected loss rate | 0.05%~0.43% | 1.50%~100% | 100% | 100% | |
| Total book value | \$ 2,377,140 | \$ 276,048 | \$ 403 | \$ 9,550 | \$ 2,663,141 |
| Loss allowance | 1,380 | 4,278 | 403 | 9,550 | 15,611 |
| <u>December 31, 2021</u> | | | | | |
| Expected loss rate | 0.05%~0.43% | 1.50%~100% | 100% | 100% | |
| Total book value | \$ 2,618,159 | \$ 174,857 | \$ 840 | \$ 9,179 | \$ 2,803,035 |
| Loss allowance | 1,841 | 4,302 | 840 | 9,179 | 16,162 |
| <u>March 31, 2021</u> | | | | | |
| Expected loss rate | 0.05%~0.43% | 1.50%~100% | 100% | 100% | |
| Total book value | \$ 2,128,097 | \$ 101,989 | \$ 9,777 | \$ 1,143 | \$ 2,241,006 |
| Loss allowance | 1,823 | 2,683 | 1,579 | 1,143 | 7,228 |

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

| | <u>2022</u> |
|---------------------------------|-----------------------------------------------------------|
| | Notes and accounts receivable (including related parties) |
| At January 1 | \$ 16,162 |
| Reversal of impairment loss | (551) |
| At March 31 | <u>\$ 15,611</u> |
| | <u>2021</u> |
| | Notes and accounts receivable (including related parties) |
| At January 1 (Same as March 31) | <u>\$ 7,228</u> |

The reversal of impairment loss arising from customers' contracts for the three-month periods ended March 31, 2022 and 2021 amounted to \$551 and \$0, 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

| March 31, 2022 | <u>Less than 1 year</u> | <u>Between 1 and</u> | |
|-----------------------------------------------------|-------------------------|----------------------|---------------------|
| | | <u>5 years</u> | <u>Over 5 years</u> |
| Short-term borrowings | \$ 4,614,808 | \$ - | \$ - |
| Short-term notes and bills payable | 1,280,000 | - | - |
| Notes payable (including related parties) | 390,580 | - | - |
| Accounts payable (including related parties) | 877,512 | - | - |
| Other payables (including related parties) | 623,208 | - | - |
| Lease liabilities | 37,701 | 150,906 | 204,051 |
| Long-term borrowings (including current portion) | 283,054 | 4,974,052 | 1,166,231 |

Non-derivative financial liabilities

| December 31, 2021 | <u>Less than 1 year</u> | <u>Between 1 and</u> | |
|-----------------------------------------------------|-------------------------|----------------------|---------------------|
| | | <u>5 years</u> | <u>Over 5 years</u> |
| Short-term borrowings | \$ 3,301,031 | \$ - | \$ - |
| Short-term notes and bills payable | 1,040,000 | - | - |
| Notes payable (including related parties) | 515,448 | - | - |
| Accounts payable (including related parties) | 872,393 | - | - |
| Other payables (including related parties) | 837,678 | - | - |
| Lease liabilities | 33,694 | 151,439 | 185,464 |
| Long-term borrowings (including current portion) | 312,743 | 6,066,963 | 1,201,453 |

Non-derivative financial liabilities

| March 31, 2021 | <u>Less than 1 year</u> | <u>Between 1 and</u> | |
|-----------------------------------------------------|-------------------------|----------------------|---------------------|
| | | <u>5 years</u> | <u>Over 5 years</u> |
| Short-term borrowings | \$ 3,393,007 | \$ - | \$ - |
| Short-term notes and bills payable | 770,000 | - | - |
| Notes payable (including related parties) | 386,060 | - | - |
| Accounts payable (including related parties) | 830,383 | - | - |
| Other payables (including related parties) | 526,930 | - | - |
| Lease liabilities | 30,632 | 129,452 | 195,001 |
| Long-term borrowings (including current portion) | 656,738 | 3,640,114 | 385,242 |

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>March 31, 2022</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>\$ 1,008,019</u> | <u>\$ -</u> | <u>\$ 1,008,019</u> |
| Financial assets at fair value through other comprehensive income: | | | | |
| Equity securities | <u>\$ 2,510,751</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,510,751</u> |

| <u>December 31, 2021</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> 974,696</u> | \$ <u> -</u> | \$ <u> 974,696</u> |
| Financial assets at fair value through other comprehensive income: | | | | |
| Equity securities | \$ <u> 2,575,015</u> | \$ <u> -</u> | \$ <u> -</u> | \$ <u> 2,575,015</u> |
| | | | | |
| <u>March 31, 2021</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> 871,587</u> | \$ <u> -</u> | \$ <u> 871,587</u> |
| Financial assets at fair value through other comprehensive income: | | | | |
| Equity securities | \$ <u> 2,060,906</u> | \$ <u> -</u> | \$ <u> -</u> | \$ <u> 2,060,906</u> |

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

- (a) The instruments the Group used quoted market prices as their fair values (that is, Level 1) are listed stocks, whose quoted market prices are based on the closing prices which are classified as financial assets at fair value through other comprehensive income.
- (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 three-month periods ended March 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. For the three-month periods ended March 31, 2022 and 2021, there was no transfer into or out from Level 3.

(4) Other matter

The Group was able to maintain its normal operations during the Covid-19 outbreak and has implemented several preventive measures imposed by the government. The Group assessed that the pandemic has no significant impact on the Group's ability to continue as a going concern, assets impairment and financing risks.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others during the three-month period ended March 31, 2022: None.

C. Holding of marketable securities at March 31, 2022 (not including subsidiaries, associates and joint ventures):

| Securities held by | Marketable securities | | Relationship with the securities issuer | General ledger account | As of March 31, 2022 | | | | Footnote |
|--------------------------------------|-----------------------|-----------------------------------------------|-----------------------------------------|-------------------------------------------------------------------|----------------------|------------|-----------|---------------------|----------|
| | Types | Name | | | Number of shares | Book value | Ownership | Fair value (Note 1) | |
| The Company | Common share | CHAROEN POKPHAND FOODS PUBLIC COMPANY LIMITED | (Note 2) | Financial assets at fair value through other comprehensive income | 44,282,900 | \$ 918,275 | 0.51% | \$ 918,275 | |
| 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 | 1,592,476 | 0.89% | 1,592,476 | |

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 the Company and 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 three-month period ended March 31, 2022: None.

E. Acquisition of real estate reaching NT\$300,000 or 20% of paid-in capital or more during the three-month period ended March 31, 2022: None.

F. Disposal of real estate reaching NT\$300,000 or 20% of paid-in capital or more during the three-month period ended March 31, 2022: 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 three-month period ended March 31, 2022: None.

H. Receivables from related parties reaching NT\$100,000 or 20% of paid-in capital or more as at March 31, 2022: None.

I. Trading in derivative instruments undertaken during the three-month period ended March 31, 2022: None

J. Significant inter-company transactions during the three-month period ended March 31, 2022: 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 March 31, 2022 | | | Investment income | | Footnote |
|--------------------------------------|---------------------------------------|----------------|-------------------------------------------------------------------------------|------------------------------|------------------------------|----------------------------------|---------------|--------------|-----------------------------------|----------------------------------|---------------------------------------------------------------|
| | | | | Balance as of March 31, 2022 | Balance as of March 31, 2021 | Number of shares | Ownership (%) | Book value | Net profit (loss) of the investee | (loss) recognised by the Company | |
| The Company | Plenty Type Limited (Cayman Islands) | Cayman Islands | Management of producing and non-producing business investments | \$ 470,459 | \$ 470,459 | 57,841,941 | 100.00 | \$ 1,597,807 | (\$ 1,084) | (\$ 1,084) | 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 | 51,579 | 6,169 | 5,552 | 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 | 88,474 | 5,647 | 2,824 | Subsidiary |
| The Company | Rui Mu Foods Co., Ltd. | Taiwan | Husbandry management of layers and related business | 193,860 | 193,860 | 20,400,000 | 68.00 | 141,710 | (20,194) | (13,732) | Subsidiary |
| The Company | Rui Fu Foods Co., Ltd. | Taiwan | Husbandry management of layers and related business | 357,000 | 357,000 | 35,700,000 | 51.00 | 266,919 | (27,316) | (13,931) | Subsidiary (Note 1) |
| The Company | Feng Sheng Livestock Co., Ltd. | Taiwan | Electric livestock slaughter | 100,000 | 100,000 | 10,000,000 | 50.00 | 98,951 | (2,418) | (1,209) | 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 | 3,780 | (136) | - | Indirectly owned subsidiary (Note 2) |
| Rui Fu Foods Co., Ltd. | Sheng Da Foods Co., Ltd. | Taiwan | Husbandry management of layers and related business | 120,000 | 120,000 | 12,000,000 | 75.00 | 83,448 | (9,398) | - | Indirectly owned subsidiary (Note 2) |

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

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

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

| <u>Name of major shareholders</u> | <u>Shares</u> | |
|-------------------------------------------------------|------------------------------|----------------------|
| | <u>Number of shares held</u> | <u>Ownership (%)</u> |
| Charoen Pokphand (Taiwan) Investment Ltd., 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 year.

(2) Segment information

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

| | For the three-month period ended March 31, 2022 | | | | | |
|-----------------------------|-------------------------------------------------|------------------------|------------------------|--------------------|--------------------|---------------------|
| | <u>Feeds</u> | <u>Meat processing</u> | <u>Food processing</u> | <u>Husbandry</u> | <u>Others</u> | <u>Total</u> |
| Revenues from third parties | \$ 4,113,155 | \$ 1,562,617 | \$ 1,025,251 | \$ 474,293 | \$ 24,098 | \$ 7,199,414 |
| Revenues from the Group | 94,941 | 10,044 | 429 | 36,229 | 16,215 | 157,858 |
| Total segment revenue | <u>\$ 4,208,096</u> | <u>\$ 1,572,661</u> | <u>\$ 1,025,680</u> | <u>\$ 510,522</u> | <u>\$ 40,313</u> | <u>\$ 7,357,272</u> |
| Segment income (loss) | <u>\$ 403,515</u> | <u>\$ 93,743</u> | <u>\$ 23,285</u> | <u>(\$ 52,349)</u> | <u>(\$ 28,339)</u> | <u>\$ 439,855</u> |

| | For the three-month period ended March 31, 2021 | | | | | |
|-----------------------------|-------------------------------------------------|------------------------|------------------------|--------------------|--------------------|---------------------|
| | <u>Feeds</u> | <u>Meat processing</u> | <u>Food processing</u> | <u>Husbandry</u> | <u>Others</u> | <u>Total</u> |
| Revenues from third parties | \$ 3,101,920 | \$ 1,301,216 | \$ 924,755 | \$ 370,609 | \$ 20,485 | \$ 5,718,985 |
| Revenues from the Group | 87,478 | 8,516 | 475 | 20,260 | 14,400 | 131,129 |
| Total segment revenue | <u>\$ 3,189,398</u> | <u>\$ 1,309,732</u> | <u>\$ 925,230</u> | <u>\$ 390,869</u> | <u>\$ 34,885</u> | <u>\$ 5,850,114</u> |
| Segment income (loss) | <u>\$ 437,459</u> | <u>\$ 49,981</u> | <u>\$ 39,570</u> | <u>(\$ 23,773)</u> | <u>(\$ 27,772)</u> | <u>\$ 475,465</u> |

(3) Reconciliation for segment income (loss)

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

A reconciliation of reportable segment income to the income before tax from continuing operations for the three-month periods ended March 31, 2022 and 2021 is provided as follows:

| | <u>For the three-month periods ended March 31,</u> | |
|-------------------------------------------|----------------------------------------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Reportable segment income | \$ 468,194 | \$ 503,237 |
| Other segment loss | (28,339) | (27,772) |
| Total segment | 439,855 | 475,465 |
| Interest expense | (26,096) | (17,750) |
| Foreign exchange (losses) gains, net | (27,374) | 11,306 |
| Income before tax from continuing segment | <u>\$ 386,385</u> | <u>\$ 469,021</u> |